

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Main report and annexes

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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.
Source: UN boundaries (2018); GAUL sub-national units (2024)
Map compiled by IFAD | 07-04-2026

Abbreviations and Acronyms

ADB	Asian Development Bank
AFN I	Agriculture for Nutrition Project (Phase I)
AFN II	Agriculture for Nutrition Project (Phase II)
APG	Agriculture Producer Groups
ASEAN	Association of Southeast Asian Nations
COI	IFAD Core Outcome Indicators
COSOP	Country Strategic Opportunities Programme
CSA	Climate Smart Agriculture
CSO	Civil Society organisations
DAEO	District Agriculture and Environment Office
DST	District Support team
ERP	Emission Reductions Programme
FAO	UN- Food and Agriculture Organisation
FEBL	Financial Education and Business Literacy Training
FNS	Farmer Nutrition Schools
GAFFSP	Global Agriculture and Food Security Programme
GALS	Gender Action Learning System
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
GESI	Gender Equality and Social Inclusion
GEWE	Gender Equality and Women's Empowerment
GIZ	German Agency for International Cooperation
GNI	Gross National Income
GoL	Government of Lao People's Democratic Republic
GPI	Gender Parity Index
GRM	Grievance Redress Mechanism
GSA	Green and Sustainable Agriculture Framework
HFIAS	Household Food Insecurity Access Scale
HH	Household
ICT	Information and Communication Technologies
ICT4D	Information and Communication Technologies for development
IFAD	International Fund for Agricultural Development
KFW	Kreditanstalt Für Wiederaufbau (German Development Bank)
KM	Knowledge Management
LaCSA	Laos Climate Services in Agriculture
LAK	Lao Kip
Lao PDR	Lao People's Democratic Republic
LDCF	Least Developed Countries Fund
LFA	Lao Farmers' Association
LNCCI	Lao National Chamber of Commerce and Industry
LWU	Lao Women's Union
LYU	Lao Youth Union
M&E	Monitoring and Evaluation
MAE	Ministry of Agriculture and Environment
MDD-W	Minimum Dietary Diversity for Women
MIS	Management Information System
MoCT	Ministry of Culture and Tourism
MoF	Ministry of Finance
MoH	Ministry of Health
Mol	Ministry of Information
MoIC	Ministry of Industry and Commerce
MoLSW	Ministry of Labour and Social Welfare
MoPWT	Ministry of Public Works and Transport
MoTC	Ministry of Technology and Communication
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
MTR	Mid Term Review
NAFRI	National Agriculture and Forestry Research Institute
NGO	Non-Governmental Organisations
NPAN	National Plan of Action on Nutrition
NSEDP	National Socio-Economic Development Plan
O&M	Operation and Maintenance

ODA	Official Development Assistance
OPD	Organisations of Persons with Disabilities
PAEO	Province Agriculture and Environment Office
PAR	Participatory Action Research
PICSA	Partnerships for Irrigation and Commercialisation of Smallholder Agriculture project
PPCP	Public-private Community Partnership
PPPP / 4P	Public Private Producer Partnership
PROMIS	Project Results and Monitoring Information System
SECAP	Social, Environmental and Climate Assessment Procedures
SSTC	South- South and Triangular Cooperation
UNSDCF	United Nations Sustainable Development Cooperation Framework
VC	Value chain
VCIP	Value Chain Investment Plan
WB	World Bank
WFP	UN-World Food Programme

In line with IFAD mainstreaming commitments, the project has been validated as:

☐ Be gender transformative ☒ Be youth sensitive ☒ Be nutrition sensitive ☒ Prioritize persons with disabilities ☐ Prioritize indigenous peoples ☒ Include climate finance ☒ Build adaptive capacity

Executive Summary

The Linking Enterprises, Agriculture and Development for Green Growth (LEAD) Project represents IFAD's engagement in a demand-driven, market-oriented and financially sustainable development approach in Lao PDR. The project will operate in the central provinces of Savannakhet and Khammouane. The goal of LEAD is to contribute to the reduction of rural poverty and improving the income, food safety and security of smallholder farmers and rural producer households in the target provinces by supporting climate-resilient, diversified, and value-added agricultural production, aligned with the national Green Growth Strategy. The development objective is to promote inclusive agricultural and food value chains (VCs) for national and export markets and enhance climate resilience. The project will accelerate and consolidate inclusive agricultural transformation through enhanced market integration, market-resilient production, and strengthened farmers' organizations. The project duration is seven years, and it will be implemented by the Ministry of Agriculture and Environment (MAE) as the lead agency, with Ministry of Industry and Commerce (MoIC) as co-implementing agency for value chain development and market integration interventions.

Project alignment

The LEAD project is fully aligned with national priorities, including the 10th National Socio-Economic Development Plan (NSED) (2026-2030), which prioritizes Micro and Small Enterprises (green growth, higher living standards, environmental protection, climate resilience and disaster risk reduction, directly contributing to the Government's towards market-oriented agricultural systems, export diversification, and inclusive economic growth in rural areas. LEAD is strategically aligned with complementary national strategies including: the Agriculture and Forestry/Rural Development Plan (2026-2030) promoting agricultural commercialization and value chain development; the Green Growth Strategy (2019-2030) emphasizing climate-resilient and sustainable agricultural production systems; the Nationally Determined Contribution (2021) targeting greenhouse gas emission reductions and climate adaptation in agriculture; the National Adaptation Plan (2025-2035) identifying agriculture and food security as the first priority sector for climate adaptation; the Trade and Private Sector Development Roadmap (2022-2026) and the MoIC roadmap supporting MSME development and export promotion; and the Micro, Small and Medium Enterprise Development Plan aligning with Agriculture Producer Groups (APGs) and MSE strengthening. The project is aligned with national decrees including Decree on Associations No. 536/GOV and Decree 606 on Groups and Cooperatives, which provide the regulatory framework for APG formation, registration, and graduation to cooperatives.

Targeting

The project will benefit approximately 14,308 households, corresponding to an estimated 80,125 household members. The number of people directly receiving project services is estimated at about 28,034, of whom 50 per cent will be women, 50 per cent men, and around 10 per cent youth (aged 15–35). Geographically, the project will initially target Savannakhet and Khammouane provinces, with a phased expansion to Xekong and Salavan, subject to the availability of supplementary climate co-financing^[1].

Value chain selection

A broad list of agricultural commodities was initially identified for prioritization. These included vegetables, poultry, rice–aquaculture, pig rearing, mushrooms, fruits, paddy rice, and honey. Each commodity was systematically evaluated using a weighted multi-criterion scoring matrix covering eight parameters: export potential, import substitution, profitability, women's engagement, nutrition, value-addition opportunities, climate resilience, and youth engagement. Scores were assigned on a five-point scale and weighted according to the agreed criteria, resulting in total composite scores ranging from 2.75 to 4.25. The project will initially prioritize three commodities for value-chain development interventions. However, recognizing that agricultural markets and production systems evolve over time, the project will maintain flexibility. As market dynamics, climate conditions, and producer capacities change, the project will undertake periodic re-evaluation using the same structured scoring approach. This will ensure that value-chain prioritization remains responsive, evidence-based, and aligned with emerging economic opportunities and producer demand.

Project Components, Sub-components and Activities

Component 1: Development of Inclusive Value Chains

The objective of this component is to transition existing APGs and agricultural cooperatives (AC) of smallholder farmers into sustainable and commercially viable business entities by strengthening their post-harvest value addition, facilitating access to finance and markets and effectively integrating them into selected value chains (VC). This will include dedicated investment for reducing post-harvest losses and developing scalable agri-food processing technologies tailored to smallholder contexts. Additionally, this component will support the development of agri-food MSEs engaging in these selected VCs, invest in climate-resilient infrastructure including market infrastructure, and create enabling environments for sustainable, inclusive and climate-resilient value chains development.

Sub-component 1.1: Market Access Facilitation

Output 1.1.1: Value Chain Investment Plans Developed

Activities: (i) Prioritise value chains; (ii) Develop Value Chain Investment Plans (VCIPs); (iii) Validate VCIPs through multi-stakeholder consultations at provincial and district levels.

Output 1.1.2: Inclusive Multi-stakeholder Platforms Established and Operational

Activities: (i) Facilitate the formation of inclusive commodity-specific Multi-Stakeholders Platforms (MSPs); (ii) Build organizational, management and leadership capacities of MSPs; (iii) Design/customise a digital platform for value chain transparency.

Output 1.1.3: Strategic Market Infrastructure Constructed

Activities: (i) Conduct infrastructure prioritization; (ii) Develop infrastructure feasibility studies and detailed technical designs for public investments (roads); (iii) Sign agreements with public entities defining responsibilities for operation, maintenance, and asset management.

Sub-component 1.2: Enterprise Development and Financial Inclusion

Output 1.2.1: Business development skills strengthened

Activities: (i) Conduct organizational capacity assessments of APGs and cooperatives; (ii) Deliver Financial Education and Business Literacy (FEBL) training; (iii) Support development of comprehensive business plans for cooperatives and MSEs; (iv) Provide technical assistance in developing bankable business proposals; (v) Strengthen quality management capacities including food safety standards, certification requirements and export compliance; (vi) Foster consolidation of APGs into larger cooperatives to access economies of scale and de-risking advantages.

Output 1.2.2: Cooperatives and MSEs supported to access rural financial services

Activities: (i) Simplify loan application procedure; (ii) Develop blended finance mechanisms (de-risking tools); (iii) Monitor loan performance.

Sub-component 1.3: Policy Engagement and Market Integration

Output 1.3.1 Strategic Policy Dialogue and Regulatory Framework Enhanced

Activities: (i) Support Government in implementation of the Decree on Groups and Cooperatives; (ii) Develop guidelines for small-scale producers relevant to food

standards, safety compliance and export certification; (iii) Identify other needed support for implementation of regulatory frameworks, including relevant to the National Policy on Plant Production, among others.

Component 2: Promotion of Climate Resilient Technologies and Diversification in Farming Systems

The objective of this component is to increase the climate and market shock resilience of farming systems and improve the productivity and product quality of inclusive APGs engaged in the value chains supported in Component 1, as well as consider technological innovation and research to enhance resilience of farming systems, reduce post-harvest losses, as well as promote value addition practices and processing techniques for wider adoption. This component will also support the poorest households in transitioning from subsistence farming and building their capacities to engage with or become members of the APGs or establish micro enterprises in short value chains. This will be achieved through three subcomponents.

Sub-component 2.1: Climate resilience and productivity of APG farming systems

Output 2.1.1: Production Resilience and Improvement Plans implemented to enhance adaptive capacities

Activities: (i) Conduct assessment of APGs and assess possibilities for demand-driven clustering; (ii) Facilitate participatory development of market-viable Production Resilience and Improvement Plans (PRIPs); (iii) Review and approve PRIPs; (iv) Provide blended finance mechanisms (de-risking tools) to implement PRIPs; (v) Provide technical backstopping during PRIP implementation.

Output 2.1.2: Water resources and other ecosystem services conserved

Activities: (i) Rehabilitate and upgrade off-farm irrigation infrastructure; (ii) Establish or strengthen existing Water User Groups (WUGs); (iii) Develop O&M plans and build capacity of WUGs for long-term infrastructure sustainability.

Sub-component 2.2: Action Research and scaling of successful practices

Output 2.2.1: New technologies and farming practices for resilience and improved productivity are tested and scaled up

Activities: (i) Mapping of new resilience technologies and diversification practices; (ii) Select 6 priority innovations for testing and scaling; (iii) Implement innovation testing through model APGs and farmers; (iv) Document and assess results including costs, benefits, climate resilience outcomes, gender impacts, and scalability; (v) Develop scaling strategy for proven innovations.

Sub-component 2.3: Livelihoods improvement for vulnerable households

Output 2.3.1: Livelihoods of poor households improved and diversified

Activities: (i) Identify and select target households; (ii) Deliver livelihood-support packages; (iii) Connect household production to local markets; (iv) Provide integrated nutrition and livelihood training; (v) Invest in community water supply.

Output 2.3.2: Persons with disabilities are targeted with livelihood support investments

Activities: (i) Conduct disability-inclusive needs assessment; (ii) Design tailored livelihood packages; (iii) Provide mentoring to participating households; (iv) Deliver skills training to enhance employability and access to job markets.

Project cost

The total cost of the project is USD 20.65 million, of which 85.17% will be financed through the IFAD PBAS loan, 2.99% through cash contributions from cooperatives, producer associations, and/or SMEs receiving support through matching grants, and 0.32% through in-kind contributions representing the valued counterpart provided by the most vulnerable beneficiaries. The remaining 11.52% will be financed by the Government as counterpart funding in the form of in-kind contributions including salaries for seconded staff, Office Equipment & maintenance, office furniture, printers and Services (water, electricity, internet) and taxes on selected goods and services included in the project activities. Physical and price contingencies account for 6.7% of total project costs, while operating costs, consultancy costs, and project management costs and M&E represent 7.03%, 8.9%, 14.94% and 3.60%, respectively.

Economic and financial analysis

The economic analysis indicates positive economic returns, with an Economic Internal Rate of Return (EIRR) estimated at 20.37%. This estimate assumes that 75% of farmers adopt the technologies and good agricultural practices promoted by the project, and that 85% of entrepreneurs adopt the improved technologies and/or practices introduced. The Incremental Net Present Value (NPV) is projected at USD 15.59 million, with a benefit-cost ratio of 1.18 based on quantifiable benefits generated by project activities. Sensitivity and scenario analyses confirm the robustness of these results.

Environmental and social category (Moderate Risk)

The LEAD project has been classified as "Moderate Risk" for Environmental and Social Category, which indicates that while the project presents manageable challenges, careful attention to environmental and social safeguards is essential to ensure successful implementation.

Climate risk category (Moderate Risk)

Climate risk for the project target groups is assessed as moderate. Situated in the Mekong floodplains, climate risks for the two provinces presently targeted – Khammouane and Savannakhet - arise primarily from floods with storms, landslides and dry spells affecting some districts of Savannakhet. However, adaptive capacities are assessed to be high as DRR plans and resources are reported to be in place.

Chapter 1: Context

1.1 Project in brief

1. The Linking Enterprises, Agriculture and Development for Green Growth (LEAD) Project represents deepening IFAD's engagement in demand-driven, market-oriented and climate resilient development approach in Lao PDR. The project will operate in Savannakhet and Khammouane provinces, which form the Lao section of the Greater Mekong Subregion's East-West Economic Corridor (EWEC). The total estimated cost is USD 20.65 million, including USD 17.59 million IFAD financing through a performance-based allocation loan, USD 2.38 million from Government of Lao PDR, and approximately USD 0.68 million from target group participants.
2. The **goal** of LEAD is to contribute to the reduction of rural poverty and improving the income, food safety and security of smallholder farmers and rural producer households in the target provinces by supporting climate-resilient, diversified, and value-added agricultural production, aligned with the national Green Growth Strategy. The **development objective** is to promote inclusive agricultural and food value chains for national and export markets and enhance climate resilience. The project will directly benefit 14,308 households representing 80,125 persons with 50% women and at least 10% youth. The project duration is seven years, and it will be implemented by MAE as the lead agency, with MoIC as co-implementing agency for value chain development and market integration interventions.

1.2 National or Regional Context

3. Lao PDR has achieved notable poverty reduction over the past two decades, reducing poverty from 46 per cent (2000) to 21 per cent rural poverty (2022). Despite infrastructure and development constraints, agriculture remains the backbone of the rural economy, employing approximately 70 per cent of the

workforce while contributing about 21 per cent to GDP^[3].

4. Climate vulnerability represents one of Lao PDR's most pressing challenges. Climate change is intensifying droughts, floods and erratic rainfall, disrupting crop cycles, especially rice. Water stress, increasing frequency of extreme weather events, and unpredictable rainfall patterns threaten agricultural productivity and food security. Lao PDR ranks 140th globally on the ND-GAIN Index, indicating high vulnerability and low readiness to climate change. Addressing these weaknesses is crucial for the country's development including the development of inclusive agrifood value chains^[4].
5. The population of Lao PDR was 7.7 million, with over 65 per cent residing in rural areas. The total population in the target provinces of Savannakhet and Khammouane is approximately 1.6 million (2025 population census).
6. The agricultural sector faces multiple interconnected challenges that constrain productivity, market access, and income generation. Key barriers identified during the design mission include limited market access and infrastructure, weak organizational capacity of APGs, low productivity of smallholder producers, gaps in technical knowledge for climate-smart agriculture and value addition, insufficient access to finance, and limited linkages between smallholder producers and formal markets. Food insecurity remains widespread, with 36.3 per cent of the population experiencing moderate or severe food insecurity in 2023. Stunting among children under 5 remains high at about 33 per cent, highlighting chronic malnutrition and persistent dietary diversity gaps, especially in rural and ethnic communities^[5].
7. Lao PDR has a very young population, with 70% living in rural areas. Young people face significant barriers to employment, including limited skills and access to decent jobs^[6]. Youth migration is high, driven by low wages and limited opportunities in agriculture, with many young people moving from rural to urban areas or seeking work abroad, particularly in Thailand^[7]. Despite higher labour force participation (63.2% vs. 56% for men), women bear most unpaid work (61%) and are concentrated in informal, low-productivity sectors. Limited access to finance and social protection—particularly in rural areas—constrains women's income security, resource access, and economic empowerment.
8. Disability prevalence is highest in the poorest and most remote areas, at 3.3% in rural areas without roads, compared to 2.4% in urban areas^[8]. In rural communities, persons with disabilities face livelihood disadvantages due to the physical and mobility-intensive nature of work, compounded by limited awareness of their rights, and capabilities by communities^[9].
9. Smallholder farmers dominate agriculture production, but average farm size has declined to 1.5 hectares due to population growth and land fragmentation, limiting economies of scale and mechanization. APGs face significant organizational and capacity constraints, including limited knowledge on and access to climate resilient farming practices and technologies, weak business management skills, limited understanding of market requirements, inadequate record-keeping systems, and difficulties in meeting food safety and quality standards required for formal markets. These capacity gaps prevent APGs from transitioning from semi-commercial to fully commercial operations and limit their ability to negotiate favourable terms with buyers or access formal value chains.
10. Access to finance remains a critical constraint, with high risk and transaction costs restricting smallholder credit and input access. Only 8 per cent of agricultural lending reaches small producers^[10], and MSMEs in the agrifood sector face persistent barriers in accessing finance, advisory services, technology and digital tools, limiting their ability to expand and integrate into value chains^[11]. Most financial institutions perceive agricultural lending as high-risk due to APGs' lack of collateral, weak financial management capacity, and absence of credit history, resulting in limited availability of appropriate financial products for smallholder farmers and cooperatives.
11. Infrastructure deficits further constrain market access, with only 15 per cent of rural roads paved and scarce storage and processing facilities driving significant post-harvest losses^[12]. Agricultural production remains poorly modernized and heavily reliant on unprocessed exports (e.g. rubber, cassava, food crops) with limited value addition and weak competitiveness in domestic, regional and global markets. Import substitution opportunities remain largely untapped despite growing domestic demand for vegetables, poultry products, and processed foods, which are currently imported from neighbouring countries. The lack of compliance with export standards, traceability systems, and phytosanitary requirements further limits smallholder access to higher-value export markets in Thailand, Vietnam, and China.

1.3 Strategic Alignment

12. The LEAD project is fully aligned with national priorities, including the 10th National Socio-Economic Development Plan (NSEDPlan) (2026-2030), which prioritises green growth, higher living standards, environmental protection, climate resilience, disaster risk reduction, poverty reduction, and gender equality and youth development. The project directly contributes to the Government's strategic shift towards market-oriented agricultural systems, export diversification, and inclusive economic growth in rural areas.
13. LEAD is strategically aligned with complementary national strategies including: the Agriculture and Forestry/Rural Development Plan (2026-2030), which promotes agricultural commercialization and value chain development; the Green Growth Strategy (2019-2030), which emphasizes climate-resilient and sustainable agricultural production systems; the Nationally Determined Contribution (2021), which targets greenhouse gas emission reductions in the agriculture sector and climate adaptation measures; the National Adaptation Plan (2025-2035), which identifies agriculture and food security as the first priority sector for climate adaptation; the Laos National Digital Economy Development Vision (2021-2040) and underlying shorter-term digital strategies that encourage use of digital technology across sectors including agriculture; the ASEAN Policy Guidelines on Agroecological Transitions led by Laos supporting resilient and sustainable food systems; the Trade and Private Sector Development Roadmap (2022-2026) and the MoC roadmap, which support MSME development and export promotion; the Micro, Small and Medium Enterprise Development Plan, which aligns with the project's focus on strengthening APGs and MSEs; and the National Plan of Action on Nutrition (2021-2025), which supports the project's nutrition-sensitive agriculture interventions; the National Action Plan (2026-2030) for persons with disabilities, which identifies community needs assessments, assistive devices, and access to inclusive employment and vocational training for persons with disabilities in rural areas.
14. LEAD demonstrates comprehensive alignment with the guiding principles of the Vientiane Declaration III (2026-2035). The project exemplifies the Declaration's emphasis on country ownership through its dual-ministry implementation structure (MAE-MOIC) embedded within existing government systems and direct support for Decrees 536 on Associations and 606 on Groups and Cooperative development, as well as through its approach of capacity building for sustainability. The project's dedication to climate resilience, differentiated support for vulnerable populations (women 50%, youth 10%, poorest households, persons with disabilities), and progressive transition from grants to commercial credit exemplifies the Declaration's priorities on climate adaptation, leaving no one behind, and sustainable development aligned with LDC graduation.
15. LEAD is fully aligned with IFAD's Country Strategic Opportunities Programme (COSOP) 2026-2031 for Lao PDR, which has two interlinked Strategic Objectives: (i) Enhance the resilience and production capacity of smallholder rural households through climate-resilient, inclusive, and nutrition-sensitive farming systems; and (ii) Catalyse inclusive value chains and empower producers and agribusiness MSMEs to expand market access and drive green growth. The project directly operationalizes both strategic objectives through its two-component design.
16. The project contributes to multiple Sustainable Development Goals (SDGs), including: SDG 1 (No Poverty) through inclusive agricultural production, commercialization and income generation for 76,765 persons in rural areas; SDG 2 (Zero Hunger) through nutrition-sensitive and climate resilient agriculture, improved food safety and security, and support to vulnerable households; SDG 5 (Gender Equality) through targeting 50 per cent women participants and ensuring women's leadership in APGs and cooperatives; SDG 8 (Decent Work and Economic Growth) through MSE development, youth entrepreneurship, and employment creation in agricultural value chains; SDG 10 (Reduced Inequalities) through targeted support to the poorest households, persons with disabilities, and ethnic minorities; SDG 13 (Climate Action) through climate-resilient agricultural practices, infrastructure, and production systems; and SDG 17 (Partnerships for the Goals) through multi-stakeholder value chain platforms and public-private partnerships. LEAD is also aligned with the United Nations Sustainable Development Cooperation Framework (UNSDCF) for Lao PDR, which prioritizes inclusive economic growth, climate resilience, and food security.
17. LEAD is designed to complement and build synergies with investments from other development partners operating in Savannakhet and Khammouane provinces. The Asian Development Bank (ADB) is investing in rural infrastructure, agricultural value chains, and private sector development through various programs. The World Bank (WB) supports rural livelihoods, land administration, and social protection programs. LEAD will coordinate with these initiatives to avoid duplication and maximize impact, particularly in areas of infrastructure development, financial inclusion, and market access.

18. The LEAD project design directly addresses key recommendations from the 2025 Country Strategy and Programme Evaluation (CSPE), ensuring strategic alignment with IFAD's lessons learned and Government priorities. The project incorporates a refined approach to co-financing partnerships, farmer group sustainability and inclusiveness, climate resilience and natural resource management, and transparent operational systems.

CSPE Recommendation	LEAD Response
Recommendation 2: Strategic co-financing partnerships with coherence and clear rationale	LEAD builds on successful AFN-II and PICSA approaches while introducing market-driven commercialization focus in new geographic areas (Savannakhet, Khammouane). Parallel co-financing with ADB for Component 1 infrastructure and on-going mobilization of climate finance sources for scaling-up and geographic expansion to Sekong and Salavan.
Recommendation 3: Enhance sustainability and inclusiveness of farmer groups	LEAD adopts APG clustering approach based on maturity levels, production systems, and market orientation, with graduated support mechanisms following a clear APG graduation pathway: informal groups → registered APGs → cooperatives → commercial enterprises. LEAD strengthens women's leadership, including poorest households, expands access to financial services and linkages to formal financial institutions. It supports emerging cooperatives aligned with new Cooperative Law.
Recommendation 4: Specify approach to climate resilience, NRM, and needs of land-constrained households	LEAD is dedicated to climate resilience and diversification in farming systems. Climate-resilient infrastructure is integrated throughout the project design, including market infrastructure, storage and processing facilities and irrigation rehabilitation. The project ensures climate adaptation mainstreaming through: (i) PRIPs enabling APGs to conduct climate vulnerability assessments and invest in climate-smart technologies and practices; (ii) rehabilitation of off-farm irrigation infrastructure; (iii) action research to test and scale NRM and adaptation innovations; and (iv) watershed management and sustainable natural resource management. For land-constrained and poorest households, LEAD provides differentiated support through small livelihood packages focusing on home vegetable gardens, backyard poultry, small livestock, and aquaculture, while facilitating their progressive integration into value chains as suppliers or service providers.
Recommendation 5: Transparent operational cost reporting and cross-project M&E system	LEAD will utilize IFAD's OPEN system for transparent procurement and cost reporting with clear financial ceilings per category. Project MIS is designed to align with MAF's cross-project M&E system (PROMIS) developed under AFN-II, enabling coordination and reducing overlap among development partners. Structured capacity development program for government and project staff with clear, achievable targets.

1.4 Portfolio and Lessons Learned

19. LEAD draws on lessons from the 2018-2025 Country Strategic Opportunities Programme (COSOP) Completion Review, and performance insights from ongoing and closed projects including the on-going Agriculture for Nutrition Project – Phase II (AFN-II) and the Partnerships for Irrigation and Commercialization of Smallholder Agriculture Project (PICSA). These lessons have been systematically integrated into the project design to enhance effectiveness and sustainability.
20. **Targeting and inclusion:** IFAD's focus on poor and food insecure populations in remote areas has been highly relevant; however, effective targeting requires context-specific strategies to ensure meaningful inclusion of ethnic groups, youth, women-headed households, and landless households, particularly where infrastructure and services are limited. LEAD responds by applying differentiated support modalities, including targeted livelihood packages for the poorest households with support to commercially oriented APGs. CRR lessons also underscore the importance of concentrating interventions in a limited geographic area to maximise impact and remain within operating cost ceilings under decentralised implementation arrangements. Accordingly, LEAD focuses on selected rural districts in Savannakhet and Khammouane, aligned with Government priorities. A phased approach, building on successful experience under PICSA and AFN II, is adopted, allowing expansion to additional areas only once implementation capacity and financing conditions permit.
21. **Producer organizations and commercialization:** The sustainability of APGs and cooperatives has been mixed, with many groups remaining grant-dependent and unable to transition to commercial operations. CSPE findings indicate the need to re-envision APGs as sustainable, member-focused institutions with clear access-to-finance pathways. PICSA demonstrated that APG strengthening works best when combined with development of business development skills, digital and financial literacy, and direct linkages to markets and financial service providers. LEAD incorporates these lessons by focusing on stepwise graduation of primarily existing APGs, consolidation into larger cooperatives for economies of scale, and establishing blended finance mechanisms that transition groups from grants to commercial lending relationships.
22. **Value chains and market access:** The portfolio experience shows that inclusive rural growth requires working more closely with rural entrepreneurs, MSMEs, and private sector actors as core partners for aggregation, services, and market access. Agriculture extension serves smallholders best when decentralized, demand-led, and value-chain connected. PICSA achieved 60-74 per cent yield gains by linking production support directly to market opportunities. LEAD adopts a pro-poor, climate-resilient value chain approach with MSP bringing together producers, MSMEs, traders, and government stakeholders to systematically address bottlenecks along critical chains and digital VC platforms scaling-up MSP process and building long-term institutional capacities.
23. **Rural finance and financial inclusion:** High transaction costs and perceived risks have limited smallholder access to credit, with only 8 per cent of agricultural lending reaching small producers. LEAD addresses this through blended finance mechanisms (blocked grants as fixed deposits for loans) that de-risk lending to APGs and cooperatives, while building their financial management capacity and credit history to enable transition to fully commercial relationships with financial institutions.
24. **Climate adaptation and building resilience:** PICSA's experience demonstrated that climate-smart agriculture practices are most effectively adopted when embedded within value chain development and linked directly to production activities that generate income. Building agricultural resilience requires balancing market-oriented value chain development with sustainable natural resource management and diversification as a risk management strategy. Conscious efforts to promote production diversity help farmers manage exposure to both market and climate shocks. LEAD integrates this lesson by supporting diversified farming systems (vegetables, integrated rice-aquaculture, poultry) while strengthening adaptive capacity through participatory PRIPs that combine climate vulnerability assessments with business opportunities, ensuring resilience investments are both market-viable and climate-appropriate.
25. **Digital tools and innovation:** The use of digital tools (e.g., PROMIS, SAMIS, Digital Farmer Registry) should be strengthened to reduce transaction costs and expand access to information, finance, and markets. PICSA demonstrated that digital farmer registries and data collection tools enable improved transparency on farm production. LEAD will scale up viable digital solutions including digital platforms for value chain transparency, MSP coordination, e-commerce linkages, and digital financial literacy, particularly targeting youth engagement.

1.5 Rationale and IFAD's comparative advantage

26. Aligned with GoL's request and IFAD's portfolio strategy, LEAD complements AFN-II's focus on food security and nutrition in northern and southern provinces and builds on PICSA's experience with market-oriented APGs. It targets Savannakhet and Khammouane, two centre-south provinces with strong market and export potential. In this context, LEAD addresses smallholder and agrifood MSE challenges such as weak organisation, low market orientation, climate vulnerability, and limited productivity and value addition. Using PICSA's territorial and value chain approach, LEAD prioritises strengthening existing APGs and, drawing on AFN-II, provides tailored support to vulnerable households and women- and youth-led MSMEs to enhance their inclusion in value chains.
27. IFAD's comparative advantage is its ability to link improved production and climate resilience with market access. Beyond farmgate productivity, IFAD supports full value chain development by establishing MSPs, investing in climate resilient infrastructure, connecting producers with MSMEs, and promoting compliance with food safety and export standards. Its experience shows that sustainable income growth depends on producing for market demand and ensuring farmers capture fair value.
28. IFAD also excels at strengthening farmer organisations, supporting their transition into viable enterprises. Across Lao PDR, IFAD projects have developed APGs through business training, financial and digital literacy, and improved governance. LEAD builds on this by consolidating APGs and supporting their gradual transition into registered cooperatives capable of accessing credit and engaging with buyers. Its blended finance model—using blocked grants to de-risk lending—addresses structural gaps in rural finance and supports a shift towards financial sustainability.
29. IFAD has strong expertise in integrating climate resilience through participatory, context specific approaches. It uses practical tools for vulnerability assessments and works with research institutions to ensure locally appropriate adaptation measures. LEAD builds on PICSA's work in irrigation, catchment conservation, and water governance, using PRIPs to guide climate resilient investments. This is combined with farm diversification and action research to scale agroecological and climate smart technologies.
30. IFAD also brings proven experience in ensuring women, youth, and vulnerable groups benefit from agricultural commercialisation. Its targeting and delivery approaches have increased women's leadership and expanded youth participation through entrepreneurship and digital skills. LEAD reflects this by targeting 50% women's participation, supporting youth-led MSMEs, and addressing structural barriers such as workload, access to assets, and decision-making power.

Chapter 2: Project/Programme Description

2.1 Theory of Change

31. LEAD addresses four principal binding constraints facing smallholder farmers in Savannakhet and Khammouane:
 - **Market Access Constraints:** Fragmented APGs lack bargaining power and buyer linkages. Post-harvest infrastructure gaps (storage, processing, farm roads) prevent market access and cause value loss. Weak business skills and limited financial literacy constrain commercialization.
 - **Climate Vulnerability:** Erratic rainfall, floods, and droughts reduce productivity and income stability. Limited irrigation access, poor watershed management, and lack of climate-resilient practices increase production losses for APGs and rural poorer households.
 - **Institutional Weaknesses:** APGs lack organizational capacity for cooperative registration and commercial operations. Limited access to finance and implementation of regulatory and enabling frameworks supporting cooperative development constrain graduation from informal groups to viable enterprises.
 - **Inclusion Gaps:** Women, youth, vulnerable households, and persons with disabilities face limited economic opportunities, lack assets and skills for market participation, and have less representation in decision-making structures.
32. Component 1 develops inclusive value chains by establishing Multi-Stakeholder Platforms that coordinate APGs, cooperatives, MSEs, traders, and financial institutions to develop Value Chain Investment Plans (VCIP) based on identified market opportunities. The VCIP provide the basis for territorial synergies in subsequent investments in climate-resilient market infrastructure—approximately 100 km of farm roads, collection centers, processing facilities—addressing post-harvest bottlenecks. Business development services and financial literacy training (FEBL) strengthen 34 cooperatives' capacity to negotiate with buyers, manage finances, and operate commercially. Blended financing mechanisms using blocked grants as fixed deposits enable cooperatives and 68 MSEs (primarily women and youth-led) to access commercial credit through three loan cycles, building relationships and credit histories with financial institutions for continuing loan cycles independently. Digital platforms improve value chain transparency and market intelligence. Policy engagement supports implementation of cooperative development frameworks (Decrees 536/606) and development of food safety compliance guidelines enabling market access. Together, these interventions support households through improved physical access to processing and storage facilities adding value to their products and access to national and export markets, increasing their income from sales.
33. Component 2 enhances climate resilience and productivity while supporting vulnerable households. Production Resilience and Improvement Plans (PRIP) enable APG clusters to conduct climate vulnerability assessments and invest in climate-smart technologies (climate-adapted varieties, integrated pest management, soil conservation, water management, and diversified farming systems). This will expand land areas brought under climate-resilient management and stabilize and diversify yields, and reduce production losses for farmers and APGs. Rehabilitation of 20 off-farm irrigation schemes with Water User Groups further reduces production risks and stabilizes yields. Action research through NAFRI tests and scales 6 priority innovations (e.g. integrated rice-aquaculture, perennial rice, mushroom production, fish/shrimp seed production, agroforestry) addressing specific climate and market constraints. For vulnerable households, differentiated support includes 1,700 livelihood packages (USD 500 each) focusing on home gardens, backyard poultry, small livestock, and aquaculture with integrated nutrition training for 4,600 households, plus 400 enhanced packages (USD 1,200 each) for persons with disabilities including assistive devices, skills training, and ongoing mentoring. Community water supply investments serving 10,000 households support multiple uses (household, livestock, home gardens).
34. The two components are intrinsically linked and mutually reinforcing. Component 2 enhances farm-level productivity and climate resilience through implementation of PRIPs, irrigation, and climate-smart agriculture—creating more stable and over time increasing marketable surpluses that Component 1 channels into value chains through MSP coordination and commercial linkages with MSEs and buyers. Component 2 support for organizational capacity of APGs and their collaboration in clusters to increase the aggregated volume of production through PRIP implementation and financial literacy training ensures that the APGs provide improved services to their members and creates the organizational readiness necessary for Component 1's APG graduation pathway to cooperative status and commercial finance access. Component 2 climate adaptation investments reduce production risks and stabilize yields, providing the supply reliability that Component 1 traders, processors, and financial institutions require for commercial relationships. Component 1 market orientation guided through VCIPs and MSP coordination—guide Component 2 production investments, ensuring APGs produce what markets require at the quality standards buyers accept, and that they have improved physical access to markets, processing and storage facilities. Vulnerable households supported through Component 2 livelihood packages build productive capacities and progressively integrate into APGs or Component 1 value chains as suppliers of raw materials to cooperatives and MSEs, transitioning from subsistence to market-oriented livelihoods.
35. Policy engagement through Component 1 supports Government implementation of Decrees 536 and 606 on cooperative development and development of food safety compliance guidelines, creating an enabling environment where investments in climate-resilient production and cooperative strengthening translate into sustained commercialization. Across both components, targeting mechanisms ensure inclusion: mandatory quotas for women (40%) and youth (20%) in APG, cooperatives, and Water User Group governance structures; specific targeting of women and youth under MSE support (68 MSEs primarily women and youth-led); livelihood packages for 1,700 vulnerable households and 400 persons with disabilities; and ongoing mentoring facilitating progressive value chain integration.
36. The project's theory of change operates through the following stepwise logic:
37. **Step 1: Enhanced Production Capacity and Organizational Strengthening** APG clusters enhance climate-resilient production through the implementation of PRIPs addressing climate vulnerabilities with climate-smart technologies, climate adapted seeds, crops and animals and irrigation rehabilitation improving water access, and diversified farming systems spreading risks. This will lead to stabilized and subsequently increased production. Simultaneously, APGs strengthen their organizational capacities through working in clusters, FEBL training building financial literacy, and progressive development into registered cooperatives

supported by policy frameworks (Decrees 536/606). Vulnerable households build productive assets through livelihood packages and nutrition training enabling them to increase their incomes.

38. **tep 2: Market Access and Commercial Linkages** Strengthened cooperatives access to markets through MSPs coordinating buyers, APGs, MSEs, and traders; VCIPs identifying commercial opportunities; and climate-resilient infrastructure (farm roads, processing and collection centers) enabling year-round market access and added value and sales of APG products. Blended financing mechanisms enable cooperatives and MSEs to access commercial credit using blocked grants as fixed deposits, building credit histories through three successful loan cycles. Enhanced productivity from Component 2 creates marketable surpluses channeled through Component 1 commercial linkages. Vulnerable households begin supplying cooperatives and MSEs as production increases.
39. **Step 3: Financial Graduation and Commercial Sustainability.** Cooperatives graduate to access commercial credit without project guarantees based on established track records with financial institutions. MSPs operate independently, anchored in chambers of commerce with private sector leadership. Proven innovations scale through government extension systems and farmer-to-farmer networks. Market infrastructure enables sustained value capture through storage, processing, and quality compliance. This leads to increased sales for small-scale farmers, APGs and SMEs. Vulnerable households transition from subsistence to market-oriented activities with sustained value chain participation.
40. **Step 4: System-Level Transformation** Commercially viable cooperatives access national and export markets with reliable income streams while vulnerable households improve nutrition and food security through diversified production and market participation, THEREBY reducing rural poverty, improving incomes and food safety, narrowing inclusion gaps for women, youth, and persons with disabilities, and enhancing climate resilience in Savannakhet and Khammouane provinces aligned with Lao PDR's Green Growth Strategy.
41. Assumptions supporting the theory of change are: (i) market demand exists for priority commodities identified through participatory value chain prioritization; (ii) financial institutions maintain commercial relationships with graduated cooperatives based on demonstrated creditworthiness; (iii) climate-smart practices deliver productivity gains under local conditions as validated through action research; (iv) government maintains commitment to cooperative development frameworks (Decrees 536/606) and allocates resources for post-project support including the Cooperative Fund; and (v) Multi-Stakeholder Platforms achieve sufficient private sector participation to function independently as coordination platforms anchored in chambers of commerce beyond project completion.
42. The project's theory of change operates through the following causal pathway: IF smallholder farmers and their APGs enhance climate-resilient production through the implementation of PRIPs, irrigation rehabilitation, production diversification and integrations, and innovation and adoption of climate-smart agroecological practices while strengthening business skills and organizational capacity, THEN they will obtain stable and over time increased production and aggregated surplus for selling despite climate and markets shocks. IF APG, cooperatives and MSEs are supported with financial literacy training, blocked grants as collateral to access commercial finance for three financing cycles and trained in market standards, THEN they will be able to invest in standard compliant processing and increase the market value of their products while building a credit history and graduate to commercial finance. IF APGs and cooperatives at the same time have improved access to markets through coordination with other value chain actors through MSPs and strategic investments in climate-resilient roads and storage facilities identified in VCIPs, THEN they will have increased sales and incomes. At the same time, IF vulnerable households build productive capacity through livelihood packages and nutrition support while progressively integrating into value chains with representation in governance structures, THEN they will transition to market-oriented activities with improved food security. Finally, IF enabling policy frameworks support cooperative development and food safety compliance, THEN commercially viable producers will access national and export markets with reliable incomes contributing to food safety. THEREBY the project will be contributing to reduced rural poverty, narrowing inclusion gaps, and enhancing climate resilience in Savannakhet and Khammouane provinces aligned with Lao PDR's Green Growth Strategy.

Challenges	Activities	Outputs	Outcomes	Impacts
- Market failures: Fragmented APGs lack bargaining power, buyer linkages; post-harvest infrastructure gaps - Climate vulnerability: Erratic rainfall, floods, droughts reduce productivity; limited irrigation - Institutional weaknesses: APGs lack capacity for cooperative registration; limited finance access - Inclusion gaps: Women, youth, vulnerable HH, PWD face limited economic opportunities - Weak APG organizational capacity - Low productivity and climate-sensitive practices	1. Development of inclusive and commercially viable value chains and access to finance - Conduct assessments of value chains and prioritize 5-6 commodities based on market potential for smallholders. - Develop Value Chain Investment Plans (VCIPs) - Support the development of inclusive Multi-Stakeholder Platforms and facilitate their operation - Design and implement strategic market infrastructure investments based on VCIPs - Implement comprehensive Financial Education and Business Literacy (FEBL) training programs - Provide intensive technical assistance to APGs, cooperatives, and MSMEs in developing bankable business proposals - Facilitate access of SMEs and cooperatives to finance through blended finance mechanisms - Design and deploy integrated digital platforms and provide training in digital technologies - Convene multi-stakeholder policy dialogue forums and develop guidelines on priority policy topics 2. Promotion of climate resilient technologies and diversification in farming systems - Build capacity of APGs in climate resilient production - Prepare Production Resilience and Improvement Plans (PRIP) for climate-resilient production - Facilitate APGs' access to finance through blended finance mechanisms - Rehabilitate off-farm irrigation infrastructure - Support innovative technologies and farming practices through participatory action research - Provide small livelihood packages and nutrition training to food insecure households	1. Development of inclusive and commercially viable value chains and access to finance - VCs mapped and prioritized - VCIPs developed, validated and implemented - Inclusive MSPs established and facilitated - Strategic market-access infrastructure (processing facilities, farm-access roads) constructed/rehabilitated - SMEs and cooperatives supported to develop business plans - SMEs and cooperatives' business proposals developed - Blended finance mechanisms developed with financial institutions - SMEs and cooperatives accessing loans through blended finance - APGs/Coops' members, women and youth trained in FEBL - Digital platform for VC management developed/customized - Multi-stakeholders' policy dialogue forums organized 2. Promotion of climate resilient technologies and diversification in farming systems - Production resilience and improvement plans developed and implemented - APGs' members accessing loans through blended finance - APGs' members trained in climate-resilient production practices and food safety standards - Strategic off-farm irrigation infrastructure rehabilitated - Innovative technologies and farming practices tested and upscaled through participatory action research - Food insecure households provided with small livelihood packages and trained in nutrition.	- Climate-resilient agricultural value chains strengthened and more inclusive - Enhanced farm-to-market links for smallholders, and enhanced access to infrastructure and digital services by SMEs - Financial inclusion and enhanced organizational capacities of agricultural producers' cooperatives and MSMEs to engage in market-oriented agribusiness. - A more conducive policy and regulatory framework for inclusive value chains Enhanced climate resilience and productivity of APG farming systems - Replication and upscaling of successful innovations in climate-resilient production - Diversified livelihoods for food-insecure households - Enhanced food and nutrition security for food-insecure households	Development Objective To promote inclusive agricultural and food value chains for national and export markets and enhance climate resilience in smallholder farming systems in target provinces ↓ Project Goal To contribute to the reduction of rural poverty and improving the income, food safety and security of smallholder farmers and rural producer households in the target provinces
Key Assumptions - APGs willing to transition to business-driven activities - Financial institutions willing to expand to target areas - Sufficient qualified staff in implementing agencies (MAE, MOIC) - No extreme climate events beyond normal variations - Continuity in key Government policy improvements regarding Cooperatives				
Root cause: Rural poverty, climate vulnerability, productive infrastructure limitations and market and financial access challenges.				

2.2 Targeting Strategy

43. **Geographic area:** LEAD will be implemented in the central provinces of Savannakhet and Khammouane, which form the Lao section of the Greater Mekong Subregion's East-West Economic Corridor (EWEC). The selection was conducted jointly with the Government based on the following key criteria and national priorities. The project will geographically expand to Xekong and Salavanh if the ongoing discussion with MAE and MOF on GEF9 LDCF materializes.

Table 1 - Selection criteria – Provinces

Key Selection Criteria	Rationale
Agricultural Potential	High concentration of smallholder farmers and APGs with demonstrated potential for commercialization, value addition and integration into priority agricultural value chains.
Poverty level	Presence of poor and food-insecure households in selected districts, allowing targeted interventions that combine commercialization with inclusive livelihood support.
Market Access	Strategic location along the EWEC, facilitating cross-border trade, logistics and integration with national and regional markets (e.g. Thailand, Vietnam).

Institutional Capacity	Institutional presence at provincial and district levels to support decentralized implementation, coordination and sustainability of investments.
Climate Vulnerability	High exposure to climate change impacts, particularly flooding and erratic rainfall patterns, justifying targeted investments in climate-resilient production systems and infrastructure.
Infrastructure	Availability of transport corridor and road connectivity that enable market linkages, reduce transaction costs and allow efficient project supervision and service delivery.
Limited donor presence	Lower concentration of development partner interventions compared to other provinces, increasing the additionality and strategic value of IFAD support.
Potential for innovation, replication and sustainability	Strong potential to pilot climate-resilient, market-oriented and inclusive approaches that can be scaled up or replicated in other provinces under future financing.

44. Within the selected provinces, target districts (and subsequently villages) will be identified jointly with the Government during the start-up phase using an established targeting matrix and automated tool based on agreed relevant criteria, including UXO clearance, levels of food and nutrition insecurity, and the presence of youth and persons with disabilities. Particular attention will be paid to intersectionality to ensure meaningful inclusion of vulnerable groups, including women, youth, ethnic groups, and persons with disabilities. Targeting will follow the Government's classification of poor households under Decree 348 (or equivalent) and apply proven approaches from PICSA and AFN II, including a phased geographic rollout.
45. The mission met with key stakeholders and target groups—including the Lao Women's Union, Lao Youth Union, Lao Disability Association Union, UN agencies, Development Cooperation, and the Ministry of Labour and Social Welfare (MoLSW)—and reviewed relevant secondary data to inform the targeting strategy.
46. **Outreach:** The project is expected to reach 28,000 people directly, of whom 50 per cent women and around 10 per cent youth (aged 15-35). In total, LEAD will benefit 14,300 households, corresponding to 80,125 household members. Table 2 presents the estimated distribution of project participants in Savannakhet and Khammouane, while Table 3 presents participants by sub-component.

Table 2- Estimated project beneficiaries by provinces

Province	Total Pop.(2025 Census)	Total HH	Poor HH (with %)	Target HHs[13]	Persons with Disabilities	Target Persons[14]	Target Women (50%)	Target Youth (10%)
Khammouane	460,241	92,034	5,740 (29%)	4,120	28	23,072	11,536	2,307
Savannakhet	1,136,860	174,856	27,061 (18%)	10,188	4,695	57,053	28,526	5,705
Total (Initial Phase)	1,597,101	266,890	32,801	14,308	4,723	80,125	40,062	8,012

Table 3 - Project beneficiaries by sub-components

Components	Sub-components	Activities	HH	HH removing double counting
Component 1: Development of inclusive VC	SC 1.1 Market access facilitation	Rehabilitation of roads	3000	600
		Identify investment gaps with the MSP and development of the CIPs at province level (4-6 per province)	300	0
	SC 1.2 Enterprise development and financial inclusion	Coop: Financial and business literacy and organisational governance training and development of BP and loan application (1 per district, 25% of members trained)	1190	1190
		MSE: Financial and business literacy training and development of BP and loan application (1 per district, 2 per MSE trained)	136	136
		Financing Coop	3332	2142
		Financing MSE (women and youth)	95	0
		Business development services (TA)	928	0
		Training in food safety practices and standards (TA)	2751	0
		Training on digital multistakeholder platforms and tools	100	0

Component 2: Promotion of climate resilient farming systems	SC 2.1 Improving climate resilience and primary production of APGs	Training of APG clusters and development of PRIPs (2 clusters per district)	3808	3808
		Financing of individual APG participating in clusters with (PRIP)	1666	0
		Financing of clusters/coop. (PRIP)	1666	0
		Business Development Services (TA)	833	0
		Training of farmers in agroecology and GAP (TA)	2666	0
		Capacity building in community flood risk management and farmers access and use of LACSA	7616	0
		Training of WUG (TA)	800	100
		Rehabilitation of off-farm irrigation infrastructure	800	0
	SC 2.2 Action research and scaling of successful farming innovations	Testing with APGs and scaling resilient technologies and farming diversification models already introduced in Laos	315	63
		Testing with APGs and scaling resilient technologies and farming diversification models transferred from neighbouring countries via SSTC	245	49
	SC 2.3 Livelihood improvement for vulnerable households	Technical assistance for design of livelihood investment plans and accompanying the implementation (SP) (150 per district)	1700	1700
		Livelihood investment packages (100 per district)	1700	0
		Skills training for persons with disabilities	600	600
		Livelihood investment packages for persons with disabilities	400	0
		Nutrition training	4600	920
		Community water supply (multiple use: HH, livestock, home gardens)	10000	3000
Total Household receiving services from the project				14,308
Total people receiving services from the project				28,034
Total people in the households receiving services				80,125

47. **Targeting methods:** LEAD will apply a combination of direct and self-targeting to reach its intended target groups. Direct targeting will be used to identify and support vulnerable groups through community-based selection, poverty mapping, participation quotas and collaboration with village administrations, civil society organizations and organizations of persons with disabilities. Self-targeting will be applied to semi-commercial and commercial farmer groups engaging in market-oriented activities, allowing interested and capable beneficiaries to opt in based on clear eligibility criteria. This approach is particularly suited to areas where farmer groups are already established and demonstrate readiness for commercialization.
48. **Farmer groups:** LEAD will primarily work with existing APGs, associations and cooperatives, in line with the National Decree on Associations No. 536/GOV and Decree 606/GOL on Groups and Cooperatives, as amended from time to time, focusing on groups seeking to transition from semi-commercial to fully commercial operations and graduate to higher levels of market integration in accordance with Government technical guidelines for APG graduation. Where appropriate, new participants will join existing APGs or organize into new producer groups or MSEs. Each APG is expected to comprise approximately 40-50 members. The project will strengthen the resilience and incomes of APGs' and MSEs' through PRIP, complemented by FEBL training and the development of bankable business plans. Establishment of inclusive commodity-specific MSPs and the development of VCIPs will facilitate market integration. Strategic market infrastructure will build their climate resilience, and the groups will be supported to access rural financial services, including through development of blended finance mechanisms to reduce risk for first-time borrowers.
49. **Women and Youth:** LEAD operationalizes women's economic empowerment through market-driven mechanisms ensuring commercial viability while prioritizing equitable participation. **Value chain selection** applies weighted criteria for commercial potential alongside women and youth engagement opportunities. **MSE support targets 68 enterprises** (primarily women and youth-led) with business development services and blended financing, facilitating entry into profitable market segments. **Participation quotas** ensure 30% women and 10% youth in FEBL training programs, with 40% women and 20% youth representation in governance structures (APG clusters, cooperatives, MSPs, Water User Groups). **APG assessments and PRIP approvals** apply social inclusion scoring evaluating current and potential outreach to women, youth, persons with disabilities, and ethnic groups, incentivizing investments strengthening their value chain integration. **1,700 livelihood packages and 400 enhanced packages for persons with disabilities** (up to USD 1,200) support income-generating activities with skills training and progressive integration into value chains as suppliers. This pathway ensures women, youth, and marginalized groups are **active economic actors** in commercially viable value chains, transitioning from subsistence to market-oriented livelihoods with sustainable income streams. See table 4.
50. Moreover, LEAD provides a structured pathway for youth (aged 15-35) to transition from participation to meaningful economic opportunities through three

complementary mechanisms. First, entrepreneurship support: 68 MSEs receiving blended financing and business development services are primarily women and youth-led, targeting youth entrepreneurs in value-added activities (processing, trading, service provision) that offer higher returns than traditional farming. Second, value chain integration: youth participation in FEBL training (minimum 10% quota) builds business and financial skills enabling commercial engagement, while MSPs provide platforms connecting youth entrepreneurs with buyers, financial institutions, and market opportunities. Youth-specific technical training in digital technologies, quality management, and modern agricultural practices positions them as innovation leaders within cooperatives. Third, leadership development: mandatory 20% youth representation in governance structures (APG clusters, cooperatives, MSPs, Water User Groups) ensures decision-making influence, with targeted capacity building developing negotiation, planning, and coordination skills. This pathway recognizes that youth face distinct barriers—limited land access, reluctance to engage in traditional subsistence farming—and responds by creating off-farm and value-addition opportunities that align with youth aspirations for modern, profitable enterprises.

51. **Poor and Vulnerable Households:** Target households will be identified through participatory assessments prioritizing food-insecure households, female-headed households, ethnic minorities, households of persons with disabilities and land-constrained families facing barriers to participating in business-oriented APG clusters. District authorities will conduct initial household screening using vulnerability indicators and a service provider will validate target group selection and ensure the most vulnerable households are prioritized through participatory rural appraisal and through village-level consultations involving community representatives, village authorities, and CSOs. Selected households will receive training and undergo needs assessments and receive customized livelihood packages (1,700 livelihood packages across target districts in the 2 provinces) with each package value of up to USD 500 and in-kind contribution from participating households demonstrating commitment and ownership.
52. **Nutrition:** The project will improve nutritional outcomes for target groups through integrated production and income pathways. An advanced targeting tool will be used to ensure that food-insecure households and districts are effectively prioritized. Key entry points include:
 - *Agrobiodiversity and safe food production (outputs 1.1.1; 1.1.3; 2.3.1):* Nutrition criteria will be applied in value-chain selection to promote diversified, nutrient-rich foods and climate-resilient practices. The project will support nutrition sensitive PRIP investments, including organic and agroecological production of diverse and pesticide-free foods, while strengthening agroecosystem resilience. It will also rehabilitate or expand multi-functional community water supply systems (benefitting approximately 10,000 households) to ensure safe water for production and household use, construct drainage systems in flood-prone areas to reduce production losses and water-borne diseases and strengthen local institutions for water resources and infrastructure governance.
 - *Post-harvest value addition, trade, and marketing (outputs 1.1.3; 2.1.1, 2.1.2, 2.2.1):* A nutrition-sensitive lens will be applied across value chains—from inputs and production planning to post-harvest handling, processing, food safety compliance (including Good Agricultural Practices (GAP)), watershed and soil conservation, agroforestry and crop–livestock integration; test and scale climate-resilient, nutrition-enhancing technologies; use farmer-to-farmer e-learning videos and tools to scale proven innovations and provide nutritional information.
 - *Income growth with nutrition education (output 2.3.1):* The project will support income diversification and deliver integrated nutrition training for 4,600 households on maternal and child nutrition, dietary diversity, food safety and hygiene, nutrition-sensitive production, and simple preservation techniques; systematically monitor nutrition indicators to ensure that higher incomes and better knowledge translate into healthier diets.
53. **Persons with disabilities:** The project will follow a *twin track approach*, combining measures to improve accessibility of project services with targeted support for persons with disabilities, particularly under Component 2 Output 2.3.2. Accessibility considerations will be integrated into project processes, including climate resilience assessments, MSP discussions at district and national levels, PRIPs (through social inclusion scoring), and APG capacity-building activities. Community consultations will be conducted in ways that enable the effective participation of persons with disabilities. Outreach will be disaggregated by disability in Logframe and will be measured at baseline, midterm and completion. The project will provide training to staff on disability-inclusive development and establish an inclusive and accessible Grievance Redress Mechanism (GRM). At the PMU, disability related references will be added to the ToR of the Targeting and Gender Equality and Social Inclusion (GESI) Specialist.
54. **Ethnic Groups:** Lao PDR is the most ethnically diverse country in mainland Southeast Asia, with ethnic Lao comprising around half of the population and dominating economic and cultural life^[15], while many ethnic groups—particularly Mon-Khmer communities in Khammouane and Savannakhet—live in remote and upland areas and face structural disadvantages related to language barriers, remoteness, poverty, UXO contamination and climate vulnerability. In line with the Government's approach to a multi-ethnic society, LEAD will ensure the meaningful inclusion of ethnic groups through adapted facilitation and outreach. Social inclusion criteria will be applied in APG assessments and PRIP reviews, MSPs will capture constraints specific to ethnic communities, and WUG governance will ensure equitable access to water services. Through the applicable Social, Environmental and Climate Assessment Procedures (SECAP), the project will analyse differentiated impacts on ethnic groups and draw on traditional knowledge to inform locally appropriate adaptation measures, while promoted technologies will consider cultural acceptability, labour requirements and nutritional outcomes. Where present, interested ethnic communities will be included in APGs or related producer organizations to strengthen participation and integration into value chains.
55. **Social inclusion strategy:** LEAD GESI strategy will support beneficiary transformation through three interrelated dimensions of empowerment: *intrinsic* (self-confidence and awareness), *instrumental* (access to resources and decision-making), and *collective* (group action and advocacy). Recognizing that progress in one dimension reinforces the others, the project adopts an integrated empowerment approach. The table below summarizes the key activities, corresponding empowerment dimensions and outputs.

Table 4 – LEAD GESI Strategy

Empowerment Dimension	Activities	Outputs
Economic Empowerment	Market-driven value chain selection applies weighted criteria for commercial viability, with <u>additional</u> scoring to prioritize women and youth engagement and nutritional value.	1.1.1
	MSE investments prioritise commercially viable enterprises, with targeted support to women- and youth-led businesses to facilitate their entry into profitable market segments.	1.2.1
	Participation quotas in FEBL ensure women (30%) and youth (10%) gain access to financial and business skills required for participation in commercially viable value chains.	1.2.1
	APG assessments consider current and potential outreach to poor households, women, youth, ethnic groups, and persons with disabilities to strengthen their integration into value chains.	2.1.1
	PRIP review and approval apply social inclusion scoring (current + potential) to incentivise investments benefiting women, youth, persons with disabilities, and ethnic groups.	2.1.1
	Tailored livelihood packages for persons with disabilities (up to USD 1,200) support income-generating activities. Skills training improves employability and job-market access for persons with disabilities.	2.3.2
	MSP governance structures include LWU, LYU, and MoLSW.	1.1.2

Voice, Leadership & Decision-Making	District MSPs capture issues specific to women, youth, ethnic groups, and persons with disabilities; national MSPs address thematically relevant policy matters (e.g. youth- access to finance and business formalisation)	1.1.2
	APG governance structures promote progressive participation targets for women (30%) and youth (10%), supported by capacity-building and mentoring, to strengthen their effective participation and leadership roles.	1.1.2
	MSP organizational and leadership development trainings incorporate inclusion principles focused on poor households, women, youth, and persons with disabilities.	1.1.2
	WUG governance structures promote progressive participation targets for women (30%) and youth (10%), supported by capacity-building, to strengthen their effective contribution to operation and maintenance (O&M) planning. Governance arrangements ensure equitable and culturally appropriate access to water and hygiene services for all users, including women, ethnic groups, persons with disabilities and vulnerable households.	2.1.2
	Youth are engaged in documenting and disseminating farmer-led innovations through e-learning videos, contributing to technology adaptation and uptake, with lessons shared at national MSP platforms to strengthen their skills, visibility and leadership.	2.2.1
	Women are encouraged to participate as lead farmers and in cross-cutting exchange visits (30% progressive participation target), with arrangements adapted to reduce participation barriers related to care responsibilities and mobility constraints.	2.2.1
Equitable Workload, Drudgery Reduction and well being	PRIP-supported investments include drudgery-reducing technologies such as drip/smart irrigation, accessible and gender-suitable equipment, and digital solutions. Attention paid to equipment that are suitable (mini-threshers ex) and needed by women to reduce workload burdens	2.1.1
	Climate assessments integrated in PRIPs apply an inclusion lens - gender, disability, elderly, children, ethnic groups - to capture the differential (if any) impact of climate related disasters on these groups and ensure resilience of vulnerable groups. It will draw on traditional and Indigenous knowledge for adaptive management.	2.1.1
	WUG planning records the specific needs and constraints of women to ensure equitable access to water services and reduce time burdens	2.1.2
	Testing and scaling of new technologies/innovations assess their impacts on persons with disabilities, women, ethnic groups and on nutritional outcomes, supporting broader wellbeing. Also considers opportunities to incorporate Indigenous practices	2.2.1
	Youth roles as first responders in climate early warning systems explored for community resilience and reducing risk-related stress and vulnerability	2.1.1
	Awareness-raising among APG clusters promotes disability inclusion and better integration of different vulnerable groups	2.3.2

56. Value Chain Selection: A broad list of agricultural commodities was initially identified for prioritization. These included vegetables, poultry, rice-aquaculture, pig rearing, mushrooms, fruits, paddy rice, and honey. Each commodity was systematically evaluated using a weighted multi-criterion scoring matrix covering eight parameters: export potential, import substitution, profitability, women's inclusiveness, nutrition, value-addition opportunities, climate resilience, and youth engagement. Scores were assigned on a five-point scale and weighed according to the agreed criteria, resulting in total composite scores ranging from 2.75 to 4.25. The assessment showed that mixed vegetables (4.25), local poultry (3.95), and rice-aquaculture (3.525) achieved the highest overall rankings. Mixed vegetables scored strongly on profitability, market demand, and youth participation; local poultry demonstrated robust profitability, inclusiveness, and adaptability; while the rice-aquaculture system offered strong nutritional value, climate suitability, and moderate market demand. Based on these results, the project will initially prioritize these commodities for value-chain development interventions. However, recognizing the dynamic market context in the two targeted provinces and the evolving nature of agricultural markets and production systems, the project will maintain flexibility by periodically re-evaluating value-chain priorities using the same structured scoring approach. This will ensure that prioritization remains responsive, evidence-based and aligned with emerging economic opportunities and producer demand.

Commodities	Market Demand		Profitability (0.20)	Women Inclusiveness (0.10)	Nutrition (0.10)	Value Addition (0.10)	Climate Change (0.10)	Youth (0.10)	Total
	Export Potential (0.15)	Import Substitution (0.15)							
Vegetables (Mixed)	0.75	0.75	0.80	0.50	0.35	0.40	0.30	0.40	4.25
Poultry (Local)	0.45	0.45	0.80	0.50	0.45	0.40	0.40	0.50	3.95
Rice+ Aquaculture	0.45	0.60	0.80	0.40	0.48	0.30	0.22	0.30	3.55
Pig Rearing	0.30	0.60	0.80	0.30	0.38	0.30	0.40	0.40	3.48
Mushroom (Smallholder)	0.15	0.45	0.80	0.50	0.28	0.40	0.50	0.40	3.48
Fruits (Papaya & Banana)	0.75	0.30	0.60	0.30	0.30	0.40	0.30	0.30	3.25
Rice (Paddy)	0.75	0.60	0.40	0.40	0.18	0.50	0.18	0.20	3.21
Honey (10 Hives)	0.30	0.45	0.60	0.20	0.10	0.40	0.40	0.30	2.75

2.3 Project/Programme Objectives

57. LEAD builds on the successes of PICSA and AFN-II and seeks to scale up best practices and consolidate achievements in agricultural resilience and commercialization. The project will accelerate and consolidate inclusive agricultural transformation through enhanced market integration, climate-resilient production, and strengthened producer organizations. It will achieve this by supporting agricultural value chain development, particularly for women and youth,

improving market linkages and establishing sustainable access to rural financial services.

58. **LEAD goal** is to *contribute to the reduction of rural poverty and improving the income, food safety and security of smallholder farmers and rural producer households* in target provinces by supporting climate-resilient, diversified, and value-added agricultural production, aligned with the national Green Growth Strategy. The **development objective** is to *promote inclusive agricultural and food value chains for national and export markets and enhance climate resilience*.
59. LEAD will mark a clear shift to a commercialization-driven approach that directly supports Lao PDR's economic transformation vision. The project focuses on market access, value addition, MSP, diversification and climate resilience, financial inclusion through blended financing mechanisms, and business development services. This requires a new implementation approach which will be provided through the dual-ministry structure with MAE and MoIC as co-implementing agencies.
- **Target group focus:** LEAD will work with poor smallholders organized into APGs and cooperatives with non-poor smallholders seeking to transition from semi-commercial to commercial operations. This focus will allow the project to concentrate resources on addressing climate and market vulnerabilities and specific commercialization bottlenecks faced by market-ready producers while supporting the poorest households through tailored livelihood packages.
 - **Group consolidation for scale:** Support will prioritize consolidating existing APGs into larger cooperatives to enable economies of scale, access to formal credit, and improved market negotiating power.
 - **Commercial relevance:** Interventions will address key barriers to commercialization including weak organizational capacity of APGs, limited market access and infrastructure, gaps in technical knowledge for climate-smart agriculture, compliance with food safety standards and value addition, insufficient access to finance, and limited linkages between smallholder producers and formal markets.
 - **Strategic infrastructure planning:** Infrastructure investments will be guided by participatory VCIPs developed through MSPs, prioritizing farm roads, storage and processing facilities, and climate-resilient market infrastructure in locations with clear market demand and commercial viability.
 - **Climate resilience and innovation:** LEAD will scale up proven climate-resilient practices including improved water management, climate-adapted crop varieties and diversified farming systems that reduce vulnerability to pests and diseases, droughts and floods. LEAD will test and scale innovations through farmer-to-farmer learning and demonstration plots. Climate-resilient infrastructure investments - including irrigation rehabilitation - ensure productivity gains are sustainable under changing climate conditions.
 - **Selective, high-impact investments:** Major investments—such as climate-resilient market infrastructure, digital platforms for value chain coordination, and blended finance mechanisms—will be commercially viable and address critical bottlenecks in priority value chains.
60. The project duration is seven years and comprises two interlinked components:
- *Component 1: Development of Inclusive Value Chains; and*
 - *Component 2: Promotion of Climate-Resilient Technologies and Diversification in Farming Systems.*
61. The project activities are sequenced in a coherent implementation plan supporting the APG graduation process interlinked with the development of resilient production systems and inclusive value chains. The sequenced implementation plan foresees the districts being phased in the first two project years in two batches. It can be found in the end of the section 4.2 *Implementation arrangements and sequencing of project activities* of the PIM (Annex 10).

2.4 Component, Sub-component and Activities

Component 1: Development of Inclusive Value Chains

62. The objective of this component is to transition existing APGs and agricultural cooperatives (AC) of smallholder farmers into sustainable and commercially viable business entities by strengthening their post-harvest value addition, facilitating access to finance and markets and effectively integrating them into selected VC. This will include dedicated investment for reducing post-harvest losses and developing scalable agri-food processing technologies tailored to smallholder contexts. Additionally, this component will support the development of agri-food MSEs engaging in these selected VCs, invest in climate-resilient infrastructure including market infrastructure, and create enabling environments for sustainable, inclusive and climate-resilient value chains development. This will be achieved through three subcomponents.

Sub-component 1.1: Market Access Facilitation

63. This sub-component aims to facilitate market access for APGs and cooperatives by addressing three critical market access failures constraining commercialization: i) developing VCIPs that provide the coordinated investment roadmap ensuring infrastructure, capacity building, and private sector actions are strategically aligned to unlock specific value chains rather than fragmented, inefficient interventions; ii) establishing and operationalizing inclusive MSPs that overcome coordination failures where producers, traders, MSEs, financial institutions, and government agencies operate in silos, creating the collaboration mechanism enabling collective action, contract negotiation, and trust-building that individual actors cannot achieve alone; and iii) deploying digital platforms for value chain transparency and market intelligence that reduce information asymmetry disadvantaging smallholders in negotiations, enabling evidence-based decision-making and strengthening linkages between producers and national and export markets through real-time data access..

Output 1.1.1 Value Chain Investment Plans Developed

Activities

(i) Prioritise value chains

64. Value chain prioritization will be conducted during Year 1 in both Savannakhet and Khammouane provinces to identify 4-5 priority commodities per province with strong market potential and smallholder participation opportunities. The prioritization process will assess value chains based on multiple criteria including: current market dynamics examining domestic demand trends, export market opportunities, price stability and profitability margins, and import substitution potential; nutrition value and contribution to addressing nutrition gaps, potential for small-scale farmer participation; production potential evaluating existing production volumes and capacity for expansion, agroecological suitability across target districts; market access and infrastructure assessing proximity to markets and border crossing points, existing processing and storage infrastructure, and presence of active traders, aggregators, or processors; climate resilience considering vulnerability of current production systems to climate shocks and options for diversification for risk management and efficient and sustainable use of soil and water resources and availability of climate-smart production practices; and inclusion potential examining whether women and youth can meaningfully participate.
65. The prioritization process will be participatory, engaging multiple stakeholders through provincial workshops bringing together Province and District Agriculture and Environment Offices (PAEO, DAEO) staff, MoIC provincial offices, APG representatives, traders and processors, financial institutions, Lao Chamber of Commerce and Industry, and development partners to review value chain performance data and discuss market opportunities; district-level consultations with APGs to understand farmer perspectives on market constraints and production challenges; market assessments gathering data on production volumes, trade flows, price trends, and consumption patterns; and value chain actor interviews with input suppliers, aggregators, processors, exporters, and institutional buyers to understand demand requirements and willingness to engage with smallholder suppliers. Based on this analysis, each province will initially select 4-5 priority commodities balancing diversity to spread risks while maintaining sufficient focus to achieve impact. The prioritization will be validated through provincial stakeholder meetings and endorsed by MoIC provincial offices and PAEO before proceeding with detailed value chain analysis.
66. Additional value chains may be selected in subsequent years based on clear triggers including: demonstrated success in initial value chains showing APGs achieving commercial viability and market integration; strong private sector demand with credible buyer commitments for new commodities; emergence of new market opportunities such as export demand or import substitution potential; APG readiness with existing producer groups organized and requesting support for new commodities; and adequate project implementation capacity to effectively support additional value chains. Decisions to add value chains will be made by the Project Steering Committee (PSC) based on proposals from MoIC demonstrating that triggers have been met.

(ii) Develop Value Chain Investment Plans (VCIPs)

67. A VCIP will be developed in each province for each priority value chain through multistakeholder processes (see output 1.1.2). Development will begin with detailed value chain analysis mapping all actors from input supply through retail/export, identifying roles, relationships, costs, margins, and constraints. The analysis will examine structural issues (market structure, infrastructure gaps, institutional frameworks, technology gaps) and dynamic issues (market trends,

climate impacts and environmental sustainability, policy changes, competitive positioning), identifying major constraints at each node (input supply, production, aggregation, processing, distribution) alongside opportunities (unmet demand, niche markets, import substitution, institutional markets, value addition, strategic partnerships). Analysis methods will include desk review, actor interviews, focus group discussions with APGs, market observations, and cost-margin analysis.

68. Based on value chain analyses, VCIPs will be developed using a standard template including: value chain overview; constraints and opportunities; vision and objectives; investment priorities (infrastructure, equipment with costs, locations, timeframes); capacity building requirements; private sector engagement strategies; institutional arrangements; financing plan; and monitoring framework. Development will follow a facilitated 3–4-month process: inception workshop establishing a VCIP working group with producers, private sector, government, financial institutions, and civil society; working group meetings to collaboratively develop components; targeted consultations with women and youth; draft review; and validation workshop securing commitments. VCIPs will be practical 15–25-page action plans identifying "quick wins" (12–18 months) and longer-term investments (3–5 years), with specific private sector engagement strategies.

(iii) Validate VCIPs through multi-stakeholder consultations at provincial and district levels

69. Draft VCIPs will be validated through broader multi-stakeholder consultations using the MSPS for each VC (see output 1.1.2). This is to ensure legitimacy, feasibility, and buy-in from implementing actors. Validation will occur at two levels: provincial validation workshops bringing together PAEO leadership, district governors, DAEO chiefs, the National Agriculture and Forestry Research Institute (NAFRI) representatives, APG representatives from multiple districts, private sector actors (Chamber of Commerce and Industry members, MSMEs, traders, financial institutions), civil society organizations, and development partners; and district-level consultations in priority districts where the value chain is concentrated, engaging APGs, village authorities, and local traders/processors to verify that planned interventions address their realities and that they are willing and able to participate. Validation workshops will present each VCIP, facilitate discussion on feasibility and coherence, solicit commitments from key actors, identify any missing elements or unrealistic assumptions, and refine investment priorities and timelines based on stakeholder feedback. Validation criteria will include market realities, technical feasibility, financial viability, institutional capacity of implementing organizations, inclusion of women and youth, climate resilience, and environmental sustainability.
70. Following validation, VCIPs will be formally endorsed by MoIC provincial offices and PAEO and incorporated into provincial development plans, providing government ownership and commitment. VCIPs will be living documents reviewed annually through MSP meetings, with updates reflecting changing market conditions, lessons from implementation, and emerging opportunities or constraints.
71. **Implementation arrangements:** The MoIC will lead the implementation of Output 1.1.1. A contracted service provider specializing in value chain analysis and development will work under MoIC supervision to conduct value chain identification and prioritization, perform detailed value chain analyses, facilitate multistakeholder VCIP development processes, and organize validation consultations. The Ministry of Agriculture and Environment (MAE) through PAEO will provide technical inputs on production potential, APG capacity, and climate resilience, participating in working groups and validation processes. DAEO staff will facilitate district consultations. The Project Management Unit will provide coordination support and quality assurance. The Lao Chamber of Commerce and Industry will mobilize private sector participation. MSPS will assume ongoing VCIP monitoring and updating once established.

Output 1.1.2 Inclusive Multi-stakeholder Platforms Established and Operational Activities

(i) Facilitate the formation of inclusive commodity-specific Multi-Stakeholders Platforms (MSPs)

72. MSPs will be established for each priority value chain in both provinces (4–5 MSPs per province, 8–10 total initially) bringing together all value chain actors to coordinate development and address systemic constraints. The formation process will begin with mapping existing platforms, associations, and coordination mechanisms to avoid duplication and identify collaboration opportunities. Existing structures such as provincial agriculture working groups, trader associations, or commodity-specific networks will be assessed for their functionality, membership inclusiveness and potential to serve as foundations for MSPs or partners in value chain coordination. The project will adopt a programmatic approach, working in close collaboration with other IFAD-financed projects—including AFN-II and PICSA—to ensure coherence, shared learning, and unified policy engagement at National Level. MSPs at the commodity/provincial level will feed into the national-level MSP, which will be convened with support from Lao Chamber of Commerce and Industry (LCCI) to address national-level issues, buyer engagement, policy reforms, land-use planning and governance, and broader market access opportunities for APGs, cooperatives, and MSMEs.
73. The MSPs will be convened and facilitated with Lao Chamber of Commerce and Industry (LCCI) as the lead partner institution. For each priority commodity, MSPs will be established identifying and profiling all value chain actors including producers (with explicit inclusion of women and youth farmers), traders, aggregators, input suppliers, service providers, research institutions, financial institutions, and government stakeholders (PAEO, DAEO, MoIC provincial offices, and the Lao Chamber of Commerce and Industry). The formation process will include: inception meetings with key value chain actors identified through VCIP development to present the MSP concept, discuss coordination needs, and gauge willingness to participate; stakeholder mapping to identify all relevant actors ensuring comprehensive representation including women-led enterprises, youth entrepreneurs, and MSMEs; and formation workshops where participants agree on MSP objectives, governance structures, and operating procedures. Special efforts will be made to ensure inclusion of marginalized actors including women producers and traders, youth engaged in value-added activities, ethnic groups farmers, and small-scale informal operators who may be overlooked in business-focused platforms.
74. Each MSP will establish formal governance structures ensuring inclusive, transparent, and accountable decision-making. This includes an MSP Steering Committee (8–12 members) with representatives from APGs/cooperative representatives, private sector (MSMEs, traders, processors), financial institutions, and government facilitators with mandatory representation quotas ensuring women and youth members. The Steering Committee sets strategic directions, approves annual action plans and budgets, monitors implementation, and resolves conflicts, while technical subcommittees or working groups address specific issues (quality and food safety standards, organic/agroecology standards and markets, logistics, finance access, policy advocacy). At the national level, LCCI will convene and coordinate steering and thematic platforms to drive policy alignment and support coordination across IFAD-supported operations as well as operations supported by other development partners.
75. The national-level MSP will adopt a programmatic approach across all IFAD-financed and other projects, convening half-day sessions with policy panel discussions and commodity exhibitions. Policy issues raised will be consolidated into briefs and shared with relevant ministries and platforms. At provincial level, MSPs will focus on data-driven planning, quality parameters, and integration with government schemes. At district level, MSPs will support micro-level coordination and market-linkage logistics.

(ii) Programmatic approach and multi-level MSP engagement

Level	Focus	Key Functions
National MSP (LCCI convening)	Portfolio-wide policy dialogue & learning platform	Policy-level reforms; ease-of-doing-business; national buyer-seller exhibition; preparation of policy briefs after each national session
Provincial MSPs	Value-chain coordination & production planning	Seasonal production planning; quality and food safety standards; convergence with provincial budgets & donor programs; networking among APG/cooperative leaders
District MSPs	Practical localized market linkage solutions	Buyer–seller meetings; contract facilitation; operational issue resolution

(iii) Build organizational, management and leadership capacities of MSPs

76. MSP Steering Committee members and key participants will receive capacity building to ensure platforms function effectively and sustainably. Training will cover: facilitation skills enabling members to conduct inclusive, productive meetings that balance diverse interests and reach consensus on action plans; conflict resolution techniques for addressing disputes among value chain actors (pricing disagreements, contract breaches, quality complaints) through mediation and

negotiation; strategic planning enabling MSPs to develop annual action plans aligned with VCIPs, set realistic targets, allocate responsibilities, and monitor progress; organizational management including basic financial management for MSP operational budgets, record-keeping, communication strategies, and membership engagement; leadership development particularly for women and youth representatives to build confidence, negotiation skills, and ability to articulate constituency priorities; and business literacy ensuring producer representatives understand cost structures, pricing mechanisms, quality requirements, and contract terms enabling informed negotiations with buyers.

77. The MSPs will be the guardians of the VCIPs and responsible for ensuring its implementation and updating when needed. Additionally, they serve as coordination platforms organizing regular dialogue sessions to: share market intelligence on price trends, demand forecasts, quality requirements, and emerging opportunities; identify bottlenecks constraining value chain performance (infrastructure gaps, policy barriers, coordination failures); discuss quality and food safety standards with mechanisms for enforcement; coordinate production planning to avoid oversupply or gaps, matching supply with buyer demand; and address grievances or disputes among value chain actors. Joint planning workshops (annually) will enable MSPs to: review VCIP implementation progress assessing achievements against targets; develop annual MSP action plans specifying priority activities, responsible actors, timelines, and resource requirements; coordinate investment priorities ensuring infrastructure, capacity building, and market development initiatives are sequenced and complementary; and engage in collective problem-solving on systemic constraints.

(iv) Design/customise a digital platform for value chain transparency

78. A digital platform will be designed and deployed to support MSP coordination and value chain transparency. The system will provide aggregation of data from all value chain actors leveraging information collected during VC prioritisation and VC investment planning process. It will customise and further develop the existing farmer registry system under the PICA project. Building on the existing architecture, the digital platform will enable data collection at APG level on crops, crop volumes, production estimates as well as information on identified value chain stakeholders-input suppliers, buyers, traders at province and district levels. This information will form the base of VC transparency, and the system will be inherently scalable.
79. Shared dashboards (between PAEO, DAEO, MoIC and LCCI) will improve transparency and support evidence-based decision-making. Role-based access will enable different stakeholders to view relevant information, and market intelligence on prices, demand and production predictions. The platform will further deploy MSP coordination tools that will initially support the 10 MSPs on joint action tracking, meeting schedules and minutes, and communication channels for members.
80. The digital platform will be designed with user-friendly interfaces suitable for actors with varying digital literacy levels and mobile responsiveness to enable access via smartphones. Recognizing that not all value chain actors have equal digital access, the platform will be complemented by other mechanisms (printed reports at MoIC/PAEO offices, telegram/line/WhatsApp updates) ensuring inclusivity. Training on platform use will be provided to MSP Steering Committee members, APG leaders, and key traders/MSMEs, with ongoing technical support available.
81. **Implementation arrangements:** The Ministry of Industry and Commerce (MOIC) will lead Output 1.1.2, coordinating MSP establishment and providing ongoing facilitation support. MOIC provincial offices will be responsible for day-to-day MSP coordination, organizing meetings, following up on action plans, and troubleshooting challenges. A contracted service provider specializing in multi-stakeholder facilitation and value chain coordination will support MSP formation, deliver capacity building to Steering Committee members, facilitate initial meetings until MSPs are functional and provide ongoing mentoring support. The digital platform will be developed by a service provider who will design, customize, and deploy the digital platform for MSP coordination and value chain management. The data collection on APGs production activities will be supported by project M&E, PAEO, DAEO, MoIC, LCCI staff and supported by the Lao Farmer Network as well as the Service Provider for MSP process. The APG Database built under component 2.1 will form a baseline for further data collection. Capacity building on data collection tool that will be used will be provided by the Service provider for the digital platform. The Ministry of Agriculture and Environment (MAE) through PAEO and DAEO will participate actively in MSPs, providing technical expertise on production and climate vulnerability issues and facilitating APG participation. The Lao Chamber of Commerce and Industry at provincial level will mobilize private sector engagement and co-facilitate MSP meetings. The Project Management Unit will provide overall coordination, monitor MSP functionality, document good practices, and facilitate linkages between MSPs and other project interventions. MSPs will progressively assume leadership from facilitators, with the goal of sustainable, member-driven platforms continuing beyond project support by Year 4-5.

Output 1.1.3 Strategic Market Infrastructure Constructed Activities

(i) Conduct infrastructure prioritization

82. Infrastructure needs will be identified through VCIPs using participatory consultations with value chain actors via Multi-Stakeholder Platforms. MSPs will assess critical infrastructure bottlenecks constraining market access for small-scale producers and value chain development, considering constraints identified in value chain analyses, producer and trader priorities on accessibility and logistics, processing and storage needs for quality maintenance and value addition, and geographic distribution ensuring equitable access across target districts.
83. Prioritization will distinguish between public goods (farm roads and market access infrastructure benefiting multiple users and communities) and private/collective goods (aggregation centres, processing facilities, cold storage benefiting specific APGs or cooperatives who will own and operate them). The Project will be investing in around 100 km of farm road rehabilitation/upgrading. The prioritization criteria will include: impact on market access for multiple APGs and communities, reducing transportation costs and time to markets; number of participants (households, APGs, villages) served by the road; current road condition and feasibility of rehabilitation versus new construction (prioritizing rehabilitation of existing roads); strategic connectivity linking production zones to district markets, processing facilities, or main highways enabling provincial and export market access; climate vulnerability of current routes (impassability during rainy season, erosion risks) and potential for climate-resilient improvements; complementarity with other infrastructure investments avoiding duplication with government or other development partner road programs; and cost-effectiveness considering construction costs relative to expected benefits in market access and commercialization.
84. For private/collective infrastructure (aggregation centres, processing units, cold storage, drying facilities), prioritization criteria will include: demonstrated demand from APGs or cooperatives with business plans showing financial viability and market justification for investments; technical and organizational capacity of APGs/cooperatives to manage and operate the infrastructure; market linkages justifying processing or storage capacity; strategic value chain impact addressing critical bottlenecks identified in VCIPs that prevent value addition or market access; and replicability and scalability showing potential to serve as models for other APGs/cooperatives.
85. Infrastructure priorities will be endorsed by MSPs, validated through provincial stakeholder consultations including assessment of APG/cooperative readiness to assume ownership and operation, and formally approved by the PSC before proceeding to detailed technical designs and procurement.

(ii) Develop infrastructure feasibility studies and detailed technical designs for public investments (roads)

86. For prioritized public infrastructure investments (farm roads), feasibility studies and detailed technical designs will be developed incorporating climate-resilient features where appropriate. Feasibility studies will assess: technical feasibility including terrain and hydraulic conditions, construction requirements, and material availability; economic viability analyzing cost-benefit ratios, traffic projections, time savings, and market access improvements; social impacts including number of participants, inclusion of vulnerable households, land acquisition, economic displacement compensation, or resettlement requirements (to be avoided where possible), and community support for investments; environmental considerations including environmental screening per SECAP requirements, drainage and erosion control measures, and mitigation of construction impacts on water sources or sensitive ecosystems; and climate resilience features such as flood-resistant design for roads in flood-prone areas, proper drainage systems handling increased rainfall intensity, erosion protection on slopes and embankments, and use of durable materials withstanding climate stresses.
87. Detailed technical designs will be prepared by qualified engineers following Government technical standards and IFAD requirements, specifying construction methods, material specifications, quality standards, climate-proofing measures, cost estimates with contingencies, and implementation schedules. Designs will undergo technical review by PAEO or provincial public works departments ensuring compliance with national standards, and community consultations presenting designs to target communities for feedback on alignment with needs and identification of any concerns before finalization.

(iii) Sign agreements with public entities defining responsibilities for operation, maintenance, and asset management

88. Before farm road construction commences, formal agreements will be signed with relevant public entities and target communities defining responsibilities for operation, maintenance and asset management ensuring infrastructure sustainability beyond project completion. Agreements will be signed with district authorities (district public works departments or district agriculture offices) specifying: ownership and management responsibilities with roads formally transferred to government custody upon completion; operation and maintenance obligations including routine maintenance schedules (grading, drainage clearing, pothole repairs), budget allocation for maintenance from district budgets or road funds, and quality standards to be maintained; target community contributions potentially including organized labour for routine maintenance activities, establishment of road user committees monitoring condition and coordinating repairs, and cost-sharing arrangements for major rehabilitation in future; and conflict resolution mechanisms for disputes over road use, maintenance responsibilities, or damage.
89. **Implementation arrangements:** For farm roads, the Project Management Unit will work with the Department of Public Works and Transport (DPWT) and PAEO to implement the infrastructure investments. An engineering firm will be contracted to conduct feasibility studies and prepare detailed technical designs for the farm roads, ensuring technical quality and compliance with DPWT and IFAD standards. The PMU will manage competitive procurement of civil works contracts following IFAD procurement procedures, with DPWT participating in contractor selection, providing technical supervision during construction, and certifying completion before handover. Contracts with the contractors will include performance bonds and retention payments ensuring quality completion.

Sub-component 1.2: Enterprise Development and Financial Inclusion

90. This sub-component strengthens the business and financial management capacities of cooperatives and MSEs through a coherent pathway that transforms fragmented APGs into commercially viable enterprises with sustained access to formal finance. The logic flows through four interconnected stages: organizational readiness is established through assessments identifying consolidation opportunities and facilitating voluntary APG mergers into cooperatives achieving viable scale aligned with Government Decrees 536 and 606; business capacity is built through financial and business literacy training, comprehensive business planning, and quality management skills enabling cooperatives and MSEs (primarily women and youth-led) to operate commercially and meet market standards; access to finance is unlocked by translating business plans into bankable proposals that demonstrate commercial viability to financial institutions, then deploying blended financing mechanisms where blocked grants de-risk initial lending. This progression ensures that organizational structure, business capability, and financial relationships develop together—each reinforcing the others—creating commercially sustainable enterprises.

Output 1.2.1 Business development skills strengthened

Activities

(i) Conduct organizational capacity assessments of APGs and cooperatives

91. Organizational capacity assessments will be conducted for all APGs and cooperatives in the target districts to identify specific capacity building needs, training requirements, and readiness for consolidation into larger cooperative structures. The assessments will evaluate organizational maturity including governance structures, leadership quality, decision-making processes, and member participation; financial management capacity covering record-keeping systems, financial reporting, budget planning, and internal controls; business operations including production planning, inventory management, quality control, and market engagement; membership dynamics assessing member commitment and volume of production, equity of participation, conflict resolution mechanisms, and benefit distribution; and readiness for consolidation and commercial financing evaluating asset base, business track record, complementarity with other APGs for potential mergers, and capacity to transition to formal cooperative status. Assessment findings will inform tailored capacity building programs addressing specific gaps and weaknesses, identify territorial strategic opportunities for consolidating multiple APGs into viable cooperatives (building on the clustering process facilitated under output 2.1.1) achieving economies of scale, and guide selection of cooperatives ready for advanced business development support. Assessments will use standardized tools enabling comparison across APGs and cooperatives, tracking of progress over time, and identification of consolidation pathways where multiple smaller groups can merge into larger, more sustainable entities.

(ii) Deliver Financial Education and Business Literacy (FEBL) training

92. Financial Education and Business Literacy (FEBL) training will be delivered to 34 target cooperatives (approximately 2 per district across selected districts) and 68 MSEs (approximately 4 per district, primarily women and youth-led) using gender sensitive curricula tailored to different literacy levels and organizational maturity stages. LEAD will liaise with other IFAD projects in the region to capitalize on already developed FEBL training manuals and adapt them to the Lao PDR context, rather than developing materials from scratch. This will ensure proven training approaches are utilized while customizing content for local needs, literacy levels, and business environments.
93. FEBL training will cover: basic financial record-keeping including simple bookkeeping and separating business from household money; cash flow management helping cooperatives and MSEs understand when money comes in and goes out, and planning for seasonal needs; simple pricing covering cost, productivity and net income calculation and setting profitable prices; understanding savings and credit including what loans mean, how interest works, and repayment obligations; and basic business planning for improving productivity, net income and growth. Training will use visual aids, practical exercises with real examples from participants' businesses, and peer learning approaches suitable for participants with varying literacy levels. Training will be delivered through workshops combined with on-site mentoring, with particular attention to ensuring women and youth entrepreneurs receive support appropriate to their experience levels and barriers they face.

(iii) Support development of comprehensive business plans for cooperatives and MSEs

94. Comprehensive business plans will be developed for the 34 cooperatives and 68 MSEs to guide their commercial operations and enable access to financing. Business plans will include: description of the business, participating producers, and what products or services will be sold; market information on who will buy the products, at what prices, and how much they will buy; production plans showing what and how much will be produced, when, and what inputs are needed; simple financial projections showing expected sales, costs, and profits; and how the business will grow over time (improve production resilience, volume, quality and productivity) and become financially sustainable.
95. For MSEs, investments will be primarily dedicated to women and youth entrepreneurs engaged in value-added activities such as processing, packaging, aggregation services, input supply, or other enterprises serving value chains. MSE business plans will emphasize realistic opportunities where women and youth can succeed, building on their existing skills and addressing practical barriers they face including, climate vulnerabilities, limited capital and market connections. Business plan development will be facilitated through practical workshops combined with one-on-one assistance, ensuring entrepreneurs understand and own their plans.

(iv) Provide technical assistance in developing bankable business proposals

96. Technical assistance will be provided to the 34 cooperatives and 68 MSEs to translate business plans into bankable business proposals that meet financial institution requirements for lending. Bankable proposals will include: executive summary presenting the business opportunity concisely; business description covering products/services, target markets, competitive advantages, and management team; market analysis demonstrating demand and competitive positioning; financial statements including historical performance (if available), projected income statements, cash flow projections, and balance sheets; loan request specifying amount needed; use of funds; proposed collateral or guarantees; repayment capacity analysis showing cash flow adequacy to service debt while maintaining operations; risk analysis identifying potential challenges and mitigation strategies; and supporting documentation such as registration certificates, land titles, membership lists, financial records, and market contracts. Technical assistance will ensure proposals are based on a simple template and professionally presented, financially sound, and address concerns financial institutions typically have about agricultural lending.

(v) Strengthen quality management capacities including food safety standards, certification requirements and export compliance.

97. Quality management capacity building will be provided for the 34 cooperatives and 68 MSEs to enable them to meet buyer requirements for domestic and export markets. Training and technical assistance will cover: Organic/agroecology practices, GAP and Good Manufacturing Practices (GMP) for production and processing ensuring food safety and quality; quality control procedures including grading, sorting, handling, and storage standards; organic production and product standards covering the use of bio-inputs and certification or participatory guaranty systems; food safety standards covering hygiene, contamination prevention, pesticide residue management, and traceability; certification requirements for accessing formal markets including organic certification, GAP

certification, or export certification where market-justified; export compliance covering phytosanitary requirements, documentation, and border procedures for cooperatives targeting cross-border trade; and quality assurance systems including record-keeping, internal audits, and corrective action procedures. Capacity building will be practical and hands-on, conducted at production sites and processing facilities with demonstrations of proper techniques, equipment use, and documentation. Simple digital checklists for food safety practices will be created for regular use and improved recall.

(vi) Foster consolidation of APGs into larger cooperatives to access economies of scale and de-risking advantages

98. The project will facilitate consolidation of APGs identified through organizational capacity assessments into larger cooperatives to achieve economies of scale enabling viable commercial operations and improved bargaining power with buyers and lenders. Consolidation strategies will include mergers of multiple APGs in the same value chain and geographic area into single cooperatives enabling sufficient volumes for processing investments, contract farming relationships, and accessing formal credit. In districts where organizational capacity is strong, identified high-performing APGs may directly transition into cooperatives without the need for intermediate clustering, in line with recommendations from Department of Agriculture Extension and Cooperatives (DAEC).
99. Consolidation will be voluntary and demand-driven, supported through: awareness-raising on benefits of scale including reduced transaction costs, improved negotiating power, access to larger markets, and eligibility for commercial credit; technical assistance on legal procedures for mergers and registrations under Government Decrees 536 and 606, governance structures for larger organizations, and conflict resolution during consolidation; and capacity building for merged cooperatives on managing larger, more complex organizations. Consolidation will be incentivized through preferential access to project support for blended financing, recognizing that larger cooperatives are more sustainable and impactful.
100. The project addresses risks of APGs not graduating on schedule or those that regress through an explicit assessment of the graduation progress and adaptive response measures as per the Table below:

Risk area	How the risk is mitigated in the design	Monitoring / trigger	Contingency / adaptive response
APG pipeline quality: Newly formed groups may be weak, grant-driven, or not ready for commercial engagement.	LEAD will work with existing APGs rather than forming new groups. This reduces risks of weak cohesion, short-term participation, and groups formed mainly to access project support. It also means the project builds on groups that already have some operational experience, trust, and collective activity and capital.	Quality of APG screening; number of APGs meeting minimum readiness criteria.	APGs below minimum readiness thresholds receive foundational support first and are not immediately channelled into clustering or finance.
APG graduation to cooperatives: Not all APGs may be able to graduate into cooperatives within the project period due to differences in capacity, governance, market linkage, or climate shocks.	The project adopts a non-linear, performance-based graduation pathway. Strong APGs may graduate directly; medium-capacity APGs may first enter cluster arrangements; weaker APGs continue strengthening before progressing. Graduation is based on readiness, not on a fixed timeline. IFAD Farmers' Enterprise Assessment Tool (FEAT) will be used for assessment and to guide the graduation pathway.	Periodic assessment of governance, commitment of members, production volumes, market linkage, and financial readiness; Mid-Term Review.	Targets, sequencing, and support modalities may be recalibrated at MTR. APGs that do not graduate remain supported as commercially active groups.
Inclusion of non-graduating APGs: APGs that do not reach cooperative status may be left behind.	The design uses cluster and hub-and-spoke models so that non-graduating APGs remain integrated into value chains as suppliers linked to stronger APGs or cooperatives. Success is therefore not limited to legal cooperative formation alone.	Share of APGs participating in clusters, supplier linkages, and market arrangements.	Continued support through market linkage, business development, and financing pathways appropriate to their maturity level.
FI participation at start-up: Partner financial institutions may decline to participate in the mechanism.	The design team has already engaged Banque pour le Commerce Extérieur Lao Public and Agricultural Promotion Bank, both of which expressed interest in the proposed approach. The mechanism builds on an existing fixed deposit-backed lending modality already used by banks, reducing product adoption risk. The design team is also continuously engaging with the ADB financed programs strengthening FIs and their commercial financial products for the agrifood sector. A close collaboration will ensure that LEAD can generate pipeline for these programs and participating finance institutions.	Number of engaged PFIs; progress toward framework agreements in Year 1.	If no framework agreement is signed by the end of Year 1, the project will temporarily revert to a matching grant approach while continuing engagement with banks.
Regulatory feasibility: The proposed mechanism may face regulatory constraints.	Discussions with the central bank confirmed that fixed deposit-backed lending is consistent with existing regulations, and no regulatory barrier is currently anticipated.	Confirmation during start-up and framework agreement preparation.	If any regulatory issue arises, implementation procedures will be adjusted in consultation with participating institutions and regulators.
Operational feasibility of the mechanism: The blocked grant mechanism may be too complex to implement.	The design does not introduce a new financial product. It adapts an existing and familiar bank practice, where a fixed deposit serves as cash collateral. Banks already have systems and procedures for such lending. The project's role is to build pipeline, strengthen borrower readiness, and standardize implementation through framework agreements.	Time from agreement to first disbursement; number of approved loans; operational issues reported by PFIs.	Simplify procedures, provide additional implementation support, and phase roll-out if needed.
PMU capacity for FI engagement: Weak financial sector expertise in the PMU may affect implementation quality and coordination with PFIs.	Dedicated banking/finance expertise will be included in the PMU to support continuous engagement with PFIs, monitor portfolio performance, and refine the mechanism during implementation.	Recruitment and deployment of qualified PMU finance specialist.	Interim technical support may be mobilized if recruitment is delayed.

Continuation of lending after 3 loan cycles: PFIs may stop lending after grant-supported cycles end.	The design is based on relationship banking and graduation logic. After repeated successful loan cycles, repayment history is established, information asymmetry is reduced, and lenders can increasingly assess clients based on actual cashflows and behaviour rather than collateral alone. This improves the basis for commercial continuation, although continuation is treated as expected but not guaranteed. From the perspective of the cooperatives and SME's, they would have seen the benefit of having a deposit serving as a collateral giving them access to finance, and they would be encouraged to keep the initial grant financing and eventual adding new savings as a blocked deposit also after the end of the project.	Repeat lending rate; repayment performance; portfolio quality; FI feedback on willingness to continue.	If repeat lending remains limited, the project may continue selective support through alternative modalities and reassess the financing design at MTR.
Weak cooperative graduation affecting finance sustainability: If many APGs/ cooperatives do not mature commercially, the pipeline for continued FI lending may weaken.	The project links finance to a broader graduation process: APG strengthening, clustering, climate resilient production improvements, market linkage, financial literacy, screening, and business planning. This improves borrower quality before and during lending.	Number of APGs/ cooperatives meeting finance readiness benchmarks; portfolio performance by borrower type.	Support can be differentiated by maturity level, with slower groups continuing under lower-risk or grant-linked pathways while stronger groups progress to commercial finance.
Unclear PFI commitments: Framework agreements may not clearly define PFI roles and responsibilities.	Framework agreements will specify indicative areas of collaboration, including participation in the blended finance mechanism, financial literacy training, lending to eligible APGs/cooperatives, operational coordination, and portfolio data sharing.	Signed agreements and periodic implementation review.	Agreement terms may be revised and/or additional PFIs brought in if engagement is weak.
Use of blocked grant after 3 cycles: Release of the blocked grant may weaken sustainability if funds are not used prudently.	After three successful loan cycles, beneficiaries will prepare a utilization plan, approved through their internal governance structure, setting out whether the blocked grant will be released for productive reinvestment or retained as a fixed deposit to leverage further lending (the latter would be encouraged). The project will review these plans to support prudent use.	Share of borrowers retaining deposits; quality of utilization plans; post-cycle financing behaviour.	Use of the grant and continued leverage will be reviewed during implementation, including at MTR, and adjustments may be considered if needed.

101. **Implementation arrangements:** The Ministry of Industry and Commerce (MOIC) will provide overall coordination for Output 1.2.1, working with DAEC, MOIC provincial offices, and DAEOs to identify target cooperatives and MSEs, facilitate linkages to markets and financial institutions, and monitor progress in business development capacity. A contracted service provider specializing in business development and financial literacy will be engaged to: conduct organizational capacity assessments of all APGs and cooperatives in target districts in collaboration with the Lao Farmers Association; deliver FEBL training to the 34 cooperatives and 68 MSEs tailored to different literacy levels and organizational maturity; support development of comprehensive business plans; provide technical assistance to develop bankable business proposals for presentation to financial institutions; and facilitate consolidation processes for APGs merging into larger cooperatives.

102. The Ministry of Agriculture and Environment (MAE) through PAEO will provide technical inputs on production and quality standards, strengthen quality management capacities on organic and food safety standards, certification, and export compliance (with the support of a service provider when needed), coordinate with cooperative development departments on legal registration under Decrees 536 and 606, and facilitate linkages between cooperatives and extension services. DAEO staff will support APG and cooperative mobilization and provide ongoing field-level support. Financial institutions partnering with the project will provide guidance on lending requirements, review business proposals, and offer feedback to improve bankability. The Project Management Unit will provide overall coordination, monitor achievement of targets (34 cooperatives, 68 MSEs with primary focus on women and youth), ensure quality of business development services, facilitate consolidation processes, and document lessons learned on effective approaches for cooperative and MSE strengthening in Lao PDR.

Output 1.2.2 Cooperatives and MSEs supported to access rural financial services

Activities

(i) Simplify loan application procedures

103. The project will work with credit officers within partner financial institutions to simplify loan application procedures and standardize loan application templates suitable for rural agricultural clients, enabling consistent processing, and step-by-step guidance for applicants on completing forms and assembling required documents.

104. This will balance financial institutions' need for adequate information to assess credit risk with cooperatives' and MSEs' limited capacity to produce extensive documentation, finding practical middle ground enabling loans to proceed without undue barriers. Training will be provided to credit officers on using simplified procedures and assessing agricultural cooperative and MSE loan applications, helping them understand the specific characteristics, cash flows, and risks of these borrowers who differ from typical commercial clients. Simplified procedures once validated will be formalized through agreements with partner financial institutions, ensuring consistent application across all LEAD-supported lending.

(ii) Develop blended finance mechanisms (de-risking tools)

105. Blended finance mechanisms will be developed combining grants and loans to reduce risk for first-time borrowers and enable transitioning to commercial lending. The Government of Lao PDR, with support from the WB and the ADB, has established access-to-finance instruments such as: the SME Promotion (Enterprise Promotion) Fund providing low-interest and long tenor loans to priority sectors including agribusiness, processing, and rural services through selected commercial banks; and the Lao Access to Finance Fund (LAFF) providing funding to banks and deposit-taking MFIs, which then on-lend to MSMEs and agri-food enterprises at market-based rates. The ADB, alongside the WB, has played a significant role in capitalising and supporting this architecture through concessional credit lines and technical assistance. ADB-supported projects channel funds through domestic financial institutions and strengthen MSME lending capacity, reinforcing the same wholesale and on-lending model used by national funds such as LAFF and the SME Promotion Fund. As such liquidity and policy commitment are strong. However, impact on early-stage rural producers, APGs, and cooperatives has remained limited. Lending continues to be governed primarily by collateral-based appraisal frameworks, and subsidised or wholesale funding has not fundamentally altered banks' risk assessment practices. As a result, a large segment of rural economic actors remains positioned between grant-based project support and fully commercial finance, with neither modality adequately addressing their needs (details PIM appendix 19).

106. Linking to the partner finance institutions supported by the ADB projects and other initiatives¹⁶¹ (e.g. the Banque Pour Le Commerce Exterieur Lao Public) LEAD will introduce a new mechanism to address these gaps. This mechanism will use blocked grants deposited in the accounts of cooperatives and MSEs,

serving as collateral, and which can only be accessed after completing three loan cycles successfully, incentivizing creditworthiness building and transition to fully commercial finance. Discussions have been undertaken with banks during the design mission who considered the idea to be innovative and indicated they will be able to offer 1.2 USD for every 1 USD of fixed deposit, creating a leverage ratio where project grant resources catalyse larger volumes of lending. This mechanism is contingent upon successful loan appraisal by financial institutions and is activated only after borrowers demonstrate viability and are approved for credit, consistent with the Bank of Lao PDR and partner FI requirement that financing be based on the ability of the business to sustain operations and generate positive cash flows.

107. The blended financing mechanism will operate as follows: when a cooperative or MSE is approved for project support based on their bankable business proposal, a blocked grant is deposited in an account in the cooperative's or MSE's name at a partner financial institution, serving as a fixed deposit guarantee; the financial institution extends a loan to the cooperative or MSE at commercial or near-commercial terms, using the blocked grant to secure the lending and reduce their risk exposure; the cooperative or MSE implements their business plan with ongoing technical support from project service providers and makes regular loan repayments; upon successful repayment of the first loan, the cooperative or MSE can access a second loan cycle, again secured by the same blocked grant, followed by a third loan cycle. The blocked grant remains inaccessible to the borrower throughout the first three loan cycles, serving purely as security for the lender and incentivizing disciplined repayment behaviour. After successfully completing three loan cycles with consistent repayment, the cooperative or MSE has established creditworthiness and track record with the financial institution, at which point the blocked grant is released to the borrower. The borrower can either use it for business investments while the financial institution continues lending based on demonstrated credit history without requiring the fixed deposit guarantee or continue to use it as a fixed deposit guarantee. While LEAD will train 34 Cooperatives and 68 SMEs on financial education, business literacy and enterprise management, the preliminary assumption is that around 24 Cooperatives and 48 SMEs will access rural financial services.
108. This progressive financing pathway enables cooperatives and MSEs to build credit histories over multiple cycles (typically 3-5 years depending on loan terms), transitioning from guaranteed first-time borrowers to established clients that financial institutions will continue serving commercially after project support ends. The three-cycle requirement ensures sufficient time for borrowers to demonstrate sustained repayment capacity under varying conditions (different seasons, market fluctuations), while the promise of accessing the blocked grant provides strong incentive for consistent repayment and continued engagement with formal finance. Framework agreements will be signed with participating financial institutions specifying the blocked grant mechanism, loan terms for each cycle and conditions for releasing grants to borrowers.
109. The project will establish clear eligibility criteria for accessing blended financing including having completed FEBL training, possessing approved business plans and bankable proposals, demonstrating organizational capacity and member commitment, and providing minimum co-financing (member contributions) showing genuine ownership. The mechanism is designed to create a sustainable pipeline of creditworthy agricultural borrowers that financial institutions will serve commercially beyond the project period, having gained confidence through the guaranteed loan cycles that cooperatives and MSEs can be reliable clients.

(iii) Monitor loan performance

110. Systematic monitoring of loan performance will be conducted tracking repayment rates, financial inclusion outcomes disaggregated by gender and age, and overall effectiveness of blended financing mechanisms in enabling financial inclusion. The project will establish a loan tracking system maintained by the PMU recording for each borrower: loan cycle number (first, second, or third), loan characteristics (amount, terms, interest rate, blocked grant amount), disbursement and repayment schedules with actual dates and amounts, repayment performance tracking on-time payments and any difficulties, use of funds verification, business outcomes assessment, and progression toward graduation (release of blocked grant after third cycle and continuation of lending without guarantees).
111. Monitoring will enable early identification of repayment problems, allowing timely interventions through additional technical assistance or business mentoring to help borrowers get back on track. Particular attention will be paid to tracking cooperatives and MSEs through their three loan cycles, identifying factors that predict successful graduation versus those that struggle, and providing targeted support ensuring maximum number of borrowers successfully complete the pathway and become independently creditworthy. Loan performance data will be analyzed to assess whether the three-cycle requirement is appropriate or should be adjusted, and whether financial institutions are indeed willing to continue lending to graduated borrowers without guarantees as anticipated.
112. Implementation arrangements: The Ministry of Industry and Commerce (MOIC) will coordinate Output 1.2.2. The Project Management Unit will work with financial institutions for the development of blended financing mechanisms, negotiate framework agreements with partner financial institutions specifying the blocked grant deposit and three-cycle graduation pathway, manage fund transfers, maintain the loan tracking system monitoring progression through cycles, and verify conditions for releasing grants to borrowers after successful completion of three cycles. The service provider contracted under Output 1.2.1 will provide technical assistance to cooperatives and MSEs in preparing loan applications, ensure business proposals meet financial institution requirements, and provide ongoing business mentoring throughout the three loan cycles supporting successful utilization and repayment.
113. Partner financial institutions will assess loan applications, extend loans to eligible cooperatives and MSEs with blocked grant security, manage blocked grant accounts according to agreements holding funds inaccessible to borrowers until three-cycle completion and provide regular reporting on disbursements and repayments. Regular coordination meetings between PMU, financial institutions, service providers, and borrower representatives will review portfolio performance, assess graduation rates, troubleshoot challenges, and ensure the mechanism effectively builds creditworthiness and sustainable financial inclusion.
114. Possible partner finance institutions will be drawn from licensed and regulated banks and deposit-taking institutions that already operate in SME and/or agricultural finance and have a presence in project provinces such as the Banque Pour Le Commerce Exterieur Lao Public. See appendix 19 Rural Finance Technical Paper for further details.
115. LEAD establishes parallel financing with the ADB Sustainable Agrifood Systems Sector Project to create a progressive pathway for smallholder cooperatives and MSEs from early-stage support to commercial bankability. LEAD prepares cooperatives and MSEs for ADB-supported rural finance through a structured graduation process including building organizational capacity training, business planning, and quality management, creating entities with functional governance and financial literacy. LEAD-cooperatives and MSEs can leverage ADB credit facilities for larger investments, creating a continuum from LEAD capacity-building and initial de-risking to ADB-supported commercial finance for established agricultural enterprises.

Sub-component 1.3: Policy Engagement and Market Integration

116. This Sub-component aims to strengthen the policy and regulatory environment enabling smallholder participation in formal markets and agricultural commercialization by supporting Government implementation of key policy frameworks, developing practical guidelines for smallholder compliance with food safety and export standards, and facilitating strategic policy dialogue between government, private sector, and producer organizations to address regulatory bottlenecks constraining value chain development and market access for APG clusters and cooperatives.
117. The Sub-component addresses three critical regulatory bottlenecks that constrain market integration: (i) limited operational guidance for implementing Decrees 536 and 606, leaving cooperatives uncertain about registration procedures, governance requirements, and graduation pathways; (ii) absence of smallholder-appropriate food safety compliance guidelines, making formal market entry and export certification prohibitively complex for APG clusters and cooperatives; and (iii) lack of effective platforms for interaction between value chain public and private actors to strengthen linkages and find solutions to systemic problems cause weak coordination between these actors and misalignment of MOIC and MAE support to cooperative graduation and partnerships with private sector actors.
118. Policy objectives are to: (i) operationalize Decrees 536 and 606 through development of practical implementation guidelines, establishment of the Cooperative Fund, and strengthening of MAE's cooperative oversight capacity, enabling a clear pathway for APG graduation to registered cooperatives with access to government support services; (ii) remove market access barriers by developing simplified food safety compliance guidelines tailored to smallholder contexts, enabling cooperatives to meet domestic quality standards and pursue export certification without prohibitive costs; and (iii) strengthen the enabling environment for commercialization by facilitating multi-stakeholder policy dialogue through MSP platforms that identify and resolve regulatory contradictions, streamline business registration processes for MSEs, and align MAE and MOIC frameworks supporting cooperative-private sector partnerships.

Output 1.3.1 Strategic Policy Dialogue and Regulatory Framework Enhanced

Activities

(i) Support Government in implementation of the Decree on Groups and Cooperatives

119. This activity will provide technical and implementation support to the Government of Lao PDR in operationalizing Decrees 536 (2023) on Associations and 606 (2024) on Groups and Unions, which provide the regulatory framework for APG graduation and cooperative development. The project will support implementation of developed guidelines covering APG registration procedures, organizational standards for different maturity levels (informal groups, registered associations, formal cooperatives), governance requirements, financial management standards, and criteria for graduation between levels. By conducting systematic organizational capacity assessments, delivering tailored FEBL training, supporting development of business plans and bankable proposals, and facilitating APG consolidation into larger cooperatives, LEAD creates the enabling conditions for successful cooperative development as envisioned in Government policy. The following table summarizes how specific project elements operationalize key provisions of the Government decrees:

LEAD's contribution to the Lao PDR decree on Groups and Cooperatives

Project element	Key provisions it operationalizes	Contribution
<i>Inclusive MSPs (Output 1.1.2)</i>	Articles 2–5, 28–29, 42–43, 48–50, 52, 66	<i>Institutionalizes inclusive dialogue, coordination, and technical support among all value chain actors, strengthening groups and cooperatives and creating the “conducive environment” mandated by the Law.</i>
<i>Digital transparency platform</i>	Articles 37–38, 49, 52, 65–71	<i>Provides real time data, transparency and monitoring tools that support sound governance, accounting and supervision of cooperative type organizations.</i>
<i>Strategic market infrastructure (Output 1.1.3)</i>	Articles 42, 44–45, 50	<i>Delivers the physical infrastructure and market access measures that the Law identifies as essential for cooperative promotion and expansion.</i>
<i>Business development skills (Output 1.2.1)</i>	Articles 14–18, 28–31, 32–36, 48–49, 66	<i>Builds the organizational, financial and managerial capacities that groups and cooperatives need to comply with establishment, governance, capital and reserve provisions.</i>
<i>Financial inclusion support (Output 1.2.2)</i>	Articles 32–36, 38, 46–47, 58–60	<i>Simplifies rural lending, de-risks first time borrowers and links cooperatives and MSEs to finance, complementing the Law's directives on access to funding and promotion funds.</i>
<i>Consolidation of APGs into cooperatives</i>	Articles 3–4, 14, 28–31, 39, 66	<i>Translates the policy of developing groups into cooperatives into practical steps, preparing for compliant mergers while protecting members and creditors.</i>

120. A critical focus will be on supporting the establishment of the Cooperative Fund envisioned in the decrees, which will provide a sustainable financing mechanism for cooperative development beyond the project period. The project will work with MAE's Department of Agricultural Extension and Cooperatives (DAEC) to develop operational procedures for the Cooperative Fund including eligibility criteria, application processes, funding windows for different cooperative needs (working capital, equipment, infrastructure), governance structures, and sustainability mechanisms. Technical assistance will be provided to strengthen MAE's capacity to oversee cooperative development, including development of monitoring systems tracking cooperative registration and performance, establishment of cooperative service centers providing business advisory services, and training of government staff on cooperative principles and support methodologies. At the provincial level, PAEO will receive support to establish cooperative promotion units, train district staff on decree implementation, and facilitate APG-to-cooperative transitions in target districts. The project will document lessons learned from LEAD's experience with APG graduation, producing practical case studies and policy briefs that inform refinement of implementation guidelines and demonstrate effective approaches for replication in other provinces.

(ii) Develop guidelines for small-scale producers relevant to food standards, safety compliance and export certification

121. This activity develops practical, smallholder-appropriate guidelines enabling cooperatives to access export markets where food safety compliance and certification are mandatory. Current export certification requirements and food safety standards are designed for large-scale commercial processors, creating prohibitive complexity and costs that exclude smallholder cooperatives from export opportunities despite producing quality products. By working with MAE's Department of Agriculture and MOIC's Department of Trade, the project will develop simplified compliance guidelines for priority value chains through: consultations with APGs, exporters, and food safety experts identifying critical requirements versus unnecessary barriers; drafting guidelines that adapt technical standards to smallholder contexts with practical, cost-effective approaches maintaining quality assurance; piloting with selected cooperatives to test feasibility and document compliance costs; refinement based on pilot results; and official endorsement by MAE and MOIC with integration into national extension programs. These guidelines unlock market integration by enabling cooperatives to meet export certification requirements—transitioning from domestic-only sales to cross-border trade where documented food safety compliance is prerequisite for market entry. Official government endorsement ensures guidelines are recognized by export buyers and border authorities, creating sustainable export pathways beyond project support.

(iii) Identify other needed support for implementation of regulatory frameworks, including relevant to the Green Growth Strategy and the National Policy on Plant Production, among others.

122. This activity will identify additional policy implementation support needs that emerge during project implementation, ensuring LEAD remains responsive to evolving policy priorities and regulatory challenges constraining agricultural resilience and commercialization. The project will identify bottlenecks where policy implementation gaps or regulatory ambiguities constrain value chain development, inadequate capacity limits policy enforcement, or misalignment between policies creates contradictory requirements for farmers and cooperatives. When priority implementation needs are identified, the project will provide targeted support such as technical assistance to develop missing implementation guidelines or procedures; capacity building for government staff responsible for policy implementation at provincial and district levels; piloting implementation approaches that can inform policy refinement; or facilitating multi-stakeholder dialogue to resolve policy conflicts or ambiguities. This adaptive approach ensures the project's policy engagement responds to actual constraints experienced by APGs and cooperatives, maximizing relevance and impact of policy support activities. All policy engagement will be documented through policy briefs shared with government and development partners, contributing to evidence-based policy dialogue and influencing broader agricultural policy frameworks in Lao PDR.

123. Implementation arrangements: The Ministry of Agriculture and Environment (MAE) through the Department of Agricultural Extension and Cooperatives (DAEC) will lead Sub-component 1.3, coordinating policy engagement activities and serving as the primary government counterpart for policy dialogue. For cooperative policy implementation, DAEC will work closely with the Ministry of Finance on establishment of the Cooperative Fund and with provincial agriculture offices on decree implementation at field level. For food safety and export certification guidelines, MAE's Department of Agriculture will partner with the Ministry of Industry and Commerce (MoIC) Department of Trade, recognizing that market access involves both production standards (MAE mandate) and trade facilitation (MoIC

mandate). The Project Management Unit will facilitate policy dialogue processes, commission technical studies and guideline development through qualified consultants or research institutions, organize multi-stakeholder workshops involving the MSPs and bring together government, producers, private sector, and development partners, and document policy engagement outcomes for knowledge management. Engagement with other development partners implementing complementary programs (ADB, WB, bilateral projects) will be maintained to coordinate policy advocacy, avoid duplication, and leverage collective influence on policy reforms.

Component 2: Promotion of Climate Resilient Technologies and Diversification in Farming Systems

124. The objective of this component is to increase the climate and market shock resilience of small-scale producers and improve the productivity and product quality of inclusive APGs engaged in the value chains supported in Component 1. The component will promote technological innovation and participatory research to enhance resilience of farming systems, reduce post-harvest losses, and promote value addition processing techniques for wider adoption. This component will also support the poorest households in transitioning from subsistence farming and building their capacities to engage with or become members of the APGs or establish micro enterprises in short value chains. This will be achieved through three subcomponents.

Sub-component 2.1: Climate resilience and productivity of APG farming systems

125. This sub-component enhances climate resilience and productivity of APG farming systems through a time-sequenced process from assessment to implementation. Assessments evaluate APG maturity and climate vulnerabilities, determining readiness for clustering to achieve viable scale. Based on findings, APGs are supported to cluster in groups sharing production systems to justify collective investments in climate resilience. Participatory PRIP development will enable farmer groups to conduct climate vulnerability assessments alongside business opportunity assessments that analyze demand for priority value chains identified under Component 1, ensuring climate-smart investments produce what markets require. Climate-resilient production directly enables value chain participation: irrigation rehabilitation and climate-smart practices stabilize yields and quality, providing the supply reliability that Component 1 buyers and financial institutions require for commercial engagement, while enhanced productivity creates marketable surpluses sufficient for Component 1's aggregation, processing, and formal market channels. This coherent progression ensures organizational readiness, technical capacity, and financial resources develop together, with on-farm and collective APG investments complemented by off-farm irrigation rehabilitation and catchment restoration enhancing resilience at landscape level.

Output 2.1.1 Production Resilience and Improvement Plans implemented to enhance adaptive capacities

Activities

(i) Conduct assessment of APGs and assess possibilities for demand-driven clustering

126. This activity will complement the activity (i) output 1.2.1 by undertaking a comprehensive organizational capacity assessment of all existing APGs within the value chains prioritised in component 1 (output 1.1.1) in the selected target districts of Savannakhet and Khammouane provinces during Year 1 and Year 2 of project implementation. The aim is to identify APGs willing and ready to form 34 clusters (2 per target district) of 3-5 APGs to advance their production activities. The assessment will utilize standardized tools to systematically evaluate and categorize APGs based on four key dimensions: (i) organizational maturity, classifying groups as informal groups, registered associations, or those with potential to formalize based on their governance structures, membership stability, leadership capacity, meeting regularity, and basic record-keeping; (ii) production systems, analysing volumes and quality of the commodities produced in the prioritised value chains (vegetables, rice, aquaculture, poultry, livestock) as well as other commodities part of the crop rotation, intercropping and crop-livestock-aquaculture integration, level of mechanisation and farming practices employed including agroecological, climate resilience, food safety practices, asset levels, and land availability and governance; (iii) market engagement levels, determining whether groups operate at subsistence level (production primarily for household consumption with occasional surplus sales), semi-commercial level (regular but limited market participation with sales through village collectors or local markets), or commercial level (consistent market participation with established relationships to traders, processors, or cooperatives or direct selling to consumers); and (iv) geographic location to identify opportunities for efficient service delivery, potential for clustering groups producing similar commodities, proximity to markets and infrastructure, and accessibility for extension support.

127. The assessment will employ participatory methods including structured interviews with APG leaders and members to understand group history, functioning, and vision, focus group discussions at village level to understand production challenges and market access constraints, observation of current production practices and group activities, review of any existing records or informal documentation, and participatory mapping exercises to identify value chain linkages and service delivery gaps. Based on assessment findings, the project will identify strategic opportunities for demand-driven clustering that brings together multiple APGs with shared interests such as: production clusters where multiple APGs producing the same commodity (such as vegetable growers or fish farmers) can be linked together to achieve sufficient volumes for attracting buyers and justifying investments in shared infrastructure like collection centers or cold storage; value chain clusters where APGs at different stages of a value chain (such as rice producers and fish farmers for integrated rice-aquaculture systems) can collaborate for mutual benefit; and geographic clusters where APGs in close proximity can share extension services, input supply arrangements, and transportation to markets. The clustering strategy will be demand-driven rather than imposed, meaning it responds to APGs' expressed interests and demonstrated willingness to collaborate rather than forcing groups together administratively. Mature clusters will be supported in forming cooperatives and access finance for developing post-harvest activities under component 1.

128. **Implementation arrangements:** The Ministry of Agriculture and Environment (MAE) through the Department of Agricultural Extension and Cooperatives (DAEC) will oversee this activity at the national level. At the provincial level, Provincial Agriculture and Environment Offices (PAEO) in Savannakhet and Khammouane will coordinate field implementation, mobilizing District Agriculture and Environment Office (DAEO) extension staff who have existing relationships with APGs in target villages to facilitate the assessments. The Lao Farmers' Association will lead on implementation – supported by a service provider – leveraging its grassroots network and credibility with farmer groups to facilitate village entry, encourage honest participation in assessments, provide insights on APG social dynamics and histories, and validate findings through community consultations to ensure assessment results reflect village-level realities. The Project Management Unit will provide technical backstopping, support data compilation and analysis, and work with PAEO/DAEO and Lao Farmers' Association to develop the demand-driven clustering strategy based on assessment results. Assessment findings will be compiled into an APG database that tracks organizational maturity, production systems, and market engagement for each group, enabling the project to design differentiated support pathways and monitor APG progression over the seven-year implementation period, ensuring that interventions are appropriately tailored to each group's starting capacity rather than applying uniform approaches across diverse contexts.

(ii) Facilitate participatory development of market-viable Production Resilience and Improvement Plans (PRIPs)

129. This activity will enable APG clusters to develop comprehensive PRIPs that integrate climate adaptation and resilience with market-oriented production improvements. A total of 34 PRIPs will be developed across the 2 target provinces. The PRIP development process will begin with participatory climate vulnerability assessments conducted at the APG level, where farmers work with trained facilitators to identify climate and market risks they face (droughts, floods, irregular rainfall, temperature extremes, pests and diseases and market fluctuation), assess the vulnerability of their current production systems and food and nutrition security to these risks, and prioritize diversification, agroecological and climate-smart solutions suited to their specific agroecological contexts and farming systems. These climate and other vulnerabilities assessments will utilize simplified tools, including participatory rural appraisal techniques, downscaled historical climate trend and future projection data, seasonal calendars showing interactions between climate patterns and production cycles, risk matrices identifying high-priority risks and linked vulnerabilities, and farmer-to-farmer discussions on observed climate changes, fluctuations in input costs and commodity prices, and effective adaptation and resilience strategies already being practiced locally.

130. Simultaneously, the PRIP process will incorporate business opportunity assessments that help APGs identify market-viable production options based on demand analysis, market requirements, assessment of the APG's production capacity and asset base, and opportunities for improving productivity, reducing workload and value addition. This may be through mechanisation and/or digitalisation, diversification and integration of more commodities that allows for synergies and resources-use efficiency and recycling, and implementation of measures for improved quality and food safety compliance including in post-harvest handling and processing. The participatory PRIP development brings together these climate and market assessments to create actionable plans that specify: climate-resilient production practices to be adopted (climate-adapted varieties, agroecological practices for integrated soil fertility and pest management, soil conservation, water-saving techniques, diversified cropping systems, integrated systems, agroforestry); infrastructure needs for climate resilience and market access (on-farm investments like greenhouses, drip and smart irrigation, shared infrastructure like collection points or storage facilities, solar pumps and access to irrigation and drainage); input requirements and sourcing strategies (improved seeds, organic fertilizers, bio-pesticides, small equipment); training and

technical assistance needs (agroecological and organic farming practices, Good Agricultural Practices, food safety practices, post-harvest handling, business planning); and financing arrangements including estimated investment costs.

131. The PRIPs will be developed through a facilitated participatory process involving multiple stakeholder consultations: initial APG meetings where members discuss their production challenges, climate risks, and market aspirations; technical inputs from DAEO extension staff on climate-smart agriculture practices suitable for the local context; market information sharing on buyer requirements and price trends; and visits to demonstration sites or successful APGs implementing climate-resilient practices. PRIPs will be developed through APG clusters to leverage economies of scale, such as shared investments in processing equipment, collective purchase of inputs and services, collective marketing arrangements, or coordinated production schedules that ensure consistent supply volumes for buyers. The PRIPs will be practical action plans typically covering a 2–3-year implementation period with clear milestones, and monitoring formats and responsibilities ensuring farmers can effectively use them to guide investments and track progress.

132. **Implementation arrangements:** The Ministry of Agriculture and Environment (MAE) through the Department of Agricultural Extension and Cooperatives (DAEC) will coordinate this activity. The PMU will engage a qualified service provider to accompany and ensure proper mentoring of the APG clusters in the PRIP preparation. Provincial Agriculture and Forestry Offices (PAEO) will coordinate PRIP facilitation at the provincial level, with District Agriculture and Environment Office (DAEO) extension staff serving as primary facilitators working directly with the service provider and APG clusters. The service provider will develop standardized PRIP templates and tools, train facilitators, establish a PRIP database for monitoring implementation progress, and ensure PRIPs meet eligibility criteria for accessing project support including blended financing, training, and infrastructure investments.

(iii) Review and approve PRIPs

133. This activity establishes a rigorous review and approval process for PRIPs to ensure project resources are allocated to viable, high-impact investments that genuinely enhance both climate resilience and market-oriented production. The review process will utilize clear, transparent criteria structured around: (i) climate resilience benefits, assessing the extent to which the PRIP incorporates climate-smart agriculture practices, addresses identified climate vulnerabilities through adaptation measures, enhances production system resilience through diversification and soil and water management, and includes risk management strategies for climate shocks; and (ii) alignment with project objectives, confirming that investments support priority value chains identified through market assessments, benefit target populations including women and youth and demonstrate cost-effectiveness in achieving climate and market outcomes.

134. **Implementation arrangements:** The review and approval process will operate at multiple levels to ensure both technical rigor and timely decision-making. At the district level, DAEO staff will conduct initial technical reviews of PRIPs using standardized checklists, verifying that resilience and climate-smart agriculture practices are technically sound, production plans are appropriate for local agroecological conditions, and cost estimates are reasonable based on local market prices. At the provincial level, PAEO will convene quarterly PRIP review committees including representatives from agriculture extension, forestry (for agroforestry components), livestock (for integrated systems), irrigation (for water management), planning, and finance departments, along with Lao Farmers' Association representatives and, where relevant, MOIC staff for market-oriented PRIPs. These committees will review PRIPs, request clarifications or revisions where needed, and make approval recommendations.

135. The Project Management Unit will maintain the PRIP database, monitor approval timelines and decision patterns to identify bottlenecks and conduct periodic audits to ensure approval decisions are transparent, well-documented, and based on stated criteria.

(iv) Provide blended finance (de-risking tools) to implement PRIPs

136. This activity will benefit from the blended financing mechanisms (described under output 1.2.2 activity (ii)) that enable APGs/APG clusters to access commercial credit for implementing their approved PRIPs by using project resources as de-risking instruments that build confidence among financial institutions to lend to smallholder agriculture. For farm-level PRIP investments, this mechanism will provide a grant for a deposit to be blocked for three loan cycles in an account in the APG's or APG cluster/cooperative's name at a partner finance institution raising the same or a higher amount in loan from the same FI at commercial or near-commercial terms. The maximum grant amount will be USD 750 per APG member with an average grant amount per APG of USD 15,000. For APG clusters/cooperatives, the maximum grant amount per member is USD 1,000 with an average grant amount of USD 25,000 per cluster/cooperative. This will cover eligible investments including: on-farm climate-resilient infrastructure such as greenhouses, shade houses, water harvesting and irrigation systems (drip irrigation, smart irrigation, canal upgrading), farm tools and equipment, digital solutions for work/load reduction; organic inputs and production equipment (bio-fertilizers, bio-pesticides), renewable energy systems (solar water pumps, hydroponic units), livestock shelters and equipment, farm-level seed storage, transportation equipment, and post-harvest storage/processing facilities.

137. **Implementation arrangements:** The blended financing mechanism will operate through partnerships with regulated financial institutions including commercial banks and microfinance institutions. APG clusters that have approved PRIPs meeting the financial viability criteria will be eligible to access blended financing. The PMU will engage a service provider to provide hands-on support to help clusters prepare loan applications, complete required documentation, develop business plans demonstrating cashflows and repayment capacity, and understand loan terms and member obligations.

(v) Provide technical backstopping during PRIP implementation

138. This activity will ensure APGs/APG clusters receive ongoing technical support throughout PRIP implementation to maximize the likelihood of successful adoption of climate-resilient and production improving practices. Technical backstopping will be delivered through multiple channels addressing the diverse support needs at different stages providing hands-on field training using model farmers and farmer-to-farmer learning in: (i) integrated soil, nutrient and water management including soil conservation and regeneration, agroforestry, crop-livestock integration, agroecology and climate-resilient agriculture practices, and GAP; (ii) integrated pest management providing practical skills in pest identification, monitoring thresholds, insect traps, push-pull, crop rotation, and biological control methods, production and application of bio-pesticides, and judicious use of pesticides only when necessary, reducing chemical dependency and production costs while meeting food safety requirements; (iii) food safety and standards compliance covering proper pesticide application and pre-harvest intervals, post-harvest handling to minimize contamination, pesticide residue on products, GAP requirements for accessing formal markets, and recordkeeping for traceability; (iv) proper food handling and storage to preserve nutritional value; and (v) climate risk and vulnerability assessment and adaptive management helping clusters monitor weather patterns, adjust planting dates and variety selection based on seasonal forecasts, implement contingency plans when climate shocks occur (droughts, floods, pest outbreaks), and community flood risk management and access and use of Laos Climate Services for Agriculture (LACSA).

139. **Implementation arrangements:** The Ministry of Agriculture and Environment (MAE) through DAEC, in collaboration with NAFRI, will coordinate technical backstopping and provide extension materials. PAEO will organize training programs, coordinate cross-cluster exchanges, and supervise DAEO extension delivery. DAEO extension staff will serve as primary technical backstops. The PMU will engage a service provider to provide specialized technical services that government extension cannot deliver on a scale.

PRIP Development Process - Sequential Steps

Phase	Timeframe	Key Activities	Responsible Parties	Outputs
1. Preparation	Year 1 (Months 1-3)	- Develop standardized PRIP templates and tools - Train DAEO facilitators on PRIP methodology - Establish PRIP database for monitoring	Service provider, PAEO, DAEO	PRIP templates, trained facilitators, database system

Phase	Timeframe	Key Activities	Responsible Parties	Outputs
2. Climate & Market Vulnerability Assessment	Year 1 (Months 4-6)	• Conduct participatory climate vulnerability assessments at APG cluster level • Identify climate risks (droughts, floods, pests, diseases, market fluctuations) • Assess current production system vulnerabilities • Use simplified tools (climate data, seasonal calendars, risk matrices, farmer discussions)	DAEO extension staff, service provider, APG clusters	Climate vulnerability profiles, priority risks identified
3. Business Opportunity Assessment	Year 1 (Months 4-6) (Parallel to Phase 2)	• Assess market-viable production options based on demand • Evaluate APG production capacity and assets • Identify opportunities for productivity improvement, mechanization, digitalization, diversification, quality enhancement	Service provider, DAEO, APG clusters	Market opportunity analysis, production capacity assessment
4. Participatory PRIP Development	Year 1 (Months 7-9)	• Initial APG meetings discussing production challenges and aspirations • Technical inputs from DAEO on climate-smart practices • Market information sharing on buyer requirements • Visits to demonstration sites • Integrate climate and market assessments into actionable plans	APG clusters, DAEO extension staff, service provider	Draft PRIPs (34 total across 2 provinces)
5. PRIP Review & Approval	Year 1 (Months 10-12)	• PAEO review committees assess technical soundness, climate resilience benefits, market viability • Verify PRIPs meet eligibility criteria for project support • Approve PRIPs for blended financing and implementation	PAEO review committees, PMU quality assurance	Approved PRIPs meeting eligibility criteria
6. Financing Mobilization	Years 2-3	• Approved PRIPs access blended financing mechanisms • APG clusters receive loans for implementing climate-smart investments	Financial institutions, PMU, APG clusters	Loan agreements, capital for PRIP implementation
7. Implementation with Technical Backstopping	Years 2-5	• APG clusters implement climate-smart investments (infrastructure, inputs, practices) • DAEO extension staff provide ongoing technical support • Service provider mentors APG clusters • Monitor progress against PRIP milestones (2-3 year plans) • APGs progress through 3 loan cycles building credit histories	APG clusters, DAEO, service provider, financial institutions	Climate-resilient production systems operational, credit histories established

Output 2.1.2 Water resources and other ecosystem services conserved

Activities

(i) Rehabilitate and upgrade off-farm irrigation infrastructure

140. This activity will rehabilitate and upgrade off-farm irrigation and flood control infrastructure for around 20 existing schemes to improve water access, enhance climate resilience, and enable APG clusters to increase production and meet market commitments in the value chains prioritized in component 1. The rehabilitation approach prioritizes existing infrastructure over new construction and focus on schemes where communities have already demonstrated commitment to producing as a business in the prioritized value chains, collective water management and catchment conservation. The 20 irrigation schemes will be selected and prioritized through a rigorous process based on APG cluster PRIPs that identify water access as a critical constraint to achieving production and market objectives.
141. The selection and prioritization of schemes will apply criteria recognizing that irrigation infrastructure represents substantial investment requiring careful targeting. Priority will be given to: schemes where WUGs are already established or communities demonstrate strong commitment to form and sustain WUGs willing to take responsibility for operation and maintenance (O&M) and catchment conservation; schemes serving multiple APG clusters to maximize participants per investment, ensuring cost-effectiveness; irrigation systems supporting priority commercial value chains, aligning water investments with market-oriented production; schemes where technical assessments confirm rehabilitation is feasible with reasonable costs and will deliver reliable water supply improvements; situations where irrigation improvements demonstrably remove critical production constraints and enable APG clusters to meet market commitments; geographic equity considerations ensuring the infrastructure investments are distributed across target districts in both Savannakhet and Khammouane provinces rather than concentrated in easily accessible areas; and complementarity to investments in irrigation infrastructure by other partners (e.g. ADB).
142. Eligible irrigation rehabilitation works will include repair and upgrading of secondary canals to reduce water losses and improve conveyance efficiency; rehabilitation of water control structures such as gates, weirs, and distribution boxes to enable equitable water allocation among farmers; improvement of drainage systems to prevent waterlogging and enable year-round production; installation or repair of water measurement devices to support transparent water allocation and user fee calculation; and climate-proofing measures such as catchment conservation and erosion protection, flood-resilient structures, and design modifications to handle increased rainfall intensity or prolonged droughts projected under climate change scenarios.
143. The Project will build on the IFAD supported DoI-led US\$50k micro-grant as an action-research vehicle to produce a government-owned WUG Institutionalization Toolkit and DFR monitoring module. During start-up, the PMU and DoI will package and validate the pilot outputs and deliver a short Training-of-Trainer's cascade to enable rapid replication across priority irrigation schemes. To anchor sustainability, major irrigation rehabilitation and access to blended finance/PRIP investments will be conditional on WUG registration under the model by-laws, an approved O&M plan and verified user-fee arrangements, with a small performance-based incentive window to reward WUGs that meet early O&M and inclusion benchmarks. DoI endorsement, provincial adoption commitments and DFR-based monitoring will institutionalize the approach for phased scaling across LEAD provinces and beyond.
144. **Implementation arrangements:** The Ministry of Agriculture and Environment (MAE) through the Department of Irrigation will lead this activity, providing technical oversight, design standards, and quality assurance for all irrigation rehabilitation schemes. PAEO irrigation units will conduct initial assessments of schemes proposed in PRIPs and participate in the prioritization process to select the schemes. A contractor will prepare technical designs and cost estimates for each scheme, manage procurement and contracting of civil works, supervise construction quality, prepare Environmental, Social and Climate Management Plans and coordinate with WUGs on implementation.

(ii) Establish or strengthen existing Water User Groups (WUGs)

145. This activity will establish new WUGs for the rehabilitated irrigation schemes that lack organized water management or strengthen existing WUGs to ensure they have the governance capacity, financial sustainability, and inclusive practices necessary for long-term infrastructure O&M and equitable service delivery. WUG establishment or strengthening will begin early in the irrigation rehabilitation process for each of the schemes, ideally during the design phase, to ensure communities are engaged in infrastructure planning and design and prepared to assume management responsibilities upon completion.
146. For new WUG establishment at schemes lacking organized water management, the process will follow Government guidelines and include: community mobilization and awareness-raising on the benefits of organized water management and the roles and responsibilities of WUG members; participatory development of WUG by-laws and internal regulations covering membership criteria, rights and obligations, governance structures (executive committee composition, election procedures, term limits), water allocation rules ensuring equitable access including during water scarcity periods, user fee levels and collection mechanisms to finance O&M and catchment conservation, sanctions for rule violations, and conflict resolution procedures; legal registration of WUGs with district authorities to provide formal recognition and enable opening of bank accounts for O&M fund management; election of WUG executive committees through transparent democratic processes ensuring representation of all user categories including women and ethnic minorities; and training of elected WUG leaders on their governance, financial management, and technical responsibilities.
147. For strengthening existing WUGs at schemes with established but weak water user organizations, the activity will conduct organizational assessments identifying gaps in governance, financial management, technical capacity, or inclusiveness, then provide tailored support such as: revision of by-laws to address identified weaknesses such as inadequate O&M and catchment conservation financing, unclear water allocation rules, or insufficient women's participation; capacity building for WUG executive committees on financial management (transparent fee collection, accounting, budgeting for maintenance), conflict resolution skills, and participatory decision-making; technical training on routine irrigation system maintenance including canal cleaning, vegetation control, minor repairs, and identification of problems requiring specialized assistance; establishment or strengthening of O&M funds through clear fee structures, transparent financial management, and banking arrangements; and facilitation of linkages between WUGs and local government irrigation services for technical backstopping and assistance with major repairs beyond WUG capacity.
148. **Implementation arrangements:** The Ministry of Agriculture and Environment (MAE) through the Department of Irrigation and Department of Agricultural Extension will co-lead this activity, with Irrigation providing technical guidance on WUG structures and O&M systems, and Extension providing community mobilization and capacity building expertise. PAEO will coordinate WUG establishment and strengthening at the provincial level for all schemes under their jurisdiction, bringing together irrigation and extension staff to work with communities. DAEO extension staff will serve as primary facilitators for WUG formation and capacity building across the schemes, conducting village-level mobilization and providing ongoing mentoring to WUG leaders. The Project Management Unit – through a service provider – will develop standardized WUG establishment and strengthening guidelines, tools, and training curricula applicable across all schemes and monitor WUG functionality.

(iii) Develop O&M plans and build capacity of WUGs for long-term infrastructure sustainability

149. This activity will ensure that existing and rehabilitated irrigation schemes remain functional and provide sustained benefits by developing comprehensive Operation and Maintenance (O&M) plans, including catchment conservation where relevant, and building WUG capacity to implement them effectively. The activity addresses a critical lesson from past irrigation investments in Lao PDR: infrastructure deteriorates rapidly without systematic O&M, and WUGs require both clear plans and genuine capacity (technical skills, financial resources, organizational and governance systems) to sustain infrastructure performance.
150. O&M plan development will be conducted through a participatory process with WUG members and leaders covering: inventory of all infrastructure components requiring maintenance (canals, structures, equipment) with their condition assessments and expected service lives; routine maintenance schedules specifying seasonal and annual activities (canal cleaning before planting season, vegetation control during growing season, structure inspection after floods, drainage clearance before rainy season) with clear assignment of responsibilities to WUG members; preventive maintenance protocols to identify and address minor problems before they become major failures; financial projections estimating annual O&M costs based on maintenance schedules and local labor/material costs, calculating required user fee levels to generate sufficient revenue, and establishing multi-year O&M fund targets; user fee collection systems specifying fee calculation methods (per hectare, per water volume, per crop season), payment schedules aligned and sanctions for non-payment, and transparent accounting to members; procurement and financial management procedures for O&M expenditures; technical support networks identifying when WUGs should seek assistance from district/provincial irrigation services or private contractors for repairs beyond their capacity; and monitoring and evaluation systems to track infrastructure condition.
151. Capacity building will provide WUG members and leaders with the knowledge and skills to implement O&M plans through: hands-on training in basic irrigation

maintenance techniques and catchment conservation conducted at the actual irrigation sites; financial management training for WUG treasurers and finance committee members; training for WUG executive committees on mobilizing members for collective maintenance works and enforcing fee collection; establishment of WUG maintenance groups or committees responsible for organizing routine maintenance activities; development of simple O&M record-keeping systems; and provision of basic O&M tools and equipment to enable WUGs to perform routine maintenance.

152. **Implementation arrangements:** The Ministry of Agriculture and Environment (MAE) through the Department of Irrigation will lead this activity, developing O&M planning guidelines and standards and providing technical training on maintenance techniques. PAEO irrigation units will work directly with each of the WUGs on O&M and catchment conservation plan development and provide hands-on maintenance training. DAEO staff will provide ongoing mentoring to WUGs on implementing O&M plans, assist with problem-solving when maintenance challenges arise, and facilitate linkages between WUGs and district irrigation services. The Project Management Unit will establish O&M performance indicators, monitor WUG sustainability across the portfolio, identify common challenges requiring systemic solutions, and document successful O&M models for replication.

Sub-component 2.2: Action Research and scaling of successful practices

153. The aim of this sub-component is to test, validate, and scale climate-resilient agricultural innovations through systematic action research, ensuring that proven technologies are rapidly disseminated to APG clusters and integrated into national extension systems for wider impact. The sub-component will focus on innovations that offer high potential for enhancing productivity, climate resilience, and income diversification for smallholder farmers. Through participatory on-farm trials and participatory action research (PAR) with farmers willing to be early adopters, the sub-component will generate practical evidence on technical feasibility, economic viability, climate adaptation benefits, and farmer acceptability under real production conditions, with successful practices scaled through training, e-learning videos, model farmer demonstrations, and cross-cluster and eventual SSTC exchange visits.

Output 2.2.1 New technologies and farming practices for resilience and improved productivity are tested and scaled up

Activities

(i) Mapping of needs and potential new resilience technologies and diversification practices

154. This activity will systematically identify innovation gaps for climate resilience as part of the PRIP preparation process and by analyzing all PRIPs and VCIPs to determine which climate-smart technologies and diversification practices are most needed by APG clusters but not yet available or proven in the LEAD project area. The mapping will include a review of successful climate-resilient innovations tested in other provinces of Lao PDR by various development projects and research institutions, as well as innovations from neighboring countries (Thailand, Vietnam, China) that could be adapted to conditions in Savannakhet and Khammouane. NAFRI will lead this mapping exercise and collaborate with PAEO/DAEO extension staff, other research institutions or development projects that have tested relevant innovations in Lao PDR, and regional networks that can share experiences from the Greater Mekong Subregion. The mapping will prioritize innovations based on: demand from multiple APG clusters indicating widespread interest; potential for significant climate resilience and productivity benefits; technical feasibility for smallholder adoption; market viability for commercialization; and evidence of success in similar agroecological and socioeconomic contexts. Results will inform the selection and refinement of priority innovations for testing in the project area.

(ii) Select 6 priority new technologies and practices for testing, adjustment and scaling

155. Based on the mapping exercise, around six priority innovations will be selected for PAR and scaling in Savannakhet and Khammouane provinces. Aligned with the government's Green Growth Strategy, these could for example be: (i) integrated rice-aquaculture systems combining rice cultivation with fish or shrimp culture in paddy fields to diversify income, improve nutrition, adopt biological pest management, reduce climate vulnerability, and enhance soil fertility through fish waste; (ii) fish and shrimp seed production to address supply constraints and high costs that limit aquaculture expansion, creating local seed sources for APGs; (iii) perennial rice varieties (e.g. the PR23 developed in China by Yunnan University researchers) that require less labour for land preparation and planting, reduce soil erosion and recover soils, and provide climate resilience through deep root systems; (iv) [System of Rice Intensification \(SRI\)](#) or [Alternate Wetting and Drying \(AWD\)](#) practices to increase water use efficiency, reduce methane emissions, reduce input costs in rice production; (v) agroforestry or integration of trees and green manure in agricultural land that improve soil health, provide diverse products (fruit, timber, fodder), and enhance landscape-level climate resilience; (vi) integration of neglected and underutilized species (NUS) such as natural dye plants in the cropping systems with the intention of gradually developing high value niche products, that can support incomes in the low season for the main crops and animals in the prioritised value chains; and (vii) other climate-smart practices such as production and use of bio-pesticides and -fertilizers, smart irrigation technologies, or climate-adapted vegetable varieties as demand emerges. NAFRI will coordinate with PAEO/DAEO, other institutions or projects with relevant experience, and technical experts who have successfully tested these technologies and practices elsewhere in Lao PDR or the region to finalize the specific focus for each priority innovation based on agroecological suitability across target districts, ensuring selected new technologies and practices are relevant to local conditions.

(iii) Implement testing and PAR through model APGs and farmers

156. PAR trials will be implemented through selected model APGs and lead farmers who demonstrate interest in testing and implementing new approaches and technologies. NAFRI, in partnership with other institutions or projects that have expertise in specific technologies and practices, will develop simple, participatory research protocols for each of the six innovations, involving farmers in setting research objectives and designing the trials. The protocols will specify planting/production methods, input requirements, data collection and recording procedures (yield, income, labour, input and cost), and monitoring schedules. Technical experts from institutions that have successfully tested these innovations in other parts of Lao PDR, or the region may be engaged to provide specialized knowledge and training. Model APG will be selected based on organizational capacity, willingness to test new technologies and practices and keep records, and geographic representation across agroecological zones. NAFRI researchers and partner technical experts will provide initial training to participating farmers in innovation implementation and data collection, with DAEO extension staff providing ongoing technical support and monitoring throughout the production cycle. On-farm trials will be conducted over multiple seasons to validate performance under varied climate conditions and farming systems in the project area, with farmers documenting their observations, challenges, and adaptations. PAEO will coordinate logistics including provision of inputs for trials (seed, fingerlings, spawn, planting materials) and facilitate regular review meetings where NAFRI, partner institutions, extension staff, and participating farmers assess progress and troubleshoot challenges.

(iv) Document and assess results including costs, benefits, climate resilience outcomes, gender impacts, and scalability

157. NAFRI, with inputs from partner institutions and technical experts involved in testing, will lead systematic documentation and assessment of each innovation's performance in the project area context, analyzing data collected from on-farm trials to generate evidence on: economic viability including production costs, labour requirements, and return on investment compared to conventional practices; climate resilience outcomes such as yield stability under drought or flood conditions and stable and higher incomes spread over the year, impacts on soil health and pest and disease pressure, and farmer perceptions of risk reduction; productivity impacts including yield increases, quality improvements, and production efficiency gains; gender impacts assessing whether innovations increase women's workload or income, affect household nutrition, or create new opportunities for women's economic empowerment; scalability considerations including input availability in Savannakhet and Khammouane, technical complexity, capital requirements, market access for products, and farmer acceptance in the local context. Assessment will combine quantitative data with qualitative information from farmer interviews and focus group discussions. NAFRI will prepare technical reports for each innovation documenting results, lessons learned, and recommendations for scaling in the project area. Results will be shared through workshops bringing together researchers from NAFRI and partner institutions, extension staff, APG representatives, and policymakers to validate findings and inform decisions on which innovations warrant investment in scaling efforts.

(v) Develop scaling strategy for proven new practices and approaches

158. NAFRI will work with DAEC, PAEO, DAEO, and partner institutions and experts to develop comprehensive scaling strategies for the new technologies and approaches proven successful, ensuring rapid dissemination beyond model APGs. Scaling pathways will include: (i) training service providers including government extension staff, private agro-dealers, and lead farmers on innovation implementation; (ii) integration into PRIPs by promoting proven innovations to APG clusters developing or revising their production plans to support adoption investments; (iii) creation of farmer-to-farmer e-learning videos demonstrating innovations and distributed through social media platforms; (iv) establishment of model farmer demonstration networks where early adopters showcase innovations at their farms, hosting field days and peer learning exchanges; (v) development of practical extension materials including illustrated guides and technical advisories; (vi) cross-cluster exchange visits enabling APGs to see successful innovations implemented at scale, potentially including visits to other provinces where innovations originated; and (vii) engagement with input suppliers and service providers or support women or youth in establishing input

producing businesses to ensure availability of required materials and technical services. NAFRI and partner technical experts will provide ongoing backstopping during scaling to ensure quality as the new technologies and practice expand to diverse contexts.

Innovation Selection Criteria

Criterion	Description	Scoring Indicators	Weight
Climate Resilience Potential	Demonstrated capacity to reduce vulnerability to climate shocks (droughts, floods, temperature extremes, pests)	- Evidence of resilience benefits from Lao PDR or regional pilots - Addresses specific climate vulnerabilities identified in PRIPs - Contributes to diversification and risk spreading	25%
Market Viability	Alignment with commercial value chains and confirmed buyer demand	- Produces commodities in priority value chains (Component 1 VCIPs) - Confirmed buyer demand or export potential - Enables quality improvements or value addition	25%
Technical Feasibility	Adaptability to local conditions and smallholder capacity	- Suitable for Savannakhet/Khammouane agroecology - Manageable input requirements and technical complexity - Infrastructure and input supply chains available	20%
Farmer Demand	Responds to gaps identified through PRIP development	- Innovation needs expressed in PRIPs - Addresses production constraints current extension cannot solve - Requested by multiple APG clusters	15%
Scalability Potential	Capacity for integration beyond project areas	- Can be incorporated into government extension programs - Suitable for farmer-to-farmer knowledge transfer - Cost-effective for wider adoption	10%
Inclusion Benefits	Accessibility for women, youth, vulnerable households, PWD	- Lower capital/land requirements - Labor-saving or income-generating features for women/youth - Suitable for land-constrained households	5%

Minimum threshold for selection will be set at 65%. Innovations failing to score ≥65% or demonstrating weak commercialization-climate linkage will be excluded, ensuring strategic anchoring of all tested technologies.

Sub-component 2.3: Livelihoods improvement for vulnerable households

159. This sub-component aims to ensure that vulnerable households - including persons with disabilities, and land-constrained families - are not left behind in the project's interventions. Differentiated support will be provided that builds their productive capacities, improves household nutrition and food security, and facilitates their progressive integration into value chains. As production increases and households build confidence and assets, they are progressively linked to APG clusters and cooperatives strengthened under Component 1, supplying products or providing services within established value chains. This staged integration—building household productive capacity first, then connecting to commercial value chains—enables vulnerable households to transition from subsistence to market-oriented livelihoods and become active participants in value chain systems over the project period.

Output 2.3.1 Livelihoods of poor households improved and diversified

Activities

(i) Identify and select target households

160. Target households will be identified through participatory assessments prioritizing food-insecure households, female-headed households, ethnic groups, and land-constrained families facing barriers to participating in business-oriented APG clusters. District authorities will conduct initial household screening using vulnerability indicators including poverty level, food insecurity, limited land access, female headship, ethnic group status, and social marginalization. A service provider experienced in participatory rural appraisal and social inclusion will facilitate village-level consultations involving community representatives, village authorities and Civil Society Organizations to validate target group selection and ensure the most vulnerable households are prioritized. Validation processes will be undertaken by district authorities and the PMU before household enrollment. Selected households will participate in needs assessments to determine which livelihood activities best suit their circumstances, available labour, land access, existing skills, and market opportunities, ensuring packages are demand-driven.

(ii) Deliver livelihood-support packages

161. The project will provide a total of 1,700 livelihood packages across target districts (100 packages per district), with each package valued at up to USD 500, with in-kind contribution from participating households demonstrating commitment and ownership. Package options will focus on low-barrier value chain activities suitable for resource-constrained households including: home vegetable gardens with improved seeds and small tools for year-round production; backyard

poultry (chickens, ducks) with housing materials and initial stock; small livestock (pigs, goats) with shelter materials and veterinary support; aquaculture (fish, frogs) in household ponds or rice fields with fingerlings and feed; beekeeping with basic equipment and colonies; sericulture with mulberry plants and silkworm eggs; natural dye plants for textile production; mushroom cultivation with spawn and substrate materials; and post-harvest processing equipment or solar dryers for value addition. Packages will be customized based on household needs assessments, with most households receiving combinations of activities (e.g., vegetables plus poultry) to diversify income sources and manage risks.

162.A contracted service provider specializing in livelihood development and social inclusion will support target households in preparing their Livelihood Investment Plan and be responsible for package procurement, delivery logistics, and provision of initial technical training to target households on production practices, input use, animal husbandry, and post-harvest handling. Additionally, the service provider will provide ongoing mentoring throughout implementation, making regular household visits to troubleshooting challenges, reinforce training, monitor progress, and ensure vulnerable households successfully establish their livelihood activities.

(iii) Connect household production to local markets

163.Vulnerable households will be linked to local markets to ensure their increased production translates into income and sustained livelihood improvements. DAEO extension staff will facilitate connections between target households and: (a) APG clusters and aggregators as suppliers of raw materials (vegetables for processing, eggs for traders, small livestock for local butchers), enabling vulnerable households to participate in commercial value chains without requiring APG membership; (b) local markets including school meal programs coordinated by education authorities seeking locally-produced nutritious foods, health centers purchasing vegetables and eggs for patient meals, hotels and restaurants in district towns buying fresh produce, and small traders collecting products at village level. For products requiring collective marketing to achieve viable volumes, DAEO will organize small producer groups among vulnerable households or link them to existing APG clusters as associate suppliers.

(iv) Provide integrated nutrition and livelihood training

164.A total of 4,600 households will receive integrated nutrition training. Training will be delivered by a contracted service provider, covering: (i) maternal and child nutrition including exclusive breastfeeding, complementary feeding practices, and nutrition requirements for pregnant and lactating women; (ii) dietary diversity and food safety/hygiene practices emphasizing consumption of diverse food groups (vegetables, animal source proteins, fruits), proper food handling and storage, and handwashing and sanitation; (iii) nutrition-sensitive production prioritizing cultivation and raising of nutritious foods (vegetables, eggs, poultry, fish) with explicit messaging on household consumption before selling surplus, and seasonal production planning to ensure year-round availability of diverse foods; and (iv) preservation and processing of nutritious foods including simple techniques for drying, fermentation, and smoking to extend availability during lean seasons. Nutrition outcomes (dietary diversity scores, household food security indicators, child nutritional status) will be monitored by the service provider and the PMU to ensure training translates into improved nutrition practices and outcomes.

(v) Invest in community water supply

165.The project will invest in community water supply systems serving multi-functional water demands for approximately 10,000 households in villages with high concentrations of vulnerable populations, recognizing that water access is fundamental to livelihood activities (vegetable gardens, livestock raising, aquaculture), household nutrition and food safety (food preparation, hygiene), and health outcomes. Investments will prioritize: rehabilitation or expansion of existing community water points (wells, springs, gravity-fed systems) that can serve both domestic use and small-scale productive uses (vegetable garden irrigation, livestock watering); installation of simple water storage systems enabling households to access water for home gardens and livestock; and establishment of community water points specifically designed for multi-functional use with separate taps for drinking water and productive uses, proper drainage, and governance arrangements for sustainable management. Water supply investments will be demand-driven based on requests from village authorities and assessments showing water scarcity constrains livelihood activities. Technical designs will be prepared by PAEO water supply specialists following Government standards for rural water supply, with construction contracted to qualified local contractors. Communities will contribute labour for construction and commit to establishing water user committees responsible for operation, maintenance, and fee collection where applicable.

Output 2.3.2 Persons with disabilities are targeted with livelihood support investments

Activities

(i) Conduct disability-inclusive needs assessment

166.A needs assessment in target communities across Savannakhet and Khammouane provinces will be conducted to identify persons with disabilities and their specific livelihood constraints and opportunities. The assessment will use standardized disability screening tools adapted to the Lao context, working through village authorities, community health workers, and local organizations of persons with disabilities (OPDs). Assessments will document types and severity of disabilities (physical, sensory, intellectual, psychosocial), current livelihood activities and income sources, household composition and support systems, accessibility barriers limiting economic participation, assets and skills that could be leveraged for income generation, and aspirations for livelihood improvement. The assessment will identify approximately 400 persons with disabilities eligible for enhanced support packages, prioritizing those with productive capacity who face barriers to participating in standard livelihood programs due to accessibility constraints or lack of assistive devices.

Persons with disabilities within the target provinces

Province	District	Total villages	Persons with disabilities
Savannakhet	14	967	4695
Khammouane	3	122	28
Total	17	1089	4723

(ii) Design tailored livelihood packages

167.Based on needs assessments, 400 tailored livelihood packages valued at USD 1,200 per household will be designed, including both livelihood support investments and assistive devices enabling persons with disabilities to participate effectively in income-generating activities. Package options will focus on activities suited to different types of disabilities including: home-based production systems (vegetable cultivation in raised beds accessible for wheelchair users, mushroom cultivation requiring limited mobility, herb processing and packaging); handicraft production leveraging traditional skills with adapted work stations and tools; mobile phone-based services and digital marketing utilizing technology to overcome mobility constraints; small livestock raising (poultry, rabbits) with accessible housing and feeding systems; and value-added processing activities (food processing, packaging, labeling). Each package will be customized to the individual's disability, capabilities, household circumstances, and market opportunities, combining productive assets with assistive devices such as wheelchairs, hearing aids, prosthetics, magnification devices, accessible work benches, adapted agricultural tools, or other equipment enabling productive participation. Packages will include in-kind contributions from target households demonstrating commitment.

(iii) Provide mentoring to participating households

168.The participating persons with disabilities will receive intensive, long-term mentoring throughout the process to ensure that provided assets and assistive devices generate intended income-generating outcomes. Mentoring will begin with orientation on assistive device use and maintenance, adaptation of homes and workspaces for accessibility, and technical training on selected livelihood activities tailored to individual learning needs and communication preferences. Regular household visits (monthly during the first year, quarterly thereafter) will provide ongoing troubleshooting, reinforce training and address accessibility challenges as they emerge.

(iv) Deliver skills training to enhance employability and access to job markets.

169. Training will be designed and delivered to the 400 participating persons with disabilities to enhance their employability and access to job markets beyond self-employment in agriculture. Training options will include: digital literacy and online marketing enabling persons with disabilities to access remote work opportunities or market products through e-commerce platforms; bookkeeping and business management skills positioning them to provide services to APG clusters or small businesses; mobile phone repair and maintenance creating demand for technical services in rural areas; tailoring and garment production leveraging existing skills with upgraded equipment; food processing and packaging meeting food safety standards for institutional markets; and other vocational skills matched to individual capabilities and local labour market demands. The project will conduct awareness-raising activities among APG clusters and cooperatives on disability inclusion.
170. The Ministry of Agriculture and Environment (MAE) through DAEC will coordinate Output 2.3.2 in partnership with the Ministry of Labour and Social Welfare which has the national mandate for disability policy and programming. PAEO will coordinate at the provincial level, working with Provincial Labour and Social Welfare Offices and provincial organizations of persons with disabilities (OPDs). A specialized service provider with proven expertise in disability-inclusive livelihood programming will be contracted to lead all activities under this output, including conducting needs assessments, designing tailored packages, procuring and delivering livelihood assets and assistive devices, providing intensive mentoring to the 400 households of persons with disabilities, organizing skills training, and facilitating awareness-raising in APG clusters. The service provider will work in close partnership with local OPDs, ensuring participatory approaches and disability-led programming. DAEO extension staff will receive disability inclusion training enabling them to provide ongoing technical support to persons with disabilities engaged in agricultural livelihoods and facilitate their linkages to APG clusters and markets. The Lao Women's Union will ensure attention to women with disabilities who face multiple forms of discrimination. The Project Management Unit will establish specific monitoring indicators for inclusion of persons with disabilities (numbers reached, types of disabilities, livelihood activities supported, income changes, participation in APG clusters, accessibility improvements), and document lessons learned on effective disability-inclusive approaches for rural livelihood programming that can inform broader development practice in Lao PDR.

2.5 Sustainability, Scaling Up and Exit Strategy

171. LEAD's sustainability strategy addresses economic, institutional, technical, environmental, and financial dimensions to ensure project benefits continue well beyond the seven-year implementation period. This comprehensive approach will enable sustained commercialization of agricultural value chains while building resilience in smallholder farming systems across Savannakhet and Khammouane provinces.

Sustainability Dimensions

172. Economic Sustainability will be achieved through the project's focus on market-driven value chain development and agricultural commercialization. By establishing MSPs and linking APGs directly to MSMEs, traders, and formal markets, LEAD ensures that investments generate commercially viable returns. The project's approach - transitioning APGs from informal groups to registered cooperatives with access to commercial credit - builds sustainable economic models. Blended financing mechanisms combining blocked grant deposits with loans create pathways for producer organizations to operate independently, while business literacy and financial management training ensures farmers develop the business acumen necessary for sustained commercial viability.
173. Institutional Sustainability is built through consolidating and strengthening existing APGs and cooperatives into formal, robust organizations with sufficient economies of scale to sustain commercial operations. By supporting implementation of Government Decrees 536 and 606 on cooperatives, LEAD embeds producer organization support within national institutional frameworks. The project's capacity building approach - training both producers and government extension staff in value chain development, climate-smart agriculture, and business management - creates sustainable technical support systems that function independently post-project.
174. Technical Sustainability is secured through extensive capacity building and knowledge transfer mechanisms. By training provincial and district government staff, private sector service providers, and lead farmers in climate-resilient production practices, value addition technologies, and market-oriented agriculture, LEAD establishes self-sustaining technical support networks. The action research component, implemented in collaboration with NAFRI, ensures that tested innovations become embedded within national research and extension systems. Farmer-to-farmer learning through demonstration plots, e-learning videos, and cross-cluster exchange visits creates knowledge-sharing mechanisms that continue beyond project completion. Digital platforms for value chain coordination and market intelligence provide lasting infrastructure for information dissemination.
175. Environmental and Climate Sustainability is integrated throughout project interventions. Investments in climate-resilient production systems, sustainable natural resource management and promotion of climate-smart agriculture ensure environmental benefits are sustained. The project's emphasis on diversified farming systems (vegetables, integrated rice-aquaculture, poultry) reduces vulnerability to climate shocks while improving soil health and ecosystem services. Rehabilitation of existing irrigation infrastructure rather than new construction, combined with embedded O&M financing mechanisms, ensures long-term functionality of climate adaptation investments.
176. Financial Sustainability is addressed through strategic partnerships with regulated financial institutions and development of sustainable financial products for rural producers. By working with commercial banks and microfinance institutions to design appropriate loan products and simplify application procedures, LEAD creates lasting financial service delivery mechanisms. The blended financing approach - using blocked grants as fixed deposits to de-risk initial lending - builds credit histories for producer organizations, enabling them to access commercial credit independently. Business planning support and financial literacy training ensure cooperatives can maintain financial viability and service debt obligations beyond project support.

Scaling up Strategy

177. LEAD's scaling strategy builds on proven interventions from PICSA and AFN-II, with the explicit objective of expanding successful models to additional provinces contingent on resource availability. Government demand for extending IFAD interventions to southern provinces, combined with the East-West Economic Corridor's market access opportunities, provides strong foundation for geographical scaling. The MSP model, blended financing mechanisms, and APG graduation framework are designed as replicable approaches that can be adapted to other contexts within Lao PDR's agricultural sector, establishing multiple pathways for scaling impact beyond the initial project footprint.
178. The introduction of new technologies and practices serves as a critical driver for scaling impact. LEAD's participatory action research component, implemented in collaboration with NAFRI and other partners, will test and validate priority innovations which will be scaled through multiple channels: training service providers (government extension, private agro-dealers, model farmers) to promote practices within APG clusters; creating farmer-to-farmer e-learning videos that can be disseminated widely through social media and digital platforms; establishing model farmer demonstration networks that serve as learning hubs; and organizing cross-cluster exchange visits that enable peer learning. This systematic approach to testing, validating, and scaling new technologies and practices ensures that proven practices spread rapidly beyond direct project participants.
179. Partnership scaling leverages LEAD's collaboration with development partners operating in Lao PDR. The project will share lessons learned, best practices, and implementation tools with ADB, WB, and other development partners through the Agriculture and Rural Development Sector Working Group, enabling adoption of successful approaches in complementary investments. Private sector partnerships established through MSPs create commercial relationships that extend beyond project boundaries, with MSMEs and traders replicating business models with additional producer groups independently of project support. Digital platforms for value chain coordination developed under LEAD will be designed as open-access tools that other projects and partners can utilize, multiplying impact across Lao PDR's agricultural sector.

Exit Strategy

180. LEAD's exit strategy centres on establishing self-sustaining institutions, commercially viable producer organizations, and functional market systems that operate independently after project completion. The seven-year implementation period is designed to allow sufficient time for APGs to transition through multiple stages - from informal groups to registered viable cooperatives - ensuring they have established track records with financial institutions and stable market relationships before project withdrawal.

181. From Year 1, the project emphasizes building ownership and capacity within government institutions and producer organizations rather than creating parallel project structures. The dual-ministry implementation approach with MAE and MoC, embedded within existing government systems, ensures that project functions transition naturally to permanent institutional arrangements. MSPs will be anchored within chambers of commerce and industry, with clear governance structures enabling their continued operation.
182. Financial sustainability underpins the exit strategy through the blended financing approach that transitions producer organizations from grant dependence to commercial credit relationships. Cooperatives accessing their first loans through blocked grant mechanisms (using grants as fixed deposits) will progress to fully commercial lending terms by Project end. Financial institutions, having built portfolios of performing agricultural loans and developed appropriate products for rural clients, will continue lending independently based on commercial viability rather than project guarantees.
183. Infrastructure investments are designed for long-term sustainability through community and cooperative ownership models. WUGs established for irrigation infrastructure will have legally registered status, clear operation and maintenance plans, fee collection mechanisms, and technical capacity for repairs before project handover. Market infrastructure - storage facilities, processing units, collection centers - will be transferred to cooperative ownership or public-private partnership arrangements with formal agreements defining responsibilities.
184. Technical capacity will be sustained through multiple channels. Government extension staff trained in climate-smart agriculture, value chain development, and business advisory services will continue providing support through regular government programs. Lead farmer networks established within APG clusters will provide peer-to-peer learning and demonstration, with digital platforms enabling continued knowledge sharing. NAFRI's integration of tested innovations into national research and extension systems ensures that successful practices are scaled beyond project areas through government channels.
185. To ensure exit readiness and mitigate post-project risks, LEAD will establish clear benchmarks and sustainability mechanisms beginning in Year 1. Cooperative readiness criteria will include: (i) three consecutive years of positive operating surplus demonstrating financial viability; (ii) at least two successful commercial loan repayments without dults; (iii) active participation in MSP coordination and documented sales contracts with buyers; and (iv) functional governance with regular member meetings and transparent financial reporting verified through annual audits. Financial sustainability indicators will track: credit portfolio quality (non-performing loan rates below 5%), cooperative revenue covering at least 80% of operating costs, and MSP self-financing through member contributions or chamber of commerce integration. To address post-project risks, the project will: embed MSP operational budgets within provincial development plans and chamber of commerce annual work plans by Year 5, ensuring continued funding; integrate cooperative support services into existing PAEO extension programs with government budget allocations approved before Year 6; secure formal commitments from partner financial institutions to maintain agricultural lending portfolios and rural branch operations through Memoranda of Understanding signed in Year 5; strengthen WUG oversight by integrating them into district irrigation management systems with DAEO technical backstopping and provincial budget allocations for major repairs; and conduct annual sustainability assessments from Year 4 onward, identifying institutions requiring additional support before exit. This risk-informed approach ensures that by project completion, all key actors—cooperatives, MSPs, WUGs, and government agencies—demonstrate measurable readiness for independent operation, with contingency plans addressing potential challenges including staff turnover (through systematic capacity building and knowledge transfer to existing government personnel), limited provincial budgets (through cost-sharing arrangements and revenue generation mechanisms), and weakening of community structures (through legal registration, formalized governance, and integration into government oversight systems).

2.6 Project financing

186. The total cost of the project is USD 20.65 million, of which USD17.59 million (85.17%) will be financed through the IFAD PBAS loan, USD0.61 million (2.99%) through cash contributions from cooperatives, producer associations, and/or beneficiary SMEs receiving support through matching grants, and USD0.07 million (0.32%) through in-kind contributions representing the valued counterpart provided by the most vulnerable beneficiaries. The remaining USD2.38 million (11.52 %) will be financed by the Government as counterpart funding in the form of in-kind contributions including salaries for seconded staff, Office Equipment & maintenance, office furniture, printers and Services (water, electricity, internet) and taxes on selected goods and services included in the project activities. Physical and price contingencies account for 6.70% of total project costs, while operating costs, consultancy costs, and project management costs represent 7.03%, 8.9%, and 14.9%, respectively.

Table 1: Programme/project costs by component (outcome) and sub-component (output) and financier (Thousands of United States Dollars)

Component- Sub-component	IFAD loan		Beneficiaries			Borrower/ counterpart			Total
	Amount	%	Amount		%	Amount		%	
			Cash	In-kind		Cash(taxes)	In-kind		
Component 1. Development of Inclusive value chains	6578.07	89.11%	316.80	0.00	4.29%	487.45	0.00	6.60%	7382.32
Sub-component 1.1: Market Access Facilitation	3886.83	91.51%	0.00	0.00	0.00%	360.44	0	8.49%	4247.27
Sub-component 1.2: Enterprise Development and Financial Inclusion	2031.71	84.13%	316.80	0.00	13.12 %	66.45	0	2.75%	2414.96
Sub-component 1.3: Policy Engagement and Market Integration	659.54	91.59%	0.00	0.00	0.00%	60.55	0	8.41%	720.09
Component 2: Promotion of climate resilient technologies and diversification in farming systems	9074.93	89.10%	301.20	66.50	3.61%	742.26	0.00	7.29%	10184.89
Sub-component 2.1: Climate resilience and productivity of APG farming systems	5215.55	88.59%	301.20	0.00	5.12%	370.67	0	6.30%	5887.42
Sub-component 2.2: Action Research and scaling of successful practices	871.31	92.85%	0.00	0.00	0.00%	67.13	0	7.15%	938.44
Sub-component 2.3: Livelihood improvements for vulnerable households	2988.07	88.96%	0.00	66.50	1.98%	304.46	0	9.06%	3359.03
Component 3. Project Management	1937.00	62.78%	0.00	0.00	0.00%	19.79	1128.5	37.22%	3085.29

Total	17590.01	85.17%	618.00	66.50	3.31%	1249.50	1128.50	11.51%	20652.50

Table 2: Project/programme costs by expenditure category and financier (Thousands of United States Dollars)

Expenditure category	IFAD loan		Beneficiaries			Borrower/recipient			Total
	Amount	%	Cash	In-kind	%	Cash(taxes)	In-kind	%	Amount
Investment costs									
Consultancies	1833.87	99.78%	0.00	0.00	0.00%	4.00	0.00	0.22%	1837.87
Goods, services and inputs	7541.76	90.30%	0.00	66.50	0.80%	709.16	34.50	8.90%	8351.92
Civil works	5000.00	90.91%	0.00	0.00	0.00%	500.00	0.00	9.09%	5500.00
Grants	2872.00	81.82%	618.00	0.00	17.61%	20.00	0.00	0.57%	3510.00
Total Investment costs	17247.63	89.83%	618.00	66.50	3.57%	1233.16	34.50	6.60%	19199.79
Recurrent costs									
Operating costs	342.37	23.57%	0.00	0.00	0.00%	16.34	1094.00	76.43%	1452.71
Total Recurrent costs	342.37	23.57%	0.00	0.00	0.00%	16.34	1094.00	76.43%	1452.71
Total	17590.01	85.17%	618.00	66.50	3.31%	1249.50	1128.50	11.51%	20652.50

Table 3: Programme/project costs by component (outcome) and sub-component (output) and programme/project year (Thousands of United States Dollars)

Component	PY1		PY 2		PY3		PY4 ³		PY5		PY6		PY7		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
Component 1. Development of Inclusive value chains	378.20	5.12%	1613.94	21.86%	2279.44	30.88%	1500.69	20.33%	810.15	10.97%	571.17	7.74%	228.73	3.10%	7382.32
Component 2: Promotion of climate resilient technologies and diversification in farming systems	543.74	5.34%	2820.79	27.70%	3257.62	31.98%	1297.49	12.74%	1657.20	16.27%	388.54	3.81%	219.51	2.16%	10184.89
Component 3. Project Management	478.42	15.51%	478.46	15.51%	491.54	15.93%	532.73	17.27%	492.47	15.96%	411.95	13.35%	199.73	6.47%	3085.29
Total	1400.35	6.78%	4913.19	23.79%	6028.61	29.19%	3330.90	16.13%	2959.82	14.33%	1371.66	6.64%	647.97	3.14%	20652.50

2.7 Economic and Financial Analysis

187. The project's economic rationale is built on several key strategies: boosting productivity; improving post-harvest processes; promoting diversification for resilience in the farming systems including the prioritized market-oriented products in the selected value chains (with rice being the basic prioritised value chain); increasing food security; and enhancing the profitability of cooperatives, APGs, SMEs, and the livelihoods of individual farmers in more vulnerable situations. An incremental ex-ante cost-benefit analysis was conducted to evaluate the economic and financial feasibility of the project. The analysis was carried out over a 20-year evaluation period under the base scenario, with six years of effective project implementation (from 2026 to the first half of 2032). Estimates were made using a social discount rate of 8.6 percent and a cost of capital of 13.96 percent. The analysis accounted for total project costs. Sensitivity and scenario analyses were conducted to assess the potential impact of changes in key variables on the project's economic viability and to evaluate operational risks.

188. **Investment models.** The analysis was based on the proposed cooperative, APG, SME, and individual farm investment models, considering the characteristics of project activities to be financed under Components 1 and 2. For each model, "with-project" and "without-project" scenarios were evaluated to estimate the incremental benefits and costs directly attributable to the project. The models analysed various productive systems to reflect how cooperatives, APGs, SMEs, and individual farmers combine different activities to maximise profits, diversify risk, enhance food security, and generate income. The analysis considered benefits from both on-farm primary production and post-harvest and processing activities across the selected value chains, as described below:

189. **Model 1. Agribusiness Cooperatives/APGs.** This investment supports 34 rice-producing cooperatives (averaging 79 member families each), benefiting 2674 households, through targeted investments in production, processing, and marketing under structured business plans, complemented by credit from commercial banks. Each household is assumed to cultivate 4.0 ha of rice in both wet and dry seasons and approximately 1.4 ha of vegetables during the dry season, including cabbage, spring onion, cucumber, and chili^[17]. The investments strengthen aggregation, value addition, and market linkages, enabling access to

competitive domestic and export markets

190. **Model 2. Agribusiness SMEs.** This investment targets small and medium enterprises engaged in rice milling and vegetable production, processing, and marketing through business plans with potential co-financing from commercial banks. Investments improve aggregation, processing efficiency, and commercialization, focusing on high-value crops such as cabbage, spring onion, cucumber, and chili. The model is oriented toward high-value domestic and external markets, particularly during the dry season, generating incremental benefits through improved efficiency and market access. In total, 68 SMEs will benefit, comprising 44 rice mills and 24 vegetable enterprises.
191. **Model 3. Rice-based production system diversification.** These investments will target APGs or small producer groups whose production systems are primarily based on rice cultivation with a low level of diversification, operating on an average farm size of 1.7 hectares per household. Project support will focus on the implementation of integrated or rotational rice-based diversification systems, including rice–fruit (banana, papaya)–fish (tilapia, African catfish), rice–fruit–shrimp, rice–fruit–legume (mung bean), and rice–cattle systems. Through these investments, 9,886 households will benefit, organized into APGs.
192. **Model 4. Farm-based livelihood activities.** This type of investment aims to improve food security and increase incomes among the most vulnerable farming households—particularly women, youth, and persons with disabilities—by supporting existing or new productive activities that require low levels of investment. Through a grant mechanism, the project will finance activities such as: (i) small greenhouses for vegetable production; (ii) small-scale broiler chicken; (iii) mushroom production; (iv) small-scale pig farming; and (v) family-based beekeeping. Overall, the investment will benefit 1,700 households, including 400 persons with disabilities.
193. In addition to these models for investment in agricultural and livestock activities, there is also a rural road model that is expected to benefit 3,000 families in the area, develop other activities, and thus boost previously purely productive activities and generate positive externalities for rural communities in the project intervention area.

Results

194. Return on Investment of the Overall Project. The economic analysis indicates positive economic returns, with an Economic Internal Rate of Return (EIRR) estimated at 20.37%. This estimate assumes that 75% of farmers adopt the technologies and good agricultural practices promoted by the project, and that 85% of entrepreneurs adopt the improved technologies and/or practices introduced. This assumption reflects the project's focus on farmers with relatively advanced production systems and stronger market integration—conditions typically associated with faster uptake of improved practices and technologies. However, directly comparable empirical evidence on adoption rates for the specific interventions supported by the project remains limited. To account for this uncertainty, the sensitivity analysis includes a 60% adoption scenario, representing a conservative (pessimistic) case.
195. The Incremental Net Present Value (NPV) is projected at USD 15.59 million, with a benefit–cost ratio of 1.18 based on quantifiable benefits generated by project activities. Sensitivity and scenario analyses confirm the robustness of these results. The project could become unprofitable if projected benefits decrease by more than 15 percent or if costs increase by more than 19 percent due to unforeseen shocks during implementation.
196. Sensitivity, Scenario, and Risk Analysis. The sensitivity analysis assesses the impact of changes in key variables on the economic profitability of the investment, as detailed below.

Variables	Δ%	Overall project		Risk analysis
		IRR (%)	NPV (USD M)	
Base scenario	0%	20.37%	15.59	Based scenario
Project benefits	-10%	13.11%	1.06	Combination of risks affecting output prices, yields and adoption rates
Project benefits	-20%	-3.88%	-4.74	
Project costs	10%	14.44%	7.58	Increase of construction material prices
Project costs	20%	8.22%	-0.44	
Combined effect 1: 10% decrease in benefits and 10% increase in costs.	-10%/+5%	9.79%	1.42	Combined effect of increases in product and input prices due to factors such as rising inflation.
Combined effect 2: 10% increase in benefits and 5% increase in costs.	+5%/5%	23.92%	21.75	Combined effect of a decrease in product prices and an increase in input prices due to factors such as reduced demand and rising inflation.
One-year lag in benefit generation		20.18%	15.48	Project implementation delays
two-year lag in benefit generation		19.52%	15.02	
Adoption rate – Small-medium scale farmers (60%)		19.33%	13.35	Quality of technical assistance and access to technologies
Adoption rate – medium scale and larger farmers (70%)		19.76%	13.83	
Combined effect- Adoption rate small-medium scale farmers (60%), Adoption rate – medium scale and larger farmers (70%)		18.61%	11.59	

Evaluation period (15 years)	17.97%	9.01	Uncertainty about the continuation of the activities supported by the project in the short, medium and/or long term
Excluding indirect project costs	23.06%	17.38	Return on direct investment in productive systems at the community and enterprise level
Social discount rate (6 percent)		24.06	Linked with political and economic stability and macroeconomic context
Social discount rate (10 percent)		12.10	

197. Under a scenario where the adoption rate decreases to 60% for small- and medium-scale farmers and to 70% for large and commercial farmers, the project remains economically viable, as shown in the table above.

198. **Return on components.** The table below presents the estimated incremental economic indicators for Components 1 and 2, considering both direct and indirect costs. It is assumed that the implementation of soft activities under the project management component enhances the overall benefits identified in the respective investment models. Both components demonstrate a positive return on investment, underscoring the potential benefits of the activities expected to be financed by the project at both the community and entrepreneurial levels.

Indicator	Component 1	Component 2
IRR	16.12%	26.87%
BCR (@8.6 % discount rate)	1.15	1.21
NPV (@8.6 discount rate)	5.95	9.64

199. Moreover, the financial analysis shows that most activities supported by the project under Components 1 and 2 yield positive returns considering different interest rates, as presented in the table below. This analysis considers only the direct investment provided by the project and excludes project management costs.

Model	Interest rate @ 13.96%	
	FIRR (%)	B/C
Agribusiness Cooperatives - Rice	23.36%	1.16
Agribusiness APG - Rice	44.75%	1.33
Agribusiness SMEs - Rice	25.37%	1.14
Agribusiness Cooperatives - Vegetable (dry season)	14.21%	1.01
Agribusiness APG - Vegetable (dry season)	16.20%	1.04
Agribusiness SMEs - Vegetable (dry season)	25.68%	1.12
Rice-based production system diversification - Rice + fruit+Legume	25.22%	1.15
Rice-based production system diversification - Rice + fruit+Fish	25.74%	1.16
Rice-based production system diversification - Rice + fruit+shrimp	38.70%	1.29
Rice-based production system diversification - Rice + cattle	27.17%	1.14
Farm-based livelihood activities - Mushroom	25.50%	1.02
Farm-based livelihood activities - Chicken	8.11%	0.84
Farm-based livelihood activities - Piglet	15.23%	1.01
Farm-based livelihood activities - Greenhouse (vegetable)	3.69%	0.80

Farm-based livelihood activities - Beekeeping (honey)	12.36%	0.96
Rehabilitation of rural road	17.18%	1.04

200. The results show that vegetable production carried out individually at a very small scale using greenhouses, as well as backyard chicken production and beekeeping, would not be financially viable ($B/C < 1$) when considering a cost of capital of 13.9%. However, the combined analysis of all activities proposed to promote livelihoods indicates positive returns on investment, with financial and economic benefit-cost ratios of 1.01 and 1.06, respectively. Vegetable and rice production undertaken by SMEs and APGs would generate significant financial returns, particularly during the dry season when vegetable supply is higher. This result can be explained by the fact that SMEs are better connected to markets and face much lower transaction costs than individual or small-scale associated farmers. However, a significant reduction in the cost of capital would make all the activities analyzed financially viable. These findings highlight the importance of promoting concessional credit mechanisms specifically designed to support smallholder farming systems.

Chapter 3: Organisation and Management

3.1 Organisational set-up and Governance

201. The project will be implemented by the **Ministry of Agriculture and Environment (MAE)** as the lead implementing agency, through its Department of Planning and Cooperation (DoPC), given the project's multi-sectoral scope combining climate-resilient production, value chain development, rural finance, and policy coordination across ministries and levels of government. The **Ministry of Industry and Commerce (MoIC)** will serve as co-implementing agency for Component 1, focusing on value chain development, trade facilitation, and private sector engagement. A Memorandum of Understanding (MoU) between MAE and MoIC will be concluded during project start-up to clearly define roles, responsibilities, coordination arrangements and accountability. This institutional set-up builds on lessons from 2018 COSOP, ensuring that agricultural production and climate resilience are led by MAE, while market integration and enterprise development leverage MoIC's comparative strengths.

202. In line with the Government's *Sam Sang* decentralisation policy, project governance will operate at national, provincial, and district levels. A **National Project Steering Committee (NPSC)** will provide overall strategic guidance, approve Annual Workplans and Budgets (AWPBs), and ensure alignment with national policies and priorities. The **Provincial Project Steering Committees (PPSCs)** will endorse provincial AWPBs and facilitate cross-sector coordination. The **District Project Steering Committees (DPSCs)**, anchored within the District Socio-Economic Development Committees, will review and approve quarterly plans and reports, monitor progress, and provide technical guidance.

203. For implementation, a central **Project Management Unit (PMU)** will be established within DoPC, MAE in Vientiane. Overall project management, fiduciary oversight and strategic coordination will be centralized within this PMU. The PMU will be staffed by a mix of seconded and competitively recruited Core positions will include: a Project Director (seconded); a National Project Coordinator (seconded); a National Deputy Project Coordinator (seconded); a National Chief Technical Advisor (CTA); a Rural Finance and Value Chain Specialist (responsible for Component 1); a Technical Value Chain and Food Processing Advisor; an Agroecology and GAP Specialist (responsible for component 2); a Planning, Monitoring and Evaluation (M&E) and Knowledge Management (KM) specialist and Assistant; a Procurement Officer and Assistant; a Financial Officer, Assistant and Accountant; a Targeting and GESI Specialist; a SECAP Climate and Environmental Specialist (covering ESMP implementation); an Administrative Officer and a Driver/Clerk. Staffing levels and costs will comply with Ministry of Finance (MoF) and IFAD ceilings for operating and consultancy expenditures. The PMU will provide hands-on technical backstopping and supervision to sub-national implementation teams through regular field missions. While the PMU will remain institutionally based in Vientiane, the duty station of selected technical specialists may be adjusted during implementation, as needed, to ensure effective field-level support and cost-efficient supervision, in line with operational requirements.

204. At subnational level, **Government Provincial and District Implementation Teams** will be established within MAE's and MoIC's provincial and district offices and seconded from relevant technical line agencies. These teams will be responsible for day-to-day implementation, including local planning, coordination with implementing partners and service providers, and routine reporting. Targeted **Technical Assistance (TA)** will be deployed at provincial and/or district level, as required, to support implementation quality, capacity building and timely delivery of project activities.

205. The project will collaborate with relevant partners including the Department of Agriculture of MAE, the Ministry of Public Works and Transport (MoPWT), Ministry of Technology and Communication (MoTC), MoLSW, Ministry of Information (Mol), Ministry of Health (MoH), Ministry of Culture and Tourism (MoCT), LWU, LYU, NAFRI, and the Lao Farmers' Association (LFA).

206. MoF, as the Borrower, will act as the nodal agency for the project. MoF will designate a Focal Officer responsible for coordinating with MAE, MoIC, IFAD and the PMU; overseeing designated accounts; clearing Withdrawal Applications; ensuring timely fund flow and disbursements; consolidating financial reports; and facilitating audits. The Focal Officer will participate in supervision and review missions and support the resolution of financial management issues in line with national ODA policies.

3.2 IFAD Supervision

207. IFAD will provide supervision and implementation support in line with its Guidelines. A project start-up workshop will be organized following entry into force to ensure a common understanding among government counterparts and partners of project objectives, implementation arrangements, fiduciary procedures, monitoring and evaluation requirements, and roles and responsibilities. Provincial-level inception workshops will subsequently be held to support decentralized implementation.

208. IFAD will conduct at least one supervision mission annually, complemented by implementation support missions as required based on project performance and emerging needs. A Mid-Term Review (MTR) will be jointly undertaken by IFAD and the Government around year three to assess implementation progress, validate design assumptions, review institutional and fiduciary arrangements, and recommend corrective measures or restructuring if necessary.

209. The project will undertake targeted thematic studies as needed to support implementation, learning, policy engagement and scaling-up. At completion, IFAD and the Government will jointly prepare a Project Completion Report (PCR), drawing on project monitoring data, evaluations and stakeholder consultations, to assess the achievement of development objectives and inform future operations in Lao PDR.

3.3 Planning, Monitoring and Evaluation

210. **Planning.** The project will apply a results-oriented annual planning process, linking outputs, activities and budgets through the Annual Work Plan and Budget (AWPB). The PMU will prepare the AWPB using the template agreed with IFAD, guided by the Logframe and cost tables. Planning will follow a bottom-up and iterative process: district-level planning will inform provincial plans, which will be consolidated into a single project-level AWPB. The AWPB will specify, by component, planned outputs and physical targets, key activities, implementation timelines, responsible entities, and associated budgets.

211. Once endorsed by the Project Steering Committee, the draft AWPB and related Procurement Plan will be submitted to IFAD for no-objection no later than 30 days before the end of each fiscal year. Following IFAD no-objection, the AWPB will be approved and will constitute the binding basis for implementation, fund releases and procurement. Amendments may be made during the year, subject to justification and IFAD no-objection.

212. **Monitoring and evaluation.** The M&E system will be aligned with IFAD and MAE requirements and will provide reliable and timely information on project performance and results. It will focus on: (i) monitoring implementation progress against the AWPB; (ii) tracking outreach to target groups (households and individuals, disaggregated by sex, age, disability and ethnicity); and (iii) assessing outcomes and impact over time.

213. Monitoring will compare planned versus actual activities, outputs and expenditures. Primary data will be collected by district staff and service providers using standard templates, consolidated at district and provincial levels, and validated by the PMU. The PMU will prepare annual progress reports and update the ORMS Logframe for submission to IFAD. Findings will be reviewed through regular coordination meetings to identify implementation constraints and agree on corrective actions. Data quality will be ensured through routine validation, random field checks and periodic supervision by PMU M&E staff, supported by training for district teams.
214. Evaluation and learning. A baseline survey will be conducted in the first year to establish benchmark values for outcome and impact indicators, in accordance with IFAD Core Outcome Indicator (COI) measurement guidelines. Mid-term and completion surveys will be carried out to assess progress, results and learning, and to inform course correction and future programming. In addition, a rolling baseline will be applied for APGs, cooperatives and SMEs at the time of selection.

3.4 Knowledge Management and Country Level Policy Engagement (CLPE)

215. Knowledge Management (KM) under the Project will ensure that practical experience from value chain development, climate-resilient agriculture, and livelihood support is systematically captured, analyzed, and used to improve implementation and influence policy. KM activities are expected to support both IFAD's corporate learning agenda and Lao PDR's policy development by generating evidence-based insights on practical models, tools and approaches (such as the PRIP, VCIP, blended finance instruments) that can be institutionalized within the MAE and MOIC or replicated by other development partners.
216. To ensure that relevant lessons are effectively captured, documented, and shared, the PMU M&E Officer will develop a learning and policy dialogue agenda along with a Knowledge Management and Communication Plan. Prepared within 24 months of project start, based on consultations with key stakeholders, these will define the following:
- Priority policy themes linked to value chains, market access, food safety, cooperative development or climate resilience.
 - Key learning questions (e.g., what drives successful graduation of APGs into cooperatives, or which blended finance instruments unlock access to rural producers?)
 - Who is the audience, and what specific KM product and dissemination channels should be used for each type of audience/stakeholders?
217. KM will be closely integrated with M&E to ensure that lessons are credible, evidence-based, and connected to implementation realities. Where issues will be too complex or require deeper analysis (e.g., regulatory bottlenecks, cooperative governance), M&E findings will be complemented with specific policy studies.
218. Acquired knowledge will be documented and shared through a mix of tools and channels: (a) digital platforms (such as the Farmers' Registry, when operational) serving as repositories for value chain information, market intelligence and APG performance data; (b) Printed and digital KM products, such as policy briefs, case studies, technical notes and guidelines; (c) multimedia content, such as farmer-to-farmer videos or learning clips to document best practices; (d) learning events and multi-stakeholder workshops. Other communication channels will include social media, government portals, and national and local media outlets.

Contribution to Country Strategic Opportunities Programme Implementation

219. Knowledge generated by LEAD will directly support IFAD's Country Strategic Opportunities Programme (COSOP) 2026-2031 implementation by providing evidence on effective interventions for commercially oriented climate-resilient agriculture and documenting scalable models for inclusive market access and financial inclusion. The project will generate lessons on strengthening farmer organizations and facilitating transition from grant dependence to commercial finance, informing future COSOP programming in Lao PDR and the region.

Country Level Policy Engagement

220. LEAD will engage strategically on policy priorities where the project has direct implementation experience and can contribute evidence-based recommendations. The project will support Government implementation of Decrees 536 and 606 on cooperatives and associations, providing technical inputs based on field experience with APG graduation and consolidation. LEAD will work with MAE, MOIC and other relevant actors to develop practical guidelines for smallholder compliance with food safety standards and export certification requirements. Through Multi-Stakeholder Platforms, Sector and Sub-Sector Working Groups, etc., the project will facilitate policy dialogue on bottlenecks constraining value chain development, including infrastructure gaps, regulatory barriers, and market access challenges. Policy engagement will be focused on areas where LEAD's implementation experience provides credible evidence for policy recommendations, ensuring that lessons learned directly inform national frameworks for cooperative development, agricultural commercialization, and climate-resilient production systems.

3.5 Target group engagement

221. LEAD will prioritize meaningful engagement with target groups throughout the project lifecycle, ensuring their priorities shape interventions and their feedback guides implementation adaptations. The project will implement a comprehensive approach promoting inclusivity, transparency, and accountability through regular participatory processes at village, district, and provincial levels that create genuine opportunities for Cooperatives, APGs, vulnerable households, persons with disabilities, women, and youth to voice their needs, influence decisions, and monitor project performance. The Project Management Unit's M&E unit, supported by service providers and civil society organizations, will manage these engagement processes, working closely with PAEO and DAEO to ensure coordination and avoid duplication.
222. LEAD will employ targeted strategies to ensure participation of vulnerable and marginalized groups. The project will develop clear target group selection criteria with community validation, schedule meetings at times convenient for women with household responsibilities, use local languages and visual communication methods for low-literacy participants, and employ separate focus group discussions for women, youth, and other potentially marginalized groups where power dynamics might inhibit participation in mixed gatherings.
223. Target Group Engagement Modalities: LEAD will implement multiple engagement modalities to collect feedback from target groups. Regular participatory monitoring meetings will be conducted at village level, allowing participants to assess implementation progress and service quality. Annual target group satisfaction surveys will gather feedback on what works, what doesn't, and necessary management actions. Feedback mechanisms will include: feedback boxes at DAEO offices and accessible locations with simple forms; complaint and response protocols for serious issues; and participatory review meetings at APG, district, and provincial levels where participants directly engage with project management on progress and challenges.
224. Target Group Selection and Participation: Target groups will be selected through participatory processes using clear, transparent criteria validated by community members. For APG selection, assessments will evaluate organizational maturity, production systems, market engagement levels, and geographic clustering opportunities, with results validated through community consultations. For vulnerable household selection, participatory assessments will identify food-insecure households, female-headed households, ethnic minorities, and land-constrained families using Government poverty classifications and community validation. For persons with disabilities, specialized disability-inclusive needs assessments will identify PWD using standardized screening tools with attention to socially isolated individuals. Selection processes will explicitly address barriers facing disadvantaged groups, ensuring special measures accommodate specific needs related to gender, disability, ethnicity, age, or literacy levels.
225. Roles and Responsibilities for Target Group Engagement: The Project Management Unit will coordinate overall target group engagement, develop engagement tools, compile and analyze feedback, recommend adaptive management actions, and ensure public disclosure. PAEO will coordinate engagement at provincial level, organize stakeholder meetings, oversee district feedback collection, and facilitate grievance resolution. DAEO extension staff will serve as primary facilitators of village-level engagement, conduct participatory monitoring meetings, collect feedback, and support grievance submissions. Contracted service providers will integrate feedback collection into regular activities and report issues to PMU.

Grievance and redress

226. The National Assembly in Lao PDR adopted Law 35 of 2014 on grievance redress mechanisms and established a national hotline for citizens to submit complaints and grievances. The Compensation and Resettlement Decree No. 84/GOL (2016) also includes provisions for grievance redress. Citizens generally

have recourse to informal Village Mediation Units that resolve domestic and local disputes. These units are often faster and more accessible than formal channels such as village heads, police, or courts, making them the preferred grievance resolution mechanism. In a 2015 survey, 75% of respondents expressed satisfaction with services rendered by Village Dispute Resolution Committees.

227. In addition, the project will establish a project-specific feedback and grievance redress mechanism for project participants and those affected by project activities in the target provinces. The grievance procedure will be put in place in consultation with MAE and relevant provincial officials. The grievance redress mechanism will include a system to receive, address and document any concerns, complaints, notices of emerging conflicts, or grievances alleging actual or potential harm to people affected by project activities. The period for resolution of the complaint will be specified and a quarterly report on the number of complaints, key issues and action disaggregated by gender and age will be prepared by the PMU. These complaints will be analysed and measures to address them will be undertaken by the PMU.

228. LEAD will publish the grievance redress mechanism on its website and through other media, as well as communicate the procedure for providing feedback/registering a grievance during all inception workshops and MSPs. This mechanism will also address the target groups' concerns and grievances related to social and environmental compliance as mentioned in the SECAP. Also, IFAD has a Complaints Procedure to receive and facilitate resolution of concerns and complaints with respect to alleged noncompliance of its environmental and social policies and the mandatory aspects of its Social, Environmental and Climate Assessment Procedures. <https://www.ifad.org/en/social-environment-assessment-procedures/complaints-and-incidents>.

3.6 Strategic partnerships

229. LEAD will leverage strategic partnerships to deliver sustainable commercial agriculture results. The project will focus on strategic planning, coordination and monitoring, while deploying specialized service providers and partners for implementation.

230. The Ministry of Agriculture and Environment (MAE), as lead implementing agency, and the Ministry of Industry and Commerce (MOIC), as co-implementing agency, will support the implementation of value chain development and market integration components. The National Agriculture and Forestry Research Institute (NAFRI) will provide technical expertise and facilitate action research for testing and scaling climate-resilient innovations. The Lao Farmers' Association will support APG mobilization and capacity building, while the Lao Women's Union will facilitate women's empowerment and gender mainstreaming across all project activities.

231. The project will work with financial institutions including commercial banks and microfinance institutions to design and implement blended financing mechanisms for APGs and cooperatives. LEAD will support APGs to develop bankable business proposals and establish credit histories through blocked grant mechanisms. Financial service providers will develop appropriate loan products with simplified procedures, enabling the PMU to maintain focus on results and knowledge management while specialized partners deliver financial inclusion interventions across target provinces.

232. Private sector partnerships will be central to LEAD's implementation through MSPs that bring together producers, MSMEs, traders, aggregators, input suppliers, processors, and exporters. The Lao Chamber of Commerce and Industry will serve as key partner for private sector engagement and coordination. These platforms will facilitate market linkages, coordinate value chain investments, and ensure commercial viability of interventions. MSMEs will provide aggregation services, technical inputs, off-take arrangements, and market access for APGs, creating sustainable commercial relationships that extend beyond project duration.

233. LEAD will coordinate with key development partners including ADB, WB and others to maximize synergies and avoid duplication. The project will share lessons learned, coordinate geographic coverage, and leverage complementary investments in infrastructure, financial inclusion, and market access. Partnerships with UN agencies including FAO, WFP, and UNDP will support nutrition-sensitive agriculture, school feeding linkages, and climate adaptation initiatives.

234. Civil society organizations will play critical roles in reaching vulnerable populations and ensuring inclusive development. Local NGOs and community-based organizations will support identification and targeting of the poorest households and persons with disabilities, facilitate participatory assessments at village level, and provide mentoring for livelihood packages. Civil society partners will ensure community validation of target group selection, facilitate integration of vulnerable households into value chains, and provide disability-inclusive needs assessments. These partnerships enable LEAD to operationalize the "leave no one behind" principle through adapted delivery mechanisms that mainstream organizations may not reach.

235. South-South and Triangular Cooperation (SSTC) will be leveraged to facilitate knowledge exchange and technical learning from regional experiences. These SSTC initiatives will be coordinated through IFAD's regional knowledge management platforms and the China-IFAD SSTC Facility, bringing practical, context-relevant solutions from neighbouring countries that face similar agricultural development challenges.

236. LEAD will engage service providers for technical assistance including business development services, digital platform development, and climate-smart agriculture training. These service providers will work directly with APGs, cooperatives, and MSEs to build technical and business capacities. This implementation approach allows the PMU to focus on coordination, monitoring, and knowledge management while specialized partners deliver technical interventions across the project area, creating scalable models for agricultural commercialization in southern Lao PDR.

3.7 Financial Management

237. The financial management inherent risk at design is assessed as Substantial. The Transparency International Corruption Perception Index of 2024 places the country in a substantial risk of perceived public sector corruption, with a score of 33/100, signifying weak transparency, accountability and anti-corruption mechanisms which can impact on overall Public Financial Management and overall economic stability. The Executing Agency (EA), Ministry of Agriculture and Environment (MAE), has prior experience in implementing IFAD-financed projects and is therefore familiar with IFAD fiduciary requirements. However, the project will establish a new Project Management Unit (PMU), which will require targeted training on IFAD financial rules and regulations. In addition, systemic constraints at country level, including limited staffing capacity and the scarcity of experienced financial management consultants, pose inherent weaknesses that may affect project implementation. Other risks include delays in setting up FM systems, staff recruitment, procuring essential equipment and accounting software, and operationalizing internal controls, which could affect early-stage disbursements, financial reporting and overall implementation efficiency. Mitigation measures are elaborated in the PDR Annex 7.

238. The financial management (FM) team will comprise an Accountant, a Finance Officer and a Finance Assistant at the PMU level. At provincial level, two Accountants will be supported by two Accounts Assistants to cover the two provinces. These FM staff will also support the selected districts; however, depending on workload during implementation, additional Finance Assistants may be recruited at district level to augment provincial capacity.

239. The IFAD FMFC handbook will govern the project's financial management arrangements. A consolidated AWPB will be prepared and submitted to IFAD, 60 days before end of year. Provinces will prepare AWPBs for sub level activities. Each of the implementing partners will prepare their own annual budgets. PMU will consolidate the separate AWPBs as per IFAD format. The AWPBs will be prepared per component, per category and by financier.

240. **Accounting Systems:** The project will adopt IPSAS cash basis of accounting and will apply the double entry system of accounting. A stand-alone accounting software will be procured for project accounting purposes and will be installed within 6 months of project approval. All financial transactions at all locations will be recorded promptly in the accounting system. The accounting software will be customised to meet project reporting requirements including, including tracking of expenditures by financing source, category and component.

241. **Flow of Funds and disbursement arrangements** The project will open a Designated Account (DA) in United States Dollars at the Bank of Laos, to be managed by MoF. IFAD loan will be disbursed into the DA following receipt of WAs submitted by MoF through the ICP system. Authorised users for operating the DA and approving WAs, will be designated by MoF. Disbursements will follow the revolving fund mechanism and in accordance with IFAD's Financial Management and Financial Control (FMFC) Handbook and related FMFC Letter. Quarterly WAs for justification of expenditures reported on the IFR and for replenishment based on a six-month cash forecast projected on the IFR will be submitted to IFAD through the ICP system and validated. The cash forecast will be in accordance with the approved AWPBs. To facilitate timely start-up and accelerate the fulfilment of conditions for first disbursement, the project will be eligible for a start-up advance of up to USD 500,000.

242. Arrangements for audit: An independent audit firm will be appointed under the guidance of SAO, latest within a month to financial year end, to perform the annual external audit of the project's financial statements based on a TOR acceptable to IFAD. The IFAD Handbook for financial Reporting and Auditing will be followed. A budget will be provided for the external audit including site visits and the audit cost will be eligible project expenditure. The Audit Report and Management Letter will be submitted to IFAD through ICP no later than six months after the end of financial year. Laos fiscal year is January to December therefore the audit package will be due by 30 June of each year. MAE Department of Inspection will conduct regular project internal audits.

243. Anti-corruption measures: The Government of Lao PDR will adopt and implement measures to prevent, mitigate and combat prohibited practices including enforcement of the Anti-Corruption Law (2012, amended 2021), compliance with IFAD Anti-Fraud and Anti-Corruption Policy; strengthening internal controls within the PMU, including segregation of duties, transparent procurement processes; training and awareness-raising activities on ethical conduct, conflict-of-interest rules and reporting obligations; maintaining complete financial and procurement documentation for verification by IFAD, auditors or oversight authorities. The State Inspection and Anti-Corruption Authority (SIAA) is the main corruption prevention body and consists of various State inspection authorities organized in an administrative hierarchy at the central, sectoral and administrative levels. Lao PDR provides basic whistle-blower protection mechanisms under the Anti-Corruption Law through the anti-corruption unit. The project will also use IFAD's independent reporting mechanisms which ensures that reporting parties have safe and credible options to report concerns without fear of retaliation.

3.8 Procurement

244. Law on Public Procurement No. 30/NA (2017) and the Instruction on Implementation of Law on Public Procurement No. 0477/MOF (2019) serve as the core legal instruments regulating government procurement for goods, works and services. The Public Procurement Division (PPMD) under the Department of Evaluation and Public Procurement (DEPP) of the Ministry of Finance (MOF) has key mandates to oversee and regulate public procurement, ensuring fairness, transparency, efficiency, and value for money in acquiring goods, works, and services for government entities. They develop procurement regulations, provide guidelines, build capacity, manage procurement systems, and handle complaints.

245. Procurement risk assessment for LEAD project shows that the overall inherent procurement risk (Part A and Part B) and the overall residual risk are moderate. The main project procurement risks include: (i) the transition to e-Procurement in the country has only taken its initial step with the completion of the study assessing the country's preparedness for implementing e-Procurement (2023); (ii) there are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP; (iii) no comprehensive databases are available to provide consolidated information on procurement operations by government entities. The procurement function is fully decentralized at the ministry department level. Records are maintained for contracts by each implementing entity and there is neither a system nor database to track data available on procurement and contract management; (iv) Lao PDR has no formal procurement professionalization program, and the main training options are periodical short courses provided by donors; (v) procurement processes (planning, bidding, contract award and contract implementation) are often delayed; and (vi) procuring entities have procedure for reporting allegations of fraud, corruption, and other prohibited practices. However, the sanctions and enforcement system is not systematically applied.

246. Several mitigation measures for project procurement risks are: (i) advertise procurement notices on PPMD's website and EA/IA website; (ii) for ICB and consulting service with international advertisement, IFAD's standard procurement documents will be adopted and used. For other methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption will be adopted; (iii) use the IFAD Online Procurement End-to-end System (OPEN) for monitoring procurement and contract implementation; (iv) projects to organize training courses for procurement staff. Project procurement officers and other project staff involved in procurement to take part in IFAD's BuildProc certification training program; (v) monitoring closely procurement and contract implementation progress with periodic progress reports and follow-up actions; and (vi) request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents. Conduct prior and ex-post reviews including FIRCO screening of bidders from the debarred list to strengthen enforcement of the debarment system.

247. Applicable regulations and procurement arrangements. Procurement using IFAD funds will follow the Law on Public Procurement No. 30/NA (2017) to the extent such are consistent with the IFAD Project Procurement Guidelines (2019), as amended from time to time, and the Project Procurement Arrangements Letter (PPA). In cases there are contradictions between the IFAD Project Procurement Guidelines and the national procurement regulations, the IFAD Project Procurement Guidelines shall take precedence and govern. The project shall adopt and use the Standard Procurement Documents issued by IFAD for ICB packages of goods and civil works with international advertisement and the national standard bidding documents for other methods with additional provisions to meet IFAD's SECAP standards and other requirements stated in the IFAD's Project Procurement Guidelines.

248. The PMU will be directly responsible for project procurement activities at national level, consolidate annual procurement plans and submitting to IFAD for review and no objection and to MAE for approval, conduct trainings and provide support to DCUs for carrying out procurement activities at district and village levels. The PMU will have a procurement team including a procurement officer and a procurement assistant recruited from the market. Procurement of farm roads (Output 1.1.3), irrigation schemes (2.1.2) and water supply systems (Output 2.3.1) will be undertaken by DCUs with PMU's oversight and technical supports from Provincial Agriculture and Environment Department (PAED), District Agriculture and Environment Office (DAEO) and District Public Work and Transport Office (OPWT). Partnership Agreements/ Memoranda of Agreement will be signed with the partner financing institutions for implementation of blended finance activities under Outputs 1.2.2 and 2.1.1.

249. The project will consider undertaking advance procurement for selected activities (e.g. recruitment of PMU/DCUs project key staff, recruitment of technical service providers to ensure readiness for project implementation). The contracts for advance procurement activities will be signed right after the effective date of the financing agreement.

250. A detailed Project Procurement Arrangement Letter (PPA) will establish the detailed procurement requirements and thresholds for procurement methods and IFAD prior review. The initial 18-month procurement plan, and subsequently the annual procurement plans in consistency with the Annual Work Plans and Budgets (AWPBs) shall be prepared and obtain IFAD no objection before proceeding with procurement activities. The OPEN system will be used for preparation and monitoring implementation of project procurement plans. Requests for IFAD prior review and no objection shall be routed through the OPEN system. Data and information of all contracts and related payments shall be listed and updated regularly in the OPEN Contract Monitoring Module.

3.9 Risks and Risk Management

251. The LEAD project has identified key risks across multiple dimensions of implementation. Alongside robust mitigation strategies to address each challenge, the project draws on lessons from previous projects such as PICSA and AFN-II. This comprehensive risk assessment examines start-up challenges, implementation constraints, technical uncertainties, institutional coordination, and social dynamics that could affect project outcomes. The table below summarizes these risks and corresponding mitigation measures.

Risk Category	Risk Description	Inherent Risk	Residual Risk	Mitigation Strategy
START-UP RISKS	DELAYED PROJECT INITIATION: Based on PICSA and AFN-II implementation experience, risk of start-up delays between project approval and effective implementation.	Substantial	Moderate	- Utilize IFAD's retroactive financing mechanism for critical start-up activities before conditions prior to withdrawal - Establish early coordination with MAE and MOIC through MoU

IMPLEMENTATION RISKS	LIMITED IMPLEMENTATION CAPACITY: Limited implementation capacity.	Mode rate	Moderate	• Delegate interventions to service providers (CSOs, private sector) • Focus PMU on strategic coordination and oversight • Utilize experienced Lead Farmers model and Civil Society Organizations/NGOs
	PROJECT MANAGEMENT CHALLENGES: Risks of project management weaknesses causing delays based on portfolio experience.	High	High	• Recruit dedicated Finance and Procurement Officers • Provide early capacity building for PMU and district staff
	DUAL-MINISTRY COORDINATION: Risk of coordination challenges between MAE and MOIC affecting implementation efficiency.	Mode rate	Low	• Establish formal MoU defining clear roles and responsibilities • Joint PSC meetings and coordination protocols • Regular communication mechanisms at all levels
	APG GRADUATION TIMEFRAME: Risk that APG graduation to commercially viable cooperatives not achievable within seven years.	Mode rate	Low	• Work with existing APGs with operational foundation • Differentiated support pathways based on assessments • Phased graduation approach with clear criteria • Government technical guidelines provide framework
	MISUSE OF FUNDS: Risk of fraud, corruption, or misappropriation of project resources.	Substantial	Substantial	• Robust financial management systems and internal controls • Regular audits (annual external, periodic internal) • Transparent procurement following IFAD procedures • Grievance mechanisms for reporting • Anti-corruption training for staff
ENVIRONMENTAL AND CLIMATE RISKS	EXTREME CLIMATE EVENTS: Droughts, floods, or typhoons exceeding normal variations damaging infrastructure or production.	High	Moderate	• Climate-resilient infrastructure design • Diversified farming systems spread risk • Irrigation rehabilitation and WUGs improve water management • Disaster risk reduction in PRIPs • Rehabilitation prioritized over new construction
	WATER SCARCITY: Reduced water availability due to climate change or upstream use affecting irrigation systems.	Mode rate	Moderate	• WUGs with equitable allocation mechanisms • Focus on efficiency improvements • Water-saving technologies (drip irrigation) • Watershed management approaches • Climate vulnerability assessments guide investments
MARKET AND VALUE CHAIN RISKS	INSUFFICIENT MARKET DEMAND: Limited demand for products from target value chains or market saturation.	Mode rate	Low	• Commodity selection based on market assessments • Focus on import substitution opportunities • MSPs coordinate production with demand • Diversified value chains
	LIMITED PRIVATE SECTOR ENGAGEMENT: MSMEs, traders, or financial institutions unwilling to partner with smallholders.	Mode rate	Low	• MSPs create commercial incentives • Infrastructure investments address bottlenecks • Cooperatives demonstrate reliable supply • Blended financing de-risks lending
	BLENDED FINANCING INEFFECTIVE: Financial institutions unwilling to lend or APGs unable to service loans.	Mode rate	Low	• Partnerships with regulated institutions established early • Blocked grant mechanism de-risks initial lending • Multiple loan cycles build track records • FEBL training ensures financial capacity • Business plans demonstrate viability

SOCIAL INCLUSION RISKS	ELITE CAPTURE: Project benefits captured by better-off farmers or local elites excluding target groups.	Mode rate	Low	• Targeting uses Government Decree 348 • Participatory assessments with validation • Differentiated packages for poorest households • Gender and social inclusion monitored • Grievance mechanisms enable reporting
	VULNERABLE HOUSEHOLDS EXCLUDED: Poorest households and persons with disabilities unable to integrate into value chains.	Mode rate	Low	• Livelihood packages with low entry barriers • Mentoring throughout implementation • Linkages to school feeding and local markets • PWD support includes assistive devices • Progressive integration model allows gradual transition
POLITICAL AND MACROECONOMIC RISKS	POLITICAL INSTABILITY OR POLICY SHIFTS: Changes in government priorities affecting agricultural sector support and project continuity.	Low	Low	• Project aligned with 10th NSEDP and long-term strategies • Regular engagement with PSC and line ministries • Long-term policy frameworks (Green Growth, NDC, NAP)
	MACROECONOMIC INSTABILITY: Inflation, currency fluctuations, or fiscal constraints affecting co-financing and purchasing power.	Mode rate	Moderate	• Flexibility in procurement planning • AWPB developed annually aligned with fiscal availability • Close coordination with MoF
	CO-FINANCING GAPS: IFAD ARP or other co-financing sources not materialized affecting project scale.	Mode rate	Moderate	• Project designed operational with confirmed financing • Phased expansion contingent on resources • Government committed to counterpart • Participant contributions demonstrate demand • Climate financing being sought

3.10 Implementation Readiness

252. The Implementation Readiness section addresses critical aspects to ensure the LEAD project's smooth transition from design to effective implementation. Building on lessons from PICSA and AFN-II, this section outlines comprehensive measures to mitigate common start-up delays while ensuring robust planning across the project lifecycle.

Project Preparation Activities (Design to Start-up)

253. The period between project design completion and official start-up will be strategically utilized through the following preparation activities:

- **Human Resource Preparation** • Development of detailed Terms of Reference for all project positions • Advance notification to implementing agencies regarding staff secondment needs • Preparation of recruitment documentation for externally recruited positions • Formation of selection committees and scheduling of interview processes
- **Operational Documents Development** • Revision of the Project Implementation Manual (PIM) • Finalization of the Project Work Plan and Budget (AWPB) • Development of procurement guidelines and initial procurement plan • Preparation of financial management procedures and reporting templates
- **Coordination Framework Establishment** • Identification of PSC members • Development of coordination protocols between MAE and MOIC as co-implementing agencies • Establishment of communication channels with key stakeholders including Lao Farmers' Association, Lao Women's Union, NAFRI, and private sector actors • Planning for inception workshops at national and provincial levels
- **Technical Preparation** • Development of baseline assessment methodologies • Preparation of technical guidelines for prioritized value chains • Mapping of potential service providers for delegated implementation • Drafting of Terms of Reference for MSP establishment and facilitation • Development of APG assessment tools aligned with Government graduation criteria
- **M&E Framework Development** • Development of monitoring tools and reporting formats • Design/adaptation of the project MIS structure and requirements • Planning for the baseline survey implementation • Establishment of data collection protocols for gender, youth, and disability-disaggregated indicators

Responsible Entity: PMU / MAE (Department of Planning and Cooperation)

Alignment with Government Timeframes

254. LEAD's implementation schedule will be aligned with Lao PDR's fiscal year (October-September) and budgeting cycle to ensure seamless integration with government processes:

- Project effectiveness is targeted for May-June, allowing inclusion in the government's annual budget for the upcoming fiscal year
- The Ministry of Finance will be engaged to ensure LEAD is incorporated into the government's Public Investment Program;
- The first AWPB will be prepared in alignment with the government's budget preparation timeline to facilitate timely disbursement;
- Provincial AWPBs will follow provincial planning cycles to ensure integration with Provincial Agriculture and Environment Office (PAEO).

Pre-conditions for Effectiveness

255. The following conditions will be met prior to project effectiveness to ensure implementation readiness:

- **Institutional Arrangements** • Formal establishment of the Project Management Unit within MAE • Signing of Memorandum of Understanding between MAE and MOIC defining co-implementation responsibilities • Appointment of Project Director and key management positions (Project Coordinator, Financial Management Specialist, Procurement Specialist);
- **Financial Management** • Opening of designated project accounts • Establishment of financial management systems compatible with Government and IFAD requirements • Recruitment or designation of qualified financial management staff

- **Safeguards Compliance** • Adoption of Project Implementation Manual including Environmental and Social Management Framework • Establishment of Grievance Redress Mechanism at national and provincial levels • Designation of Environmental and Social Safeguards focal points
- **Coordination Mechanisms** • Formal establishment of PSC with clear Terms of Reference • Initial meeting of PSC to review project implementation arrangements and approve Year 1 AWPB

Start-up Activities (First Six Months)

256. The first six months of implementation will focus on establishing operational systems and stakeholder engagement:

- **Staffing and Capacity Building** • Recruitment of all PMU and provincial staff positions • Induction training for PMU staff on IFAD procedures, financial management, procurement, and safeguards • Training for MAE and MOIC staff on project components and coordination protocols;
- **Baseline and Targeting** • Conduct baseline survey covering all outcome and impact indicators disaggregated by gender, youth, and poverty level • Complete APG organizational capacity assessments in target districts • Finalize district and village selection criteria in consultation with provincial authorities • Validate targeting of poorest households and persons with disabilities through participatory assessments with civil society organizations;
- **Planning and Implementation Tools** • Finalize Project Implementation Manual with operational guidelines for all components • Complete Year 1 detailed AWPB with quarterly milestones • Develop standard operating procedures for blended financing mechanisms, PRIP development, and MSP establishment • Prepare monitoring and evaluation tools including APG graduation tracking system
- **Stakeholder Engagement** • Conduct national inception workshop with government, development partners, private sector, and civil society • Organize provincial inception workshops in Savannakhet and Khammouane engaging district authorities, APGs, MSMEs, financial institutions, and service providers • Launch MSP establishment process through stakeholder mapping and commodity prioritization exercises • Initiate partnerships with financial institutions, NAFRI, Lao Farmers' Association, Lao Women's Union, etc.,....
- **Initial Investments** • Complete value chain assessments and begin development of VCIPs • Initiate APG consolidation process and cooperative registration support for ready groups • Begin procurement processes for technical assistance service providers.

Risk Mitigation for Start-up

257. LEAD incorporates specific measures to mitigate common start-up delays:

- **Staffing Delays:** Pre-identification of candidates during design phase
- **Procurement Delays:** Development of initial procurement plan during preparation phase, use of IFAD procurement thresholds and procedures to expedite processes, and engagement of procurement specialist from Month 1
- **Coordination Challenges:** Clear definition of MAE and MOIC roles in MoU, establishment of joint coordination mechanisms at national and provincial levels, and regular communication protocols
- **Baseline Survey Delays:** Early TOR development and advance recruitment of survey firm, phased implementation allowing initial activities to commence while baseline is completed
- **Provincial Capacity Constraints:** Dedicated technical coordinators within the target provinces, training and mentoring support from PMU, and realistic activity phasing

Responsible Entity: PMU with oversight from Project Steering Committee

258. The comprehensive preparation and start-up approach ensures LEAD achieves operational readiness within six-eight months of effectiveness, enabling timely delivery of benefits to target groups while establishing robust systems for the full seven-year implementation period.

Footnotes

[1] Discussions between IFAD Laos and MAE and MOF are ongoing regarding access to GEF9 and LDCF as geographical scale up of LEAD, with a focus on climate resilience of production system and value chains.

[2] Poverty Data Report, Ministry of Agriculture and Environment (MAE), 2022

[3] Economic Update Lao PDR, World Bank, 2023

[4] Notre Dame Global Adaptation Initiative (ND-GAIN) Country Index

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[10] Bank of Lao, 2024

[11] Access to Finance for MSME in Lao PDR, World Bank, 2024

[12] Rural Infrastructure Assessment, Asian Development Bank, 2023

[13] One person from each household will be directly benefiting through the agricultural producer group; the entire household benefits indirectly.

[14] The estimated average household size of Khammouane is 5.2/hh and Savannakhet is 6.1/hh. The average is taken as 5.6 persons per hh as per the 2025 provincial census.

[15] IWGIA, 2025

[16] Licensed and regulated banks and deposit-taking institutions that already operate in SME and/or agricultural finance and have a presence in project provinces

[17] Semi-commercial farms selling part of their production and emerging commercial farms, some mechanization

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Annex 1: Key Files

Mission Dates: 10-21 November 2025
Document Date: 26/05/2026
Project No. 2000005224
Report No. 7515-LA

Asia and the Pacific Division
Programme Management Department

Annex I: Key Files

Table 1: Rural poverty and agricultural sector issues (key file table 1)

Priority Area	Affected Groups	Key Issues	Actions Needed
Rural Poverty	Smallholder farmers, ethnic groups, landless laborers	Low income, limited resource access, seasonal unemployment, poor nutrition, food insecurity	Cash-for-work schemes, inclusive land reform, nutrition & social protection programs, skills training
Food & Nutrition Security	Subsistence farmers, women-led households, children	Seasonal hunger, crop failures, poor dietary diversity, 33% food insecurity, 33% child stunting	Nutrition-sensitive agriculture, crop diversification, WASH improvements, post-harvest technologies, nutrition education
Climate-Resilient Agriculture	Rice & upland farmers	Rain-fed dependency, annual floods/droughts destroy livelihoods	Scale up climate-smart practices, water harvesting, early-warning systems, digital advisory tools
Land & Sustainable Resources	Rural poor, women-headed households, ethnic groups	Weak land tenure, deforestation, overgrazing	Accelerate land-titling (esp. women/ethnic), community forest management, soil/water conservation
Rural Infrastructure	Remote villagers, smallholder producers	Poor roads (45% isolation), inadequate irrigation, 30% post-harvest losses, limited connectivity	Climate-resilient rural roads, solar irrigation, processing/storage facilities, rural broadband
Access to Inputs	Smallholder farmers	High costs, counterfeit products, supply-chain gaps	Subsidize quality inputs, establish local seed banks, strengthen distribution, enforce quality controls
Extension Services	Isolated farmers, smallholders, women, ethnic minorities	Inadequate outreach, knowledge gaps, underfunded services, limited female agents	Expand village-based e-learning, train female agents, promote farmer field schools, digital advisory tools
Market Access & Value Chains	Agri-entrepreneurs, cooperatives	Poor market linkages, low bargaining power, limited processing, high transport costs	Develop collection centers, support cooperatives, invest in agro-processing, e-commerce linkages
Access to Output Markets	Fruit/cash-crop producers	Price volatility, exploitative middlemen, lack of export certification	Facilitate direct buyer contracts, promote e-commerce, stabilization funds, product certification

Access to Finance	Smallholders, women, youth, SMEs, ethnic minorities	Demand: Low financial literacy, credit history gaps; Supply: Rigid collateral (200%), limited innovation	Promote collateral-free microloans, mobile money, crop insurance, digital solutions, financial literacy
Gender Equity	Rural women, female-headed households	Unequal asset ownership, unpaid labor, limited decision-making, weak value chain participation	Gender-responsive budgeting, joint land titling, women's leadership support, flexible training options
Youth Employment	Rural youth (18–35)	Limited on-farm opportunities, skills mismatches, urban migration	Agri-entrepreneurship & digital skills training, start-up support, rural job placement services
Disability Inclusion	Persons with disabilities and their households	Accessibility barriers, limited livelihood and skills opportunities, higher poverty and food insecurity risks	Twin-track approach with accessible services, targeted skills and livelihoods support, disability-sensitive targeting, and disaggregated monitoring
Policy & Governance	All rural stakeholders	Fragmented policy, weak cross-sector coordination	Strengthen inter-ministerial coordination, integrate CSA into national planning, align local strategies
Data & Monitoring	Planners, implementers	Poor data availability, weak monitoring	Invest in low-cost M&E platforms (ODIMIS, PROMIS), build local data analysis capacity
Research, Innovation & Technology	All value chain actors, smallholders, APGs, MSMEs	Climate impacts, high post-harvest losses, limited technology adoption, lack of context specific research and innovation for the local agri-food sector	Establish participatory action research on CSA, scale post-harvest solutions, strengthen partnerships between national research institution (NAFRI), universities, CSOs and private sector actors to pilot and transfer proven technologies

Table 2: Organizational capabilities matrix (key file table 2)

Organization	Key Strengths	Main Weaknesses	Key Opportunities	Primary Threats
Ministry of Finance	Central macroeconomic role, revenue management, international financial interface	Severe debt crisis, low tax mobilization, budget execution gaps	Debt restructuring relief, tax reform modernization, PFM improvements	Debt default risk, LAK depreciation, economic slowdown, external shocks, trade barriers
Ministry of Public Planning &	Formulates NSED plans, coordinates public	Project prioritization challenged by political	Regional connectivity (Lao-China Railway, ASEAN), FDI	Debt constraints on new investment,

Investment (merged with MOF)	investment projects, primary ODA channel, FDI facilitation	pressures, weak appraisal capacity, implementation coordination gaps, limited transparency	in renewables/processing, climate finance, improving public investment frameworks	geopolitical competition, environmental conflicts, and social impacts of large projects, shifting donor priorities
Ministry of Agriculture & Environment (MAE)	Manages vast land and forest resources, key food security role, oversees critical sector (livelihoods for 60% population), district/provincial presence, strong ground coordination, strong strategic medium-term action plan	Limited resources for extension staff, weak mechanisms and policy for modern techniques/diversification adoption	Growing regional demand for Lao crops, nutrition-sensitive agriculture adoption, niche markets, Agro-processing development adding value. Payments for Ecosystem Services (PES) & REDD+ initiatives, Scaling up the use of existing digital farmer registries.	Climate disasters, transboundary animal/plant diseases, land tenure insecurity, youth outmigration and limited attractiveness to agriculture sector
Ministry of Natural Resources and Environment (MONRE) was merged with Ministry of Agriculture and now called MAE.	10-year strategy and National Adaptation Plan 2025-32) and NDC-III developed, availability of climate finance, critical mandate (land, water, minerals, biodiversity). Responsible for environmental protection and climate policy. Manages EIA processes for development projects.	Weak enforcement capacity. pressure between resource extraction (timber, expansion of agriculture land, infrastructure development) and conservation (increase in forest area, preserve biodiversity, rehabilitate degraded lands and soil erosion, limited technical capacity & resources for monitoring	Modernize land management system, Work with IFAD to leverage climate resources in key areas, Decree on carbon credit opportunity to work with NAFRO and develop a pilot to develop a system for MRV of GHGs and trade with countries like Singapore, Tap into experience of others through SSTC.	Deforestation. Loss of biodiversity. Land degradation and soil erosion. Land-use conflicts (mining vs. farming), Lack of clearing of UXO, Increasing frequency, intensity of climate disasters (floods, droughts). Transboundary pollution (e.g., Mekong issues).
Ministry of Industry and Commerce (MOIC) The Ministry of Energy and Mines was	Regional and cross border trade networks, SME agro-processing policies, Export promotion, Central role for private sector development,	Limited rural processing facilities and industrial base beyond hydropower, mining & low-value processing.	Agro-processing zones. Niche markets (organic/fair-trade). Leverage existing e-commerce platforms. Lao-	Debt crisis limiting government support/credit for industry/trade.

merged with the Ministry of Industry and Commerce, which too will retain its name.	trade, and industrialization. Manages trade policy, negotiations, and facilitation. Oversees standards, competition, SME support. Facilitates Special Economic Zones (SEZs).	Complex bureaucracy, Weak trade infrastructure & logistics capacity, Limited capacity for standards enforcement and consumer protection, Weak product branding, certification. Poor farmer-market linkages. Lack of knowledge on competitive markets. Lack of concrete support for farmers (marketing or minimise bottleneck issues). District and village authorities' level do not actively function.	China Railway route and upcoming regional/cross-border railway projects (Vietnam and Thailand). Leveraging regional trade agreements (ASEAN, RCEP) and connectivity. Attracting investment in manufacturing, value-added processing (agro, minerals). Developing export potential beyond commodities. Digital economy and e-commerce growth.	Regional competition for investment and export markets. Vulnerability to global economic slowdown, recession. Compliance costs with international standards, trade rules
District Agriculture Offices, Farmer Cooperatives, Agribusinesses	Direct community engagement, grassroots innovation, localized value chains	Poor infrastructure, low technology adoption, limited knowledge and capacity on climate change resilience, limited market access	Link farmers to IFAD funded cooperatives, promote niche products, mobile extension platforms, Digital, Financial Literacy and business orientation, Work closely with Lao Women's Union and Department of Health for nutrition interventions	Land tenure disputes, outmigration of youth, pest/disease outbreaks
Lao Farmers Network (LFN)	Extensive rural network, farmer mobilization capacity, sector expertise, trusted by farmers, Alignment with national food security policies	Limited financial/technical resources, bureaucratic decision-making, weak gender/youth representation, Over-reliance on government/donor funding	CSA donor funding, digital farm advisory, high-value export partnerships, youth engagement	Land concessions, climate change, crop price volatility, Rural youth migration to cities
Lao Women's Union (LWU)	Nationwide grassroots presence, political influence in gender policy, multi-sector mandate, high trust	Overstretched scope, top-down structure, funding dependency, cultural resistance	International support for women's economic inclusion, entrepreneurship training, land rights advocacy, Digital literacy programs	Economic inflation impacts women SMEs, gender stereotypes, trafficking risks,

				Urban-rural resource gaps
Farmer Cooperatives & CBOs	Legal framework exists, grassroots empowerment, wider network and NGO/CSO support	Limited technical/financial capacity, elite capture vulnerability, weak policy engagement, Lack of knowledge and experience on gender and social inclusion	Women/youth-led enterprises, NGO partnership for skill-building, policy engagement expansion	Environmental degradation, cultural resistance to gender roles
Private Sector	Main driver of rural growth & job creation, agtech innovation, value chain investments, increasing women representation in business	Profit-driven, exclusion risks of marginalized groups, land-use conflicts, weak policy and participation especially in climate change	Growing regional, international market demand for Lao products, sustainable, green market demand, partnerships to pilot test technologies with APGs and cooperatives. CSR partnerships for nutrition, climate resilience. Work with Lao National Chamber of Commerce and Industry	Economic downturns, community distrust

Table 3: Complementary donor initiatives / partnership potential (key file table 3)

Agency	Project	Budget/Duration	Target Areas	Key Components	Synergies with IFAD Project
FAO	Climate Smart Agriculture (Upland Production)	\$3.5M / 5 yrs (2021–2026)	Luang Prabang, Houaphan	CSA practices, land-use planning, value chains, adaptation capacity, M&E	Geographic overlap; align CSA with nutrition-sensitive agriculture; leverage policy reform for market access
FAO	Biodiversity & Resilience (GEFF)	\$1.9M / 4 yrs	Khammouan, Savannakhet, Champasak	Biodiversity frameworks, ecosystem resilience, IPLC engagement	Align agroforestry with conservation; integrate traditional knowledge; support IPLC livelihoods
FAO	Livelihood Resilience (Rural Areas)	\$1.4M / 30 mos (2023–2026)	Luang Prabang, Oudomxay	Value chain development, infrastructure, disaster management, capacity building	Coordinate post-harvest management; align producer group support; integrate infrastructure investments

FAO	Livestock Development Investment Plan	\$0.3M / 20 mos (2024–2026)	National	Ruminant value chain, stakeholder capacity	Complement IFAD's livestock initiatives; align financing mechanisms; scale smallholder adoption
FAO	Seed Policy Formulation	\$58K / TBD	National	Seed quality, biodiversity, R&D, farmer access	Mobilize funding for implementation; strengthen seed supply chains; build farmer capacity
ADB	Sustainable Agrifood Systems	\$63M / 5 yrs (2025–2030)	Champasak, Salavan, Xekong, Houaphan, Phongsaly, Xaignabouli	Food production, nutrition, food safety, farmer incomes, climate resilience	Geographic overlap in 6 provinces; coordinate green finance, climate-resilient infrastructure, smallholder support
World Bank	Health & Nutrition Services	\$62M / 5 yrs (2024–2029)	18 provinces (148 districts)	PHC financing, integrated services, human resources, nutrition-sensitive agriculture, climate-resilient infrastructure	Coordinate on nutrition-sensitive agriculture, household income generation, vulnerable farmer support
WB	Lao Agriculture Competitiveness (LACP)	\$25M / ~7 yrs (2018–2025)	Vientiane, Xayabouly, Bolikhamxay, Khammuan	Improved varieties/seeds, GAP adoption, productive infrastructure, value chain facility, market linkages	Build producer group capacity; scale GAP adoption; leverage AVCF for market access
WB	Community Livelihood Enhancement & Resilience (CLEAR)	\$45M / 4 yrs (2023–2027)	7 provinces (15 districts): Huaphanh, Oudomxay, Phongsaly, Xiengkhuang, Savannakhet, Sekong, Saravan	Local economic development, community livelihoods, nutrition interventions	Geographic overlap in priority provinces; coordinate farmer training, climate resilience, market access, infrastructure
GIZ	CLiPAD: Climate Protection & Forest Conservation	TBD / 8 yrs (2019–2027)	5 northern provinces	REDD+, forest governance, sustainable agriculture, PES/REDD+	Coordinate sustainable/deforestation-free agriculture; strengthen forest-livelihood linkages

GIZ	ProFEB 3: Forest Ecosystems & Biodiversity	TBD / 6 yrs (2021–2027)	7 provinces	Forest policy, biodiversity conservation, transboundary cooperation, forest restoration, capacity building	Integrate agroforestry; strengthen forest management; leverage climate resources
EU	Green CUP: Quality, Climate-Resilient Value Chains	€9M / 4.5 yrs (2024–2028)	8 northern provinces	Diversified income, food availability, research in coffee/tea, nutrition awareness, governance	Coordinate value chain support; leverage EU resources for coffee/tea market development
EU	SuPER WE Coffee: Sustainable Coffee Value Chains	€1.8M / 4 yrs (2022–2025)	Sekong (Dakcheung)	Sustainable production, producer capacity, producer organizations, market linkages (women)	Complement coffee sector work; promote women's economic inclusion; coordinate market access
UNDP	Agrochemical Reduction & Management (FARM)	\$4.2M / 5 yrs (2024–2029)	5 provinces	Regulatory frameworks, low-non-chemical alternatives, financing for waste management	Align with climate-smart, nutrition-sensitive agriculture; integrate pest management training
AFD	Climate-Resilient Irrigation (Boualapha)	€9.9M / 6 yrs (2024–2030)	Khammouane (Boualapha)	Agro-ecological intensification, water management, policy implementation, capacity strengthening	Coordinate on irrigation infrastructure; share agro-ecological practices; align capacity building

Table 4: Target group typology, priority needs and potential response (key file table 4)

Typology	Poverty Levels and Causes	Coping Actions	Priority Needs	Response
Landless Labourers	Poverty Level: High No Land Ownership: Reliance on daily wages for survival; no collateral for loans or safety nets.	Labor Diversification: Seasonal High-Risk Work: Taking dangerous jobs (logging, mining) or illegal activities (wildlife poaching, illegal logging) for quick cash.	Stable Livelihoods & Fair Wages: Fair Labor Contracts: Government enforcement of minimum wages and safe working conditions.	Enhance local employment, skills development opportunities.

	Limited Skills: Few opportunities for non-farm work due to low education/training. Unstable & Exploitative Work: Seasonal Unemployment: Labor demand peaks during planting/harvest; off-seasons bring no income. Low Wages: Earnings often below poverty thresholds (e.g., \$2–3/day), with no bargaining power. Health Crises: Illness = lost wages + medical debt. No social protection. Natural Disasters: Floods/droughts reduce farm work, cutting income.	Debt Reliance: High-Interest Loans: Borrowing from informal lenders or landowners at 50-100% + annual interest, trapping families in cycles of debt. Debt Bondage: Accepting advance wages from employers, binding labourers to work until debts are repaid (often under unfair terms). Family-Level Sacrifices: Child Labor: Withdrawing children from school to work in fields or homes. Reduced Meals: Cutting food intake Asset Sales: Selling livestock; Precarious Housing: Squatting on unused land or sharing crowded housing with relatives. Dependence on Natural Resources: Foraging wild foods, fishing, or collecting forest products for subsistence or sale (unsustainable under pressure). Migration: Moving to plantations, construction sites, or urban areas or overseas for work	Skills Training: Vocational programs (e.g., carpentry, mechanics, food processing) for non-farm jobs. Formal Land Titles: For homesteads to prevent eviction. Social Protection: Cash Transfers: Targeted subsidies during unemployment or health crises. Free Healthcare: Expanding community health insurance to cover labourers. School Support: Subsidies for uniforms, meals, and supplies to keep children in education.	

Subsistence Farmers	Poverty Level: high Limited Land Access & Quality Small/Fragmented Plots: Inherited land divisions shrink holdings over generations, reducing productivity. Marginal Land: Many farm steep slopes or degraded soils with low fertility, especially ethnic minorities in uplands. Land Tenure Insecurity: Lack of formal titles discourages investment in land improvement. Low Agricultural Productivity Rain-Fed Dependence: 85% of Lao agriculture relies on erratic monsoon rains; droughts/floods destroy crops. Limited Inputs: High costs of quality seeds, fertilizer, and tools trap farmers in low-yield cycles. Outdated Techniques: Limited access to training or sustainable practices (e.g., terracing, crop rotation). Environmental Stress: Soil Degradation: Deforestation and erosion reduce arable land. Shifting cultivation restrictions disrupt traditional adaptation. Climate Change: Increased frequency of extreme weather (droughts, storms) heightens crop failure risks Market Isolation & Exploitation: Poor	Seek seasonal employment as labourers. Limit the use of agriculture inputs. Borrow money from family, friends or money lenders. Family-Level Sacrifices: Child Labour: Withdrawing children from school to work in fields or homes. Reduced Meals: Cutting food intake Asset Sales: Selling livestock; Precarious Housing: Squatting on unused land or sharing crowded housing with relatives. Dependence on Natural Resources: Foraging wild foods, fishing, or collecting forest products for subsistence or sale (unsustainable under pressure). Migrate to urban areas or overseas.	Diversification of income sources and employment opportunities. Skills Training: Vocational programs (e.g., carpentry, mechanics, food processing) for non-farm jobs.	Enhance local employment, skills development opportunities and access to assets and finance.

	Infrastructure: Lack of roads raises transport costs. Perishable goods spoil before reaching markets. Middlemen Dominance: Farmers sell at low farmgate prices; traders capture most profits. Lack of storage, processing: Inability to store harvests forces distress sales when prices are low			
Smallholder farmers	Poverty Level: medium to High • Poor infrastructure • Low levels of education • Lack of resources for quality inputs • Climate vulnerability • Few livestock • Nutrition and food security challenges. • Water shortage • Disaster risk and treats • Degraded pasture lands	• Collect forest products for home consumption and selling • Grow some vegetables and fruits and keep some livestock for home consumption • Reduce meals to 1-2/day in lean seasons • Sell livestock/assets • Borrow from relatives • Daily wage labour • Seasonal labour migration • Use of low-quality inputs • Rely on middleman to access to market	• Ownership of productive assets • Higher productivity of land and livestock • Sustainable diversified livelihoods • Access to skills, inputs, assets, equipment to improve productivity of livestock and agriculture • Employment opportunities	Improve infrastructure and access to market Enhance education-vocational skills on agriculture and livestock production Training on climate change resilience, disaster risk reduction and agriculture productions Improve food security by enhance productivities Improve access to water for agriculture production Improve and strengthen the

				implementation of policy and regulation on land use.
Women	Poverty Level: medium to High • Gender inequality • Low education and literacy • Household duties, care responsibility and unpaid work • Lack of income • Lack of ownership in resources, assets and land title. • Lack of bargaining and communication skills • Financial literacy • Lack of access to financial services • Lack of social protection	• Daily wage and off-farm labour • Home-based poultry/beekeeping • Selling seasoning products • Seasoning migration mostly enter domestic work in urban city	• Promote gender equality and recognize of women role in agriculture and engaging men and boy to take care and household work. • Recognize and value women's contributions to agriculture, and provide support for their involvement in sustainable farming practices. • Promote women representation, decision making and leadership • Ensure equal access to land titles and financial services to enable women to invest in agriculture and improve their economic resilience. • Focus on women with poverty, ethnic women and women with disabilities • Provide drudgery reduction tools and promote equitable workload	Educate women and communities about nutrition, WASH and healthy eating practices to combat malnutrition. Improve access to infrastructure such as roads, electricity, drudgery reduction tools and markets to enhance women's economic opportunities and reduce their workload. Support the adoption of climate-smart agricultural practices that are tailored to the needs of women farmers. Opportunities for participation and social inclusion • Special quotas for women's inclusion. Training women farmers in nutrition programmes and activities that enhance

			distribution within HHs	their access to nutritious food. Provide support for women entrepreneurs and small businesses to enhance their economic independence. Training of women in digital and financial literacy.
Youth	Poverty Level: medium to High • Low education and knowledge on new technologies and innovation • Lack of lives skills • Lack of employment opportunities • Lack of reproductive health services • Substance risk use • Labor exploitation • Financial dependent on parents • Lack of long term vision • Lack of knowledge on climate change agriculture productions • Low level of value on agriculture production and income generation	• Collect forest project • Daily labor wage • Depend on parent • Illegal gold mining/logging • Migration to urban and abroad (mainly Thailand). • Enter to sexual exploitation (women youth from rural areas)	Promote local employment Engagement in agri-business and off-farm business Engagement in profitable agricultural activities Engagement in off-farm trades (solar panel repair, mobile phone servicing) E-commerce platforms to sell handicrafts/agricultural products. Training in digital farming tools (weather/early warning apps, online markets).	Capacity building of youth in climate resilient and agri-tech skills Capacity building for agri-businesses Grants for establishment of agribusinesses Youth inclusive rural agriculture development Active consultation and support for decision-making in community plans

			Role in decision-making and planning at the community level Exploring specific matching grant modalities, tailored financial products	
Adolescent girls	Poverty Level: medium to High - Gender inequality - Household and care responsibility - Lack of skills on agriculture production - Force marriage - Early age pregnancies - Lack of participation and decision making at household and community level.	- Family dependent - Enter to sexual exploitation	- Promote gender equality - Reduce household responsibility - Community level campaigns to raise awareness on girls education, against child marriage	Training on gender equality using GAL too. Involve adolescent girl in community development process and promote their voices.
Women-headed households	Poverty Level: medium to High - Unsecured income generation - Social discrimination - Lack of participation in community development due to workload. - Heavy workload - Lack of ownership on resources and land use.	- Seasonal labour migration - Women or their children migrate for low-wage work. - Reducing meals or skipping them - Home remedies instead of professional care - Dependence on relatives/community	- Gender equality though gender equality transformation - Ownership of productive assets - Access to affordable finance - Training in climate resilient agriculture - Training to prevent post-harvest losses	Training in climate-resilient agricultural techniques Grants to improve productivity of livestock and land Grants for establishment of agribusinesses

		• Borrowing money or food from neighbours or money lenders with high interest rate. • Child labour • Selling assets • Relying on informal networks for economic help	• Training and equipment for processing and adding value to agricultural produce • Diversification of livelihood through off-farm enterprises • Role in decision-making and planning at the community level	Access to improved pastureland Diversified livelihood opportunities Nutrition enhancement through training and establishment of organic kitchen gardens
Upland Ethnic Minorities (e.g., Hmong, Khmu)	Levels: Highest poverty incidence (often >30%). Causes: Geographic isolation, land degradation, limited market access, climate vulnerability (droughts/floods), cultural/language barriers.	• Shifting cultivation, forest product collection, seasonal migration for labor, reliance on remittances.	• Secure land tenure, climate-resilient agriculture, road connectivity, education/health access, market linkages.	Land-titling support, agroecology programs, community-based climate adaptation, ethnic-language education initiatives.
Agriculture Producer Groups	Poverty Level: medium to high Lack of collective cohesion and interest among the members. Limited capacity to add value to production. Lack of sustainable sources of revenues. Lack of access to processing, storage and productive marketing infrastructure. Lack of business skills. Lack of strong market linkages and contracts.	High dependency on development resources. Dissolution of groups upon withdrawal of support.	• Capacity strengthening. • Business development skills. • Access to market infrastructure, processing and storage facilities. • Linkage with markets with contracts with private sector.	Build capacity of institutions. Strengthen business skills. Build linkages with private sector and markets. Provide access to collective market infrastructure. Invest in public infrastructure and ICT4D.

	Limited understanding of market trends. Lack of access to financial services. Lack of access to innovative models of business.		Access to finance and technology.	
Micro-Small & Medium Enterprises.	Poverty Level: Medium Lack of access to smallholder producers. High cost of operating in rural areas. Lack of infrastructure in rural areas. Lack of access to finance and technology. Uncertain business environment and competition from outside. Lack of innovation and access to ICT4D.	Operate at a sub-optimal level.	Cost-effective models to link to smallholder producers. Use of digital technologies and innovation to reduce costs of operation. Access to infrastructure in rural areas. Access to finance and technology.	Develop cost-effective models for linking MSMEs and agriculture producers. Facilitate access to innovation and ICT4D through digital and financial literacy.

Table 5: Project actors and roles (key file table 5)

Outcome / Component	Key activities (condensed)	Principal institutions	Supporting institutions	Other execution partners
Outcome 1: Inclusive value chains	- Assess priority value chains and production capacities. - Align with food safety and quality standards.	Ministry of Industry and Commerce (MOIC) – Dept. of Domestic Trade / SME Promotion.	Provincial and District Coordination Units (PCUs/DCUs).	Private agribusinesses and processors; business associations.
Component 1.1	- Strengthen multi-stakeholder platforms for VC coordination and policy dialogue.	Ministry of Agriculture and Environment (MAE) – Dept. of Planning and Cooperation.	Export promotion agencies.	International research centres (e.g. IRRI, CIAT), producer organizations, cooperatives.
Component 1.2	- Support integration of poorest households into VCs through tailored services and incentives.	MAE and MOIC.	Microfinance institutions, village banks.	Community-based organizations, NGOs, digital service providers.

Outcome 2: Resilient production	- Promote agroecological and climate-smart practices.	MAE – technical departments.	NAFRI, universities.	CSOs, farmer field schools, private input suppliers.
Component 2.1	- Provide training on climate resilience, DRR and good agricultural practices.	Provincial agriculture offices.	District extension services.	Youth and women groups, local trainers.
Outcome 3: Inclusive finance	- Facilitate access to finance for APGs and rural MSMEs (loans, guarantees, grants).	Ministry of Finance / central bank (policy and regulation).	PFI, MFIs, village banks.	Digital financial service providers, guarantee facilities (e.g. LAFF).
Component 3.1	- Develop adapted financial products and risk-sharing mechanisms.	MOIC, MAE.	PCUs/DCUs for outreach.	Business development service (BDS) providers.
Outcome 4: Coordination & learning	- Convene multi-stakeholder policy dialogue forums.	Project Steering Committee (PSC) chaired by MAE.	Line ministries, provincial governments.	Development partners, NGOs, research institutes.
Component 4.1	- Support M&E, data systems and knowledge sharing, including use of digital tools.	PCU (national PMU).	DCUs, statistics office.	Universities, ICT firms.

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Annex 2: Logframe

Mission Dates: 10-21 November 2025
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Asia and the Pacific Division
Programme Management Department

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Logical Framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1 Persons reached by project-supported activities				Project MIS (district-level beneficiary registers consolidated at provincial and PMU levels)	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	At least 80% of targeted households will have two adult members actively participating in project-supported activities + all HH members for roads (net of overlap).
	Males (number)	0	5607	14017				
	Females (number)	0	5607	14017				
	Young (number)	0	1121	2803				
	Not Young (number)							
	Non-Indigenous people (number)							
	Total number of persons receiving services (number)	0	11214	28034				
	Persons with disabilities (number)	0	240	600				
	1.a Corresponding number of households reached				Project MIS (district-level beneficiary registers consolidated at provincial and PMU levels)	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	
	Households (number)	0	5723	14308				
1.b Estimated corresponding total number of households members				Project MIS (district-level beneficiary registers consolidated at provincial and PMU levels)	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)		
Household members (number)	0	32050	80125					
Project Goal To contribute to the reduction of rural poverty and improvement of the income and food security and safety of smallholder farmers and rural producer households in the two target provinces.	Target households (CI 1a) report an increase in income of at least 20%				COI survey	Start-up; mid-term; completion	External survey firm contracted by PMU	Macroeconomic stability and absence of major climate or market shocks affecting agricultural production and prices.
	Household (%)	0	25	60				
	Target households (CI 1a) report enhanced food security				COI survey	Start-up; mid-term; completion	External survey firm contracted by PMU	
	Households (%)	0	35	75				
Development Objective To promote inclusive value chain investments for national and export markets and enhance the climate resilience of targeted smallholder farmers and rural producer households.	Target households (CI 1a) report enhanced resilience to climate change and natural disasters				COI survey	Start-up; mid-term; completion	External survey firm contracted by PMU	Stable market conditions and continued engagement of key public and private partners, and absence of major climate or economic shocks affecting agricultural production and value chains.
	Households (%)	0	35	75				
	SF.2.1 Households satisfied with project-supported services				COI survey	Start-up; mid-term; completion	External survey firm contracted by PMU	
	Household members (number)	0	12820	68106				
	Households (%)	0	40	85				
	Households (number)	0	2289	12162				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				COI survey	Start-up; mid-term; completion	External survey firm contracted by PMU	
	Household members (number)	0	4807	32050				
	Households (%)	0	15	40				
	Households (number)	0	858	5723				

Results Hierarchy	Indicators				Means of Verification		Assumptions	
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outcome 1. Inclusive and commercially viable value chains are strengthened, enabling smallholders and VC actors to access markets, infrastructure, as well as BDS and financial services	2.2.4 Supported rural producers' organizations providing new or improved services to their members				COI survey	Start-up; mid-term; completion	External survey firm contracted by PMU	Continued engagement and capacity of producer organizations, sustained participation of financial institutions in rural lending, and policy stability supporting cooperative and value chain development. Number of new full-time (assuming 30 members per new cooperative) or recurrent seasonal on-farm and off-farm jobs created thanks to project activities since project start-up, either as independent individuals (self-employed) or as employees of micro, small and medium-sized enterprises. Jobs created within farmers' organizations that received project support are also included, but temporary jobs created for a limited period (e.g. for road construction) shall be excluded.
	Number of POs (number)	0	10	26				
	Total number of POs members (number)	0	1400	3640				
	Males POs members (number)	0	840	2184				
	Females POs members (number)	0	560	1456				
	Young POs members (number)	0	140	364				
	2.2.6 Households reporting improved physical access to markets, processing and storage facilities				COI survey	Start-up; mid-term; completion	External survey firm contracted by PMU	
	Households reporting improved physical access to markets (%)	0	85	85				
	Households reporting improved physical access to processing facilities (%)	0	85	85				
	Households reporting improved physical access to storage facilities (%)	0	85	85				
	Size of households (number)	0	6397	15994				
	Households reporting improved physical access to storage facilities (number)	0	1142	2856				
	Total households reporting improved physical access (number)	0	1142	2856				
	1.2.5 Households reporting using rural financial services				Engineering completion certificates/Contractor reports/PMU infrastructure supervision reports/GIS verification data	Quarterly and annually	PMU Infrastructure Specialist-> Provincial technical team -> Verified by PMU M&E	
	Total number of household members (number)	0	7741	19354				
	Households (%)	0	60	60				
	Households (number)	0	1382	3456				
	Value of loans accessed by SMEs and cooperatives (in USD)				MFI' reports	Quarterly and annually	MFIs and PMU	
	total (million) (number)	0	1300	1600				
	2.2.1 Persons with new jobs/employment opportunities							
Males (number)	0	216	540					
Females (number)	0	144	360					
Young (number)	0	36	90					
Total number of persons with new jobs/employment opportunities (number)	0	360	900					
Output 1.1.1. District-level and province-level VC Investment Plans (VCIP) developed, validated and implemented	VCIPs developed, validated and implemented				District and Provincial Office records consolidated by PMU	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	
	Number (number)	0	6	10				

Results Hierarchy	Indicators				Means of Verification		Assumptions	
	Name	Baseline	Mid-Term	End Target	Source	Frequency		Responsibility
Output 1.1.2. Inclusive Multi-Stakeholders Platforms established and facilitated along the prioritized value chains	Policy 2 Functioning multi-stakeholder platforms supported				District and Provincial Office records consolidated by PMU	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	Key public institutions, producer organizations and private sector actors maintain active engagement in multi-stakeholder platforms and follow through on agreed actions.
	Number (number)	0	6	10				
Output 1.1.3. Strategic market-access infrastructure (processing facilities, farm-access roads) constructed or rehabilitated	2.1.6 Market, processing or storage facilities constructed or rehabilitated				Service providers' and District Engineers records; District Offices reports	Monthly, quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	Timely procurement and effective contractor performance without major implementation disruptions.
	Total number of facilities (number)	0	8	24				
	Total expected users (number)	0	1493	4480				
	2.1.5 Roads constructed, rehabilitated or upgraded				Service providers' and District Engineers records; District Offices reports	Monthly, quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	
	Length of roads (km)	0	50	100				
	People reached (number)	0	6720	16800				
Output 1.2.1. Capacity building support provided to cooperatives and MSEs for the development of business plans or bankable business proposals, or the formation of new cooperatives	2.1.1 Rural enterprises accessing business development services				Service providers' records and District Offices reports	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	Cooperatives and MSEs actively engage in business development support, and adequate technical service providers are available to deliver quality training and advisory services. Regulatory procedures for cooperative registration remain operational, and producer groups are willing to formalize and comply with registration requirements.
	Rural enterprises (number)	0	67	102				
	Employees (number)	0	326	816				
	1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services				Service providers' records and District Offices reports	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	
	Males (number)	0	398	663				
	Females (number)	0	398	663				
	Young (number)	0	80	133				
	Persons in rural areas trained in financial literacy and/or use of financial products and Services (total) (number)	0	796	1326				
	New cooperatives established				Official cooperative registration records from relevant provincial/district authorities; District Offices' reports consolidated by PMU.	Annually	PMU (consolidation), District and Provincial Offices (reporting)	
	Number (number)	0	20	30				
Output 1.2.2 Cooperatives and MSEs supported to access rural financial services	Supported cooperatives and MSEs with an approved business plan and loan				Service providers' and MFIs' records; District Offices reports	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	Participating financial institutions maintain rural lending operations and are willing to extend financial products to supported cooperatives and MSEs.
	Total number (number)	0	47	72				
	MSEs (number)	0	30	48				
	Cooperatives (number)	0	17	24				
	Average repayment rate by MSEs and cooperatives				Service providers' and MFIs' records; District Offices reports	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	
	MSEs (%)		90	90				
	Cooperatives (%)		90	90				

Results Hierarchy	Indicators				Means of Verification		Assumptions		
	Name	Baseline	Mid-Term	End Target	Source	Frequency		Responsibility	
Output 1.3.1. MAE and other relevant regulatory authorities supported to improve the policy and regulatory frameworks	Policy 1 Policy-relevant knowledge products completed				Project MIS		Annually	PMU	Continued engagement of relevant authorities in policy dialogue processes.
	Number (number)	0	1	2					
Outcome 2. Enhanced climate and market shock resilience of smallholders' farming systems and improved food security and safety for food insecure households	1.2.4 Households reporting an increase in production				COI survey		Start-up; mid-term; completion	External survey firm contracted by PMU	Climate financing and planned investments are mobilized as scheduled, farmers and value chain actors adopt climate-resilient practices, and no severe climate shocks significantly disrupt agricultural production systems.
	Total number of household members (number)	0	10618	26544					
	Households (%)	0	75	75					
	Households (number)	0	1896	4740					
	1.2.8 Women reporting minimum dietary diversity (MDDW)				COI survey		Start-up; mid-term; completion	External survey firm contracted by PMU	
	Women (%) (%)	0	85	85					
	Women (number) (number)	0	1564	3910					
	Households (%) (%)	0	85	85					
	Households (number) (number)	0	1564	3910					
	Household members (number)	0	8758	21896					
	Non-women-headed households (number)								
	PRIPs developed and implemented								
Total number (number)	0	24	60						
Cooperative/cluster-level (number)	0	5	12						
APGs-level (number)	0	19	48						
3.1.4 Land brought under climate-resilient practices				COI survey		Start-up; mid-term; completion	External survey firm contracted by PMU		
Hectares of land (ha)	0	1300	2550						
People reached (number)	0	1608	4020						
1.1.4 Persons trained in production practices and/or technologies				COI survey		Start-up; mid-term; completion	External survey firm contracted by PMU		
Total number of attendances to training sessions (number)	0	1608	4020						
Men trained in crop (number)	0	804	2010						
Women trained in crop (number)	0	804	2010						
Young people trained in crop (number)	0	161	402						
Total persons trained in crop (number)	0	1608	4020						

Results Hierarchy	Indicators				Means of Verification		Assumptions	
	Name	Baseline	Mid-Term	End Target	Source	Frequency		Responsibility
Output 2.1.2. Off-farm irrigation infrastructure rehabilitated for water resources conservation	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated				Service providers' and District Engineers records; District Offices reports	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	Irrigation works are implemented as planned, construction sites remain accessible, and beneficiary communities cooperate in operation and maintenance arrangements.
	Hectares of land (ha)	0	400	1000				
	Total expected users (number)	0	320	800				
	WUGs receiving capacity building support				Service providers' and District Engineers records; District Offices reports	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	
	Number (number)	0	8	20				
Output 2.2.1. New technologies and diversification farming practices for resilience and improved productivity are tested and scaled up	Farmers participating in on-farm testing of innovations				Service providers' and District Engineers records; District Offices reports	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	Farmers are willing to test and adopt improved technologies, and required inputs and advisory services are available in a timely manner.
	Total (number)	0	224	560				
	Men (number)	0	112	280				
	Women (number)	0	112	280				
	Youth (number)	0	22	56				
Output 2.3.1. Vulnerable and food insecure households provided with livelihood diversification packages	2.1.2 Persons trained in income-generating activities or business management				Service providers' records and District Offices reports	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	Targeted vulnerable households are willing and able to participate in livelihood and nutrition support activities, and delivery partners reach beneficiaries as planned.
	Males (number)	0	644	1610				
	Females (number)	0	276	690				
	Young (number)	0	92	230				
	Persons trained in IGAs or BM (total) (number)	0	920	2300				
	Persons with disabilities (number)	0	240	600				
	1.1.8 Persons provided with targeted support to improve their nutrition				Service providers' records and District Offices reports	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	
	Total persons participating (number)	0	1840	4600				
	Males (number)	0	920	2300				
	Females (number)	0	920	2300				
	Households (number)	0	680	1700				
	Household members benefitted (number)	0	3808	9520				
	Young (number)	0	184	460				
	Number of persons with disabilities (number)	0	160	400				

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Annex 3: Project Cost and Financing

Mission Dates: 10-21 November 2025
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Project No. 2000005224
Report No. 7515-LA

Asia and the Pacific Division
Programme Management Department

Annex 3: Project cost and financing

Summary

1. The total cost of the project is USD 20.65 million (LAK 413.30 million), of which 85.17% will be financed through the IFAD loan (PBAS), 2.99% through cash contributions from cooperatives, producer associations, and/or beneficiary SMEs receiving support through matching grants, and 0.32% through in-kind contributions representing the valued counterpart provided by the most vulnerable beneficiaries. The remaining 11.51% will be financed by the Government as counterpart funding, in the form of in-kind contributions and taxes on selected goods and services included in the project activities. Physical and price contingencies account for 6.70% of total project costs, while operating costs, consultancy costs, and project management costs and M&E represent 7.03%, 8.90%, 14.94% and 3.60% respectively. Component 2 is the main investment component, representing 49.32% of total project costs, equivalent to USD 10.18 million. Component 1 accounts for USD 7.38 million, or 35.75% of total project costs, while Project Management is estimated at USD 3.08 million, representing 14.94% of the total project cost.

2. The estimated project financing includes an IFAD loan in blended terms of USD 17.59 million from the IFAD-13 Performance-Based Allocation System (PBAS), representing 85.17% of total project costs. The Government contribution is estimated at USD 2.38 million (11.51%), mainly in the form of taxes and duties, calculated based on the rates in effect at the time of design completion. In addition, cooperatives, producer associations, and/or beneficiary SMEs are expected to contribute USD 0.618 million in cash as matching grant contributions, while beneficiaries' in-kind contributions are estimated at USD 0.07 million.

Main assumptions

i) General data

Country: Republic of LAO PDR
Local currency: LAK
Foreign currency: USD
Input currency: USD
Begin year: 2026
Number of years: 7 years
Exchange rate: 20000
Standard conversion factor: 0.927

ii) Taxes

VAT (good and services - general)	10%
Service providers	0%
Staff	0%
Individual consultants	0%
Grant and allowance	0%

iii) Contingencies

D. Contingencies - Components

Investment cost (9.00% total cost)	9.16%
Recurrent cost (8.66% total cost)	7.00%

E. Contingencies - PMC

Investment cost (1.5% total cost)	0.3%
Recurrent cost (1.5% total cost)	0.3%

Contingencies

6.70%

Results

3. The following tables show the detail of the costing considering different types of information and analysis

Table 1. Programme/project costs by component (outcome) and sub- component (output) and financier (Thousands of United States Dollars)

Component- Sub-component	IFAD loan		Beneficiaries			Borrower/ counterpart			Total
	Amount	%	Amount		%	Amount		%	Amount
			Cash	In-kind		Cash (taxes)	In-kind		
Component 1. Development of Inclusive value chains	6578.07	89.11%	316.80	0.00	4.29%	487.45	0.00	6.60%	7382.32
Sub-component 1.1: Market Access Facilitation	3886.83	91.51%	0.00	0.00	0.00%	360.44	0	8.49%	4247.27
Sub-component 1.2: Enterprise Development and Financial Inclusion	2031.71	84.13%	316.80	0.00	13.12%	66.45	0	2.75%	2414.96
Sub-component 1.3: Policy Engagement and Market Integration	659.54	91.59%	0.00	0.00	0.00%	60.55	0	8.41%	720.09
Component 2: Promotion of climate resilient technologies and diversification in farming systems	9074.93	89.10%	301.20	66.50	3.61%	742.26	0.00	7.29%	10184.89
Sub-component 2.1: Climate resilience and productivity of APG farming systems	5215.55	88.59%	301.20	0.00	5.12%	370.67	0	6.30%	5887.42
Sub-component 2.2: Action Research and scaling of successful practices	871.31	92.85%	0.00	0.00	0.00%	67.13	0	7.15%	938.44
Sub-component 2.3: Livelihood improvements for vulnerable households	2988.07	88.96%	0.00	66.50	1.98%	304.46	0	9.06%	3359.03
Component 3. Project Management	1937.00	62.78%	0.00	0.00	0.00%	19.79	1128.5	37.22%	3085.29
Total	17590.01	85.17%	618.00	66.50	3.31%	1249.50	1128.50	11.51%	20652.50

Table 2. Project/programme costs by expenditure category and financier (Thousands of United States Dollars)

Expenditure category	IFAD loan		Beneficiaries			Borrower/recipient			Total
	Amount	%	Cash	In-kind	%	Cash (taxes)	In-kind	%	Amount
Investment costs									
Consultancies	1833.87	99.78%	0.00	0.00	0.00%	4.00	0.00	0.22%	1837.87
Goods, services and inputs	7541.76	90.30%	0.00	66.50	0.80%	709.16	34.50	8.90%	8351.92
Civil works	5000.00	90.91%	0.00	0.00	0.00%	500.00	0.00	9.09%	5500.00
Grants	2872.00	81.82%	618.00	0.00	17.61%	20.00	0.00	0.57%	3510.00
Total Investment costs	17247.63	89.83%	618.00	66.50	3.57%	1233.16	34.50	6.60%	19199.79
Recurrent costs									
Operating costs	342.37	23.57%	0.00	0.00	0.00%	16.34	1094.00	76.43%	1452.71
Total Recurrent costs	342.37	23.57%	0.00	0.00	0.00%	16.34	1094.00	76.43%	1452.71
Total	17590.01	85.17%	618.00	66.50	3.31%	1249.50	1128.50	11.51%	20652.50

Table 3. Programme/project costs by component (outcome) and sub-component (output) and programme/ project year (Thousands of United States Dollars)

Component	PY1		PY 2		PY3		PY4 ³		PY5		PY6		PY7		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
Component 1. Development of inclusive value chains	378.20	5.12%	1613.94	21.86%	2279.44	30.88%	1500.69	20.33%	810.15	10.97%	571.17	7.74%	228.73	3.10%	7382.32
Component 2: Promotion of climate resilient technologies and diversification in farming systems	543.74	5.34%	2820.79	27.70%	3257.62	31.98%	1297.49	12.74%	1657.20	16.27%	388.54	3.81%	219.51	2.16%	10184.89
Component 3. Project Management	478.42	15.51%	478.46	15.51%	491.54	15.93%	532.73	17.27%	492.47	15.96%	411.95	13.35%	199.73	6.47%	3085.29
Total	1400.35	6.78%	4913.19	23.79%	6028.61	29.19%	3330.90	16.13%	2959.82	14.33%	1371.66	6.64%	647.97	3.14%	20652.50

Table 4. Programme/project costs by subcomponent and budget subcategories (Million of United States Dollars)

Cod	Cod	Expenditure category	Sub 1.1	Sub 1.2	Sub 1.3	Total com 1	Sub 2.1	Sub 2.2	Sub 2.3	Total com 2	PM Cost	Total	%
I. Investment			4,224,637	2,392,319	697,451	7,314,406	5,864,782	915,805	3,336,392	#####	1,768,406	19,199,791	93.0%
1	I	Consultancies	182,400	100000	54000	336,400	182,400	0	54000	236,400	1265074.318	1,837,874	8.90%
2	II	Goods, services and inputs	746,737	280198.5424	124250.76	1,151,186	868,632	153704.71	355291.811	1,377,628	62462.04525	2,591,276	12.55%
3	III	Equipment, material and vehicles	214500	0	187000	401,500	0	66000	2563000	2,629,000	280600	3,311,100	16%
4	IV	Trainings, capacity building and workshop	331000	428120	332200	1,091,320	557750	276100	364100	1,197,950	160270	2,449,540	12%
5	V	Civil works	2750000	0	0	2,750,000	2750000	0	0	2,750,000	0	5,500,000	27%
6	VII	Grants	0	1584000	0	1,584,000	1506000	420000	0	1,926,000	0	3,510,000	17%
II. Recurrent cost			22638	22638	22638	67,914	22638	22638	22638	67914	1316883.858	1452711.86	7.0%
7	VII	Salaries (operating cost)	0	0	0	-	0	0	0	0	1224600	1,224,600	5.93%
8	VIII	Travels and allowances (operating costs)	22638	22638	22638	67,914	22638	22638	22638	67914	64083.858	199,912	0.97%
9	IX	Maintenance cost (operating costs)	0	0	0	-	0	0	0	0	28200	28,200	0.14%
	Total		4,247,275	2,414,957	720,089	7,382,320	5,887,420	938,443	3,359,030	#####	3,085,290	20,652,503	100%

	%
Operating cost	7.03%
Consultancies	8.90%
Contingencies	6.70%
PMC	14.94%

Table 5. Programme/project costs by component (outcome) and sub-component (output) and programme/project year with taxes (Thousands of United States Dollars)

	Cost (US \$)							Total		
	2026	2027	2028	2029	2030	2031	2032	Total	Taxes	W taxes
Component 1. Development of Inclusive value chains	353,227.3	1,507,377.3	2,128,927.3	1,401,604.6	756,654.6	533,454.6	213,627.3	6,894,872.8	487,447.3	7,382,320.1
Sub-component 1.1: Market Access Facilitation	216,143.2	958,693.2	1,579,943.2	788,236.3	144,486.3	125,286.3	74,043.2	3,886,831.6	360,443.2	4,247,274.8
Sub-component 1.2: Enterprise Development and Financial Inclusion	73,630.6	448,730.6	445,030.6	504,461.2	503,261.2	299,261.2	74,130.6	2,348,505.9	66,450.6	2,414,956.5
Sub-component 1.3: Policy Engagement and Market Integration	63,453.5	99,953.5	103,953.5	108,907.0	108,907.0	108,907.0	65,453.5	659,535.2	60,553.5	720,088.8
Component 2: Promotion of climate resilient technologies and diversification in farming systems	504,112.9	2,615,212.9	3,020,212.9	1,202,925.9	1,536,425.9	360,225.9	203,512.9	9,442,629.3	742,262.9	10,184,892.2
Sub-component 2.1: Climate resilience and productivity of APG farming systems	333,324.5	1,960,424.5	1,960,424.5	621,349.0	384,849.0	168,649.0	87,724.5	5,516,745.1	370,674.5	5,887,419.7
Sub-component 2.2: Action Research and scaling of successful practices	48,731.2	228,731.2	228,731.2	135,462.3	115,462.3	65,462.3	48,731.2	871,311.6	67,131.2	938,442.7
Sub-component 2.3: Livelihood improvements for vulnerable households	122,057.3	426,057.3	831,057.3	446,114.5	1,036,114.5	126,114.5	67,057.3	3,054,572.6	304,457.3	3,359,029.8
Component 3. Project Management	475,346.9	475,391.8	488,391.8	529,308.7	489,308.7	409,308.7	198,446.9	3,065,503.3	19,786.9	3,085,290.2
PMC Project Management	475,346.9	475,391.8	488,391.8	529,308.7	489,308.7	409,308.7	198,446.9	3,065,503.3	19,786.9	3,085,290.2
Total	1,332,687.1	4,597,982.0	5,637,532.0	3,133,839.1	2,782,389.1	1,302,989.1	615,587.1	19,403,005.4	1,249,497.1	20,652,502.5
Ratios										
PM/Total project	14.939%									
PMU/IFAD Portion	11%									
Total M&E/Total project	3.60%									
M&E IFAD/IFAD Portion	4.0%									

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Annex 4: Economic and Financial Analysis

Mission Dates: 10-21 November 2025
Document Date: 26/05/2026
Project No. 2000005224
Report No. 7515-LA

Asia and the Pacific Division
Programme Management Department

Annex 3. Economic and Financial Analysis

A. Methodological approach

1. The project's economic rationale is built on several key strategies: boosting productivity; improving post-harvest processes; promoting diversification into rice-based production systems and market-oriented products; increasing food security; and enhancing the profitability of cooperatives, APGs, SMEs, and the livelihoods of individual farmers in more vulnerable situations. An incremental ex-ante cost-benefit analysis was conducted to evaluate the economic and financial feasibility of the project. The analysis was carried out over a 20-year evaluation period under the base scenario, with six years of effective project implementation (from 2026 to the first half of 2032). Estimates were made using a social discount rate of 8.6 percent^[1] and a cost of capital of 13.96 percent^[2]. The analysis accounted for total project costs. Sensitivity and scenario analyses were conducted to assess the potential impact of changes in key variables on the project's economic viability and to evaluate operational risks. The analysis is based on data collected in a field mission and various secondary information of different sources. This information is complemented with assumptions according to the characteristics of the type of investment and production systems.

2. The analysis was based on the proposed cooperative, APG, SME, and individual farm investment models, considering the characteristics of project activities to be financed under Components 1 and 2. For each model, "with-project" and "without-project" scenarios were evaluated to estimate the incremental benefits and costs directly attributable to the project according to the following farming calendar of the intervention area:

Crops/animal	Production cycle (days)	Laos: Annual agriculture calendar																								Technology
		Year 1						Year 2																		
		Dry season												Wet season												
		Nov		Dec		Jan		Feb		Mar		Apr		May		Jun		Jul		Aug		Sep		Oct		
WS Rice	130	1s	2s	1s	2s	1s	2s	1s	2s	1s	2s	1s	2s	1s	2s	1s	2s	1s	2s	1s	2s	1s	2s	1s	2s	Open field-traditional
DS Rice	115																									Open field-traditional
Cattle	360																									Grazing/stabled
Chicken	56																									Backyard system
Pig	150																									Backyard system
Fish native	120																									Pond
Shrimp	120																									Pond - around paddy fields
Mushroom (oyster mushrooms)	60																									Greenhouse
Banana	360																									Open field-traditional
Papaya	360																									Open field-traditional
Vegetable 1 - Cabbage	90																									Open field-traditional
Vegetable 2 - Chinese onion	135																									Open field-traditional
Vegetable 3 - Cucumber	50																									Open field-traditional
Vegetable 4 - Chili	130																									Open field-traditional
Green house - Vegetable 1 cabbage	70																									Greenhouse
Green house - Vegetable 2 chinese onion	125																									Greenhouse
Green house - Vegetable 3 Cucumber	45																									Greenhouse
Green house - Vegetable 4 Chili	120																									Greenhouse
Mung bean (Vigna radiata)	70																									Open field-traditional
Legend																										
	Land preparation																									
	Crop growth																									
	Harvest																									
	Animal growth																									
	Animal off-take																									

3. The models analysed various productive systems to reflect how cooperatives, APGs, SMEs, and individual farmers combine different activities to maximise profits, diversify risk, enhance food security, and generate income. The analysis considered benefits from both on-farm primary production and post-harvest and processing activities across the selected value chains, as described below and according to the farming calendar of the intervention areas:

- i) **Model 1. Agribusiness Cooperatives.** This investment supports 34 rice-producing cooperatives (averaging 35 member families each), benefiting 1,190 households, through targeted investments in production, processing, and marketing under structured business plans, complemented by credit from commercial banks. Each household is assumed to cultivate 1.7 ha of rice in both wet and dry seasons and approximately 0.7 ha of vegetables during the dry season, including cabbage, spring onion, cucumber, and chili. The investments strengthen aggregation, value addition, and market linkages, enabling access to competitive domestic and export markets.
- ii) **Model 2. Agribusiness SMEs.** This investment targets small and medium enterprises engaged in rice milling and vegetable production, processing, and marketing through business plans with potential co-financing from commercial banks. Investments improve

aggregation, processing efficiency, and commercialization, focusing on high-value crops such as cabbage, spring onion, cucumber, and chili. The model is oriented toward high-value domestic and external markets, particularly during the dry season, generating incremental benefits through improved efficiency and market access. In total, 68 SMEs will benefit, comprising 40 rice mills and 28 vegetable enterprises.

- iii) **Model 3. Rice-based production system diversification.** These investments will target APGs or small producer groups whose production systems are primarily based on rice cultivation with a low level of diversification, operating on an average farm size of 0.7 hectares per household. Project support will focus on the implementation of integrated or rotational rice-based diversification systems, including rice–fruit (banana, papaya)–fish (tilapia, African catfish), rice–fruit–shrimp, rice–fruit–legume (mung bean), and rice–cattle systems. Through these investments, 1,666 households will benefit, organized into APGs.
- iv) **Model 4. Farm-based livelihood activities.** This type of investment aims to improve food security and increase incomes among the most vulnerable farming households—particularly women, youth, and persons with disabilities—by supporting existing or new productive activities that require low levels of investment. Through a grant mechanism, the project will finance activities such as: (i) small greenhouses for vegetable production; (ii) small-scale broiler chicken; (iii) mushroom production; (iv) small-scale pig farming; and (v) family-based beekeeping. Overall, the investment will benefit 1,700 households, including 400 persons with disabilities.
- v) In addition to these models for investment in agricultural and livestock activities, there is also a **rural road model** that is expected to benefit 3,000 families in the area, develop other activities, and thus boost previously purely productive activities and generate positive externalities for rural communities in the project intervention area.

4. Financial analyses utilized actual market prices, including taxes, subsidies, and other market distortions. In contrast, economic analyses employed adjusted economic prices to correct for these distortions, thereby reflecting the broader economic environment in Lao PDR. The results of the financial analysis provide insights into the returns accruing to implementing entities, participants, private enterprises, and beneficiaries. Meanwhile, the economic analysis reveals the true returns to society, offering valuable insights for policymakers.

5. The analysis was conducted considering an evaluation period of 20 years as the base scenario, including the execution phase. The estimates were made using a social discount rate of 8.58 percent and a cost of capital of 13.96 percent. The internal rate of return (IRR), net present value (NPV), benefit-cost ratio (B/C), and other indicators such as the payback period and exchange values were estimated. The analysis considers the total cost of the projects, including contributions from beneficiaries and governmental counterparts. Sensitivity and scenario analyses were conducted to evaluate the potential impact of key variable changes on the project's economic viability due to different factors, such as changes in input and output prices, adoption rates, benefits, costs, social discount rates, and evaluation periods.

5. Investment per beneficiary

Components	Total project	
	Direct investment (USD/HH)	Total investment (USD/HH)
Component 1 (USD/HH)	2694.5	3168.3
Component 2 (USD/HH)	880.8	1035.6
Total (USD/HH)	1228.4	1444.3

Results

Return on Investment of the Overall Project.

6. Return on Investment of the Overall Project. The economic analysis indicates positive economic returns, with an Economic Internal Rate of Return (EIRR) estimated at 20.37%. This estimate assumes that 75% of farmers adopt the technologies and good agricultural practices promoted by the project, and

that 85% of entrepreneurs adopt the improved technologies and/or practices introduced. This assumption reflects the project's focus on farmers with relatively advanced production systems and stronger market integration—conditions typically associated with faster uptake of improved practices and technologies. However, directly comparable empirical evidence on adoption rates for the specific interventions supported by the project remains limited. To account for this uncertainty, the sensitivity analysis includes a 60% adoption scenario, representing a conservative (pessimistic) case.

7. The Incremental Net Present Value (NPV) is projected at USD 15.59 million, with a benefit–cost ratio of 1.18 based on quantifiable benefits generated by project activities. Sensitivity and scenario analyses confirm the robustness of these results. The project could become unprofitable if projected benefits decrease by more than 15 percent or if costs increase by more than 19 percent due to unforeseen shocks during implementation.

8. Sensitivity, Scenario, and Risk Analysis. The sensitivity analysis assesses the impact of changes in key variables on the economic profitability of the investment, as detailed below.

Variables	Δ%	Overall project		Risk analysis
		IRR (%)	NPV (USD M)	
Base scenario	0%	20.37%	15.59	Based scenario
Project benefits	-10%	13.11%	1.06	Combination of risks affecting output prices, yields and adoption rates
Project benefits	-20%	-3.88%	-4.74	
Project costs	10%	14.44%	7.58	Increase of construction material prices
Project costs	20%	8.22%	-0.44	
Combined effect 1: 10% decrease in benefits and 10% increase in costs.	-10%/+5%	9.79%	1.42	Combined effect of increases in product and input prices due to factors such as rising inflation.
Combined effect 2: 10% increase in benefits and 5% increase in costs.	+5%/5%	23.92%	21.75	Combined effect of a decrease in product prices and an increase in input prices due to factors such as reduced demand and rising inflation.
One-year lag in benefit generation		20.18%	15.48	Project implementation delays
two-year lag in benefit generation		19.52%	15.02	
Adoption rate - Small-medium scale farmers (60%)		19.33%	13.35	
Adoption rate – medium scale and larger farmers (70%)		19.76%	13.83	
Combined effect - Adoption rate - small-medium scale farmers (60%), Adoption rate – medium scale and larger farmers (70%)		18.61%	11.59	Quality of technical assistance and access to technologies
Evaluation period (15 years)		17.97%	9.01	Uncertainty about the continuation of the activities supported by the project in the short, medium and/or long term
Excluding indirect project costs		23.06%	17.38	Return on direct investment in productive systems at the community and enterprise level
Social discount rate (6 percent)			24.06	Linked with political and economic stability and macroeconomic context
Social discount rate (10 percent)			12.10	

9. **Return on components.** The table below presents the estimated incremental economic indicators for Components 1 and 2, considering both direct and indirect costs. It is assumed that the implementation of soft activities under the project management component enhances the overall benefits identified in the respective investment models. Both components demonstrate a positive return

on investment, underscoring the potential benefits of the activities expected to be financed by the project at both the community and entrepreneurial levels.

Indicator	Component 1	Component 2
IRR	16.12%	26.87%
BCR (@8.6 % discount rate)	1.154	1.21
NPV (@8.6 discount rate)	5.95	9.64

10. Moreover, the financial analysis shows that most activities supported by the project under Components 1 and 2 yield positive returns, as presented in the table below. This analysis considers only the direct investment provided by the project and excludes project management costs.

Model	Interest rate @ 13.96%	
	FIRR (%)	B/C
Agribusiness Cooperatives - Rice	23.36%	1.16
Agribusiness APG - Rice	44.75%	1.33
Agribusiness SMEs - Rice	25.37%	1.14
Agribusiness Cooperatives - Vegetable (dry season)	14.21%	1.01
Agribusiness APG - Vegetable (dry season)	16.20%	1.04
Agribusiness SMEs - Vegetable (dry season)	25.68%	1.12
Rice-based production system diversification - Rice + fruit+Legume	25.22%	1.15
Rice-based production system diversification - Rice + fruit+Fish	25.74%	1.16
Rice-based production system diversification - Rice + fruit+shrimp	38.70%	1.29
Rice-based production system diversification - Rice + cattle	27.17%	1.14
Farm-based livelihood activities - Mushroom	25.50%	1.02
Farm-based livelihood activities - Chicken	8.11%	0.84
Farm-based livelihood activities - Piglet	15.23%	1.01
Farm-based livelihood activities - Greenhouse (vegetable)	3.69%	0.80
Farm-based livelihood activities - Beekeeping (honey)	12.36%	0.96
Rehabilitation of rural road	17.18%	1.04

11. The results show that vegetable production carried out individually at a very small scale using greenhouses, as well as backyard chicken production and beekeeping, would not be financially viable ($B/C < 1$) when considering a cost of capital of 13.9%. However, the combined analysis of all activities proposed to promote livelihoods indicates positive returns on investment, with financial and economic benefit-cost ratios of 1.01 and 1.06, respectively. In contrast, vegetable and rice production undertaken by SMEs and APGs would generate significant financial returns, particularly during the dry season when vegetable supply is higher. This result can be explained by the fact that SMEs are better connected to markets and face much lower transaction costs than individual or small-scale associated farmers. However, a significant reduction in the cost of capital would make all the activities analyzed financially viable. These findings highlight the importance of promoting concessional credit mechanisms specifically designed to support smallholder farming systems.

Interpretation of vulnerable household livelihood models.

12. The financial analysis indicates that some livelihood activities targeted to vulnerable households—such as backyard chicken production, beekeeping and small-scale greenhouse vegetable production—may show limited or negative private financial returns when implemented at very small scale and assessed against the benchmark cost of capital. However, these models are not designed primarily as standalone commercial investments, but as entry-level livelihood and resilience activities for vulnerable households, including women, youth and persons with disabilities. Their expected benefits include improved household food security, dietary diversity, income diversification, reduced vulnerability to shocks, and the gradual accumulation of productive assets and skills. These welfare gains are only partially captured in the financial models. Evidence from similar interventions suggests that such

activities can generate sustained welfare benefits, particularly when accompanied by technical assistance, nutrition support, and progressive market orientation. The financial sustainability of these activities will largely depend on the provision of adequate technical assistance to support their progressive market orientation. This will require scaling up production, which can be achieved relatively easily during the project implementation period given the short production cycles of these activities.

Table A. Financial cash flow models

Summarizes the most representative financial models including the cash flow for 20 years and profitability indicators (IRR, NPV, B/C).

A.1 Agribusiness Cooperatives – Rice (per hectare)

Per ha																						
Land use dynamics																						
Parameters	WOP		With Project																			
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
1. Rice wet season	ha	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2. Rice dry season	ha	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Financial Budget																						
Items	Unit	Without Project	With Project																			
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Production value	US\$	1947	1947	1947	2118	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436
1. Rice wet season	US\$	933	933	933	1015	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167
2. Rice dry season	US\$	1015	1015	1015	1104	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269
Incremental cost	US\$	1348	1348	1352	1648	1660	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662
1. Rice wet season	US\$	650	650	653	788	793	794	794	794	794	794	794	794	794	794	794	794	794	794	794	794	794
2. Rice dry season	US\$	698	698	698	860	867	868	868	868	868	868	868	868	868	868	868	868	868	868	868	868	868
Investment			395	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1. Direct	USD		395																			
2. Indirect	USD																					
Credit																						
1. Debt service	USD	23.91	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70
Net Income		575	578	574	449	754	752	752	752	752	752	752	752	752	752	752	752	752	752	752	752	752
Incremental benefits			2	2	173	491	491	491	491	491	491	491	491	491	491	491	491	491	491	491	491	491
Incremental cost			395	4	300	312	314	314	314	314	314	314	314	314	314	314	314	314	314	314	314	314
Incremental net income			-393	-1	-127	179	177	177	177	177	177	177	177	177	177	177	177	177	177	177	177	177
Incremental net income - Cumulative			-393	-394	-521	-342	-165	12	190	367	544	721	898	1075	1253	1430	1607	1784	1961	2138	2316	2493
	20 years																					
NPV		\$334																				
FIRR		23.685%																				
B/C		\$1.18																				

A. Agribusiness APG – Rice (per hectare)

Per beneficiary																						
Land use dynamics																						
Parameters	WOP		With Project																			
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
1. Rice wet season	ha	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
2. Rice dry season	ha	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Financial Budget																						
Items	Unit	Without Project	With Project																			
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Production value	US\$	1947	1947	1947	2118	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436	2436
1. Rice wet season	US\$	933	933	933	1015	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167
2. Rice dry season	US\$	1015	1015	1015	1104	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269
Incremental cost	US\$	1348	1348	1352	1648	1660	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662
1. Rice wet season	US\$	650	650	653	788	793	794	794	794	794	794	794	794	794	794	794	794	794	794	794	794	794
2. Rice dry season	US\$	698	698	698	860	867	868	868	868	868	868	868	868	868	868	868	868	868	868	868	868	868
Investment			130	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1. Direct	USD		130																			
2. Indirect	USD																					
Credit																						
1. Debt service	USD	23.91	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70
Net Income		575	578	574	449	754	752	752	752	752	752	752	752	752	752	752	752	752	752	752	752	752
Incremental benefits			2	2	173	491	491	491	491	491	491	491	491	491	491	491	491	491	491	491	491	491
Incremental cost			130	4	300	312	314	314	314	314	314	314	314	314	314	314	314	314	314	314	314	314
Incremental net income			-127	-1	-127	179	177	177	177	177	177	177	177	177	177	177	177	177	177	177	177	177
Incremental net income - Cumulative			-127	-129	-255	-76	101	278	455	632	809	987	1164	1341	1518	1695	1872	2049	2227	2404	2581	2758
	20 years																					
NPV	\$567																					
FIRR	44.813%																					
B/C	\$1.34																					

A.3 Agribusiness SMEs – Rice

Per ha/collected																										
Land use dynamics																										
Parameters	WOP		With Project																							
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20				
1. Rice wet season	ha	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00				
2. Rice dry season	ha	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00				
Financial Budget																										
Items	Unit	Without Project	With Project																							
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20				
Production value	US\$	2253	2253	2253	2473	3002	3069	3069	3069	3069	3069	3069	3069	3069	3069	3069	3069	3069	3069	3069	3069	3069				
1. Rice wet season	US\$	1005	1005	1005	1103	1339	1369	1369	1369	1369	1369	1369	1369	1369	1369	1369	1369	1369	1369	1369	1369	1369				
2. Rice dry season	US\$	1248	1248	1248	1370	1663	1700	1700	1700	1700	1700	1700	1700	1700	1700	1700	1700	1700	1700	1700	1700	1700				
Incremental cost	US\$	2171	2171	2252	2438	2724	2773	2773	2773	2773	2773	2773	2773	2773	2773	2773	2773	2773	2773	2773	2773	2773				
1. Rice wet season	US\$	974	974	1019	1097	1229	1252	1252	1252	1252	1252	1252	1252	1252	1252	1252	1252	1252	1252	1252	1252	1252				
2. Rice dry season	US\$	1197	1197	1233	1341	1495	1521	1521	1521	1521	1521	1521	1521	1521	1521	1521	1521	1521	1521	1521	1521	1521				
Investment		0	413	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
1. Direct	USD		413																							
2. Indirect	USD																									
Credit																										
1. Debt service	USD	23.91	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70				
Net Income		82	82	1	35	278	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296				
Incremental benefits			0	0	220	749	815	815	815	815	815	815	815	815	815	815	815	815	815	815	815	815				
Incremental cost			413	81	267	553	602	602	602	602	602	602	602	602	602	602	602	602	602	602	602	602				
Incremental net income			-413	-81	-48	195	213	213	213	213	213	213	213	213	213	213	213	213	213	213	213	213				
Incremental net income - Cumulative			-413	-493	-541	-346	-132	81	295	508	722	935	1149	1362	1575	1789	2002	2216	2429	2643	2856	3070				
	20 years																									
NPV		\$454																								
FIRR		25.400%																								
B/C		\$1.14																								

A.4 Agribusiness Cooperatives - Vegetable (dry season)

[illegible]

A.5 Agribusiness APG - Vegetable (dry season)

Per hectare																						
Land use dynamics																						
Parameter - Labour intensity (%)		WOP	With Project																			
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
1. Cabbage	%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
2. Onion	%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
3. Cucumber	%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
4. Chili	%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Financial Budget																						
Items	Unit	Without Project	With Project																			
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Production value	US\$	2739	2739	2739	3275	3356	3373	3384	3664	3664	3664	3664	3664	3664	3664	3664	3664	3664	3664	3664	3664	3664
1. Cabbage	US\$	871	871	871	1015	1037	1037	1037	1069	1069	1069	1069	1069	1069	1069	1069	1069	1069	1069	1069	1069	1069
2. Onion	US\$	490	490	490	567	590	607	618	812	812	812	812	812	812	812	812	812	812	812	812	812	812
3. Cucumber	US\$	645	645	645	789	805	805	805	829	829	829	829	829	829	829	829	829	829	829	829	829	829
4. Chili	US\$	733	733	733	904	923	923	923	953	953	953	953	953	953	953	953	953	953	953	953	953	953
Incremental cost	US\$	1589	1589	2031	2168	2171	2175	2175	2182	2182	2182	2182	2182	2182	2182	2182	2182	2182	2182	2182	2182	2182
1. Cabbage	US\$	384	384	493	529	529	530	530	531	531	531	531	531	531	531	531	531	531	531	531	531	531
2. Onion	US\$	352	352	461	483	483	484	484	487	487	487	487	487	487	487	487	487	487	487	487	487	487
3. Cucumber	US\$	330	330	439	470	471	472	472	474	474	474	474	474	474	474	474	474	474	474	474	474	474
4. Chili	US\$	523	523	637	686	688	689	690	690	690	690	690	690	690	690	690	690	690	690	690	690	690
Investment																						
1. Direct	USD																					
2. Indirect	USD																					
Credit																						
1. Debt service	USD	11.96	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85
Net Income		1138	1139	697	1097	1174	1187	1198	1471	1471	1471	1471	1471	1471	1471	1471	1471	1471	1471	1471	1471	1471
Incremental benefits			1	1	537	618	635	646	926	926	926	926	926	926	926	926	926	926	926	926	926	926
Incremental cost			0	442	578	582	586	586	592	592	592	592	592	592	592	592	592	592	592	592	592	592
Incremental net income			1	-441	-41	36	49	60	333	333	333	333	333	333	333	333	333	333	333	333	333	333
Incremental net income - Cumulative			1	-440	-481	-445	-395	-335	-2	331	664	997	1330	1664	1997	2330	2663	2996	3330	3663	3996	4329
	20 years																					
NPV	\$623																					
FIRR	28.629%																					
B/C	\$1.19																					

A.6 Agribusiness SMEs - Vegetable (dry season)

Per hectare																						
Land use dynamics																						
Parameter - Labour intensity (%)	WOP		With Project																			
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
1. Cabbage	%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	
2. Onion	%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
3. Cucumber	%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
4. Chili	%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	
Financial Budget																						
Items	Unit	Without Project	With Project																			
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Production value	US\$	3076	3076	3076	3658	3741	3747	3752	3939	3939	3939	3939	3939	3939	3939	3939	3939	3939	3939	3939	3939	
1. Cabbage	US\$	1742	1742	1742	2031	2074	2074	2074	2139	2139	2139	2139	2139	2139	2139	2139	2139	2139	2139	2139	2139	
2. Onion	US\$	196	196	196	227	236	243	247	325	325	325	325	325	325	325	325	325	325	325	325	325	
3. Cucumber	US\$	258	258	258	316	322	322	322	332	332	332	332	332	332	332	332	332	332	332	332	332	
4. Chili	US\$	879	879	879	1085	1108	1108	1108	1143	1143	1143	1143	1143	1143	1143	1143	1143	1143	1143	1143	1143	
Incremental cost	US\$	1669	1669	2112	2262	2265	2269	2270	2274	2274	2274	2274	2274	2274	2274	2274	2274	2274	2274	2274	2274	
1. Cabbage	US\$	768	768	986	1058	1059	1060	1060	1062	1062	1062	1062	1062	1062	1062	1062	1062	1062	1062	1062	1062	
2. Onion	US\$	141	141	184	193	193	193	194	195	195	195	195	195	195	195	195	195	195	195	195	195	
3. Cucumber	US\$	132	132	176	188	188	189	189	190	190	190	190	190	190	190	190	190	190	190	190	190	
4. Chili	US\$	627	627	765	824	825	827	827	827	827	827	827	827	827	827	827	827	827	827	827	827	
Investment																						
1. Direct	USD																					
2. Indirect	USD																					
Credit																						
1. Debt service	USD	11.96	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	10.85	
Net Income		1395	1396	953	1385	1464	1467	1471	1654	1654	1654	1654	1654	1654	1654	1654	1654	1654	1654	1654	1654	
Incremental benefits			1	1	583	666	673	677	864	864	864	864	864	864	864	864	864	864	864	864	864	
Incremental cost			0	443	594	597	601	602	606	606	606	606	606	606	606	606	606	606	606	606	606	
Incremental net income			1	-442	-10	69	72	76	259	259	259	259	259	259	259	259	259	259	259	259	259	
Incremental net income - Cumulative			1	-441	-451		-382	-310	-234	25	284	542	801	1060	1319	1578	1837	2095	2354	2613	2872	
	20 years																					
NPV	\$477																					
FIRR	27.570%																					
B/C	\$1.14																					

A.7 Rice-based production system diversification - Rice + fruit+ Legume

Per hectare																						
Land use dynamics																						
Parameter - Soil use intensity (%)	WOP		With Project																			
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
1. Rice wet season	%	98%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%
2. Mung bean	%	98%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%
3. Banana	%	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
4. Papaya	%	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
			196%	196%	196%	196%	196%	196%	196%	196%	196%	196%	196%	196%	196%	196%	196%	196%	196%	196%	196%	196%
Financial Budget																						
Items	Unit	Without Project	With Project																			
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Production value	US\$	1307	1296	1296	1459	1690	1690	1690	1690	1690	1690	1690	1690	1690	1690	1690	1690	1690	1690	1690	1690	1690
1. Rice wet season	US\$	914	895	895	974	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120
2. Mung bean	US\$	377	369	369	412	494	494	494	494	494	494	494	494	494	494	494	494	494	494	494	494	494
3. Banana	US\$	8	16	16	35	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36
4. Papaya	US\$	8	16	16	38	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39	39
Incremental cost	US\$	945	946	977	1183	1190	1189	1187	1185	1183	1181	1178	1176	1174	1172	1170	1168	1165	1163	1161	1159	1157
1. Rice wet season	US\$	637	624	627	756	762	762	762	762	762	762	762	762	762	762	762	762	762	762	762	762	762
2. Mung bean	US\$	289	283	300	358	360	358	356	354	352	350	348	345	343	341	339	337	334	332	330	328	326
3. Banana	US\$	9	18	22	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32	32
4. Papaya	US\$	11	22	27	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36
Investment		0	261	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1. Direct	USD		261																			
2. Indirect	USD																					
Credit																						
1. Debt service	USD	17.73	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24
Net Income		344	334	304	261	483	484	486	488	491	493	495	497	499	501	504	506	508	510	512	514	517
Incremental benefits			-9	-9	154	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385
Incremental cost			262	31	237	245	244	242	240	237	235	233	231	229	227	224	222	220	218	216	214	211
Incremental net income			-271	-40	-83	140	141	143	145	147	149	151	154	156	158	160	162	164	167	169	171	173
Incremental net income - Cumulative			-271	-311	-394	-255	-114	28	173	320	470	621	774	930	1088	1248	1410	1575	1741	1910	2081	2254
	20 years																					
NPV		\$320																				
FIRR		25.542%																				
B/C		\$1.22																				

A.8 Rice-based production system diversification - Rice + fruit+Fish

Per beneficiary																						
Land use dynamics																						
Parameter - Soil use intensity (%)	WOP		With Project																			
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
1. Rice wet season	%	98%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%
2. Rice dry season	%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%
3. Banana	%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
4. Papaya	%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
5. Fish - catfish	%	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
6. Fish - tilapia	%	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
			198%	198%	198%	198%	198%	198%	198%	198%	198%	198%	198%	198%	198%	198%	198%	198%	198%	198%	198%	198%
Financial Budget																						
Items	Unit	Without Project	With Project																			
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Production value	US\$	1924	1981	1981	2193	2505	2505	2505	2508	2508	2508	2508	2508	2508	2508	2508	2508	2508	2508	2508	2508	2508
1. Rice wet season	US\$	914	895	895	974	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120
2. Rice dry season	US\$	995	995	995	1081	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244
3. Banana	US\$	8	8	8	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18
4. Papaya	US\$	8	8	8	19	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
5. Fish - catfish	US\$	0	24	24	33	34	34	34	35	35	35	35	35	35	35	35	35	35	35	35	35	35
6. Fish - tilapia	US\$	0	50	50	68	70	70	70	72	72	72	72	72	72	72	72	72	72	72	72	72	72
Incremental cost	US\$	1341	1400	1420	1721	1733	1735	1735	1735	1735	1735	1735	1735	1735	1735	1735	1735	1735	1735	1735	1735	1735
1. Rice wet season	US\$	637	624	627	756	762	762	762	762	762	762	762	762	762	762	762	762	762	762	762	762	762
2. Rice dry season	US\$	684	684	684	843	849	850	850	850	850	850	850	850	850	850	850	850	850	850	850	850	850
3. Banana	US\$	9	9	11	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16
4. Papaya	US\$	11	11	14	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18
5. Fish - catfish	US\$	0	22	25	26	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27
6. Fish - tilapia	US\$	0	50	59	61	61	61	61	61	61	61	61	61	61	61	61	61	61	61	61	61	61
Investment		0	363	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1. Direct	USD		363																			
2. Indirect	USD																					
Credit																						
1. Debt service	USD	17.73	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24
Net Income		566	564	544	456	755	754	754	757	757	757	757	757	757	757	757	757	757	757	757	757	757
Incremental benefits			58	58	270	582	582	582	585	585	585	585	585	585	585	585	585	585	585	585	585	585
Incremental cost			422	79	380	392	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394
Incremental net income			-365	-21	-110	190	188	188	191	191	191	191	191	191	191	191	191	191	191	191	191	191
Incremental net income - Cumulative			-365	-386	-496	-306	-118	70	261	452	643	834	1025	1216	1407	1599	1790	1981	2172	2363	2553	2744
	20 years																					
NPV	\$410																					
FIRR	26.013%																					
B/C	\$1.17																					

A.8 Rice-based production system diversification - Rice + fruit+shrimp

Per hectare																					
Land use dynamics																					
Parameter - Soil use intensity (%)	WOP		With Project																		
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19
1. Rice wet season	%	96%	95%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%
2. Rice dry season	%	96%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%
3. Banana	%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
4. Papaya	%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
5. Shrimp	%	0%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
			198%	199%	199%	199%	199%	199%	199%	199%	199%	199%	199%	199%	199%	199%	199%	199%	199%	199%	199%
Financial Budget																					
Items	Unit	Without Project	With Project																		
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Production value	US\$	1894	2042	2052	2289	2603	2603	2603	2609	2609	2609	2609	2609	2609	2609	2609	2609	2609	2609	2609	2609
1. Rice wet season	US\$	895	886	895	974	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120
2. Rice dry season	US\$	974	995	995	1081	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244	1244
3. Banana	US\$	12	8	8	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18
4. Papaya	US\$	12	8	8	19	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
5. Shrimp	US\$	0	146	146	197	201	201	201	208	208	208	208	208	208	208	208	208	208	208	208	208
Incremental cost	US\$	1324	1425	1457	1758	1770	1771	1771	1772	1772	1772	1772	1772	1772	1772	1772	1772	1772	1772	1772	1772
1. Rice wet season	US\$	624	617	627	756	762	762	762	762	762	762	762	762	762	762	762	762	762	762	762	762
2. Rice dry season	US\$	671	684	684	843	849	850	850	850	850	850	850	850	850	850	850	850	850	850	850	850
3. Banana	US\$	14	9	11	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16
4. Papaya	US\$	16	11	14	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18
5. Shrimp	US\$	0	103	121	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125
Investment		0	403	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1. Direct	USD		403																		
2. Indirect	USD																				
Credit																					
1. Debt service	USD	17.73	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24
Net Income		552	198	578	515	817	815	815	821	821	821	821	821	821	821	821	821	821	821	821	821
Incremental benefits			150	160	397	710	710	710	717	717	717	717	717	717	717	717	717	717	717	717	717
Incremental cost			505	133	434	446	447	447	448	448	448	448	448	448	448	448	448	448	448	448	448
Incremental net income			-354	26	-37	265	263	263	269	269	269	269	269	269	269	269	269	269	269	269	269
Incremental net income - Cumulative			-354	-328	-365	-100	163	426	695	965	1234	1504	1773	2043	2312	2582	2851	3120	3390	3659	3928
		20 years																			
NPV		\$838																			
FIRR		38.796%																			
B/C		\$1.30																			

A.9 Rice-based production system diversification - Rice + cattle

Per hectare/production unit																						
Land use dynamics																						
Parameter - Soil use intensity (%)	WOP		With Project										Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10										
1. Rice wet season	%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2. Rice dry season	%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
3. Cattle (animal)	%	4	4	4	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Financial Budget																						
Items	Unit	Without Project	With Project										11	12	13	14	15	16	17	18	19	20
			1	2	3	4	5	6	7	8	9	10										
Production value	US\$	3807	3807	3807	4907	5387	5452	5452	5452	5452	5452	5452	5452	5452	5452	5452	5452	5452	5452	5452	5452	5452
1. Rice wet season	US\$	933	933	933	1015	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167
2. Rice dry season	US\$	1015	1015	1015	1104	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269	1269
3. Cattle	US\$	1859	1859	1859	2789	2951	3016	3016	3016	3016	3016	3016	3016	3016	3016	3016	3016	3016	3016	3016	3016	3016
Incremental cost	US\$	2320	2370	2901	3509	3522	3523	3523	3523	3523	3523	3523	3523	3523	3523	3523	3523	3523	3523	3523	3523	3523
1. Rice wet season	US\$	650	650	653	788	793	794	794	794	794	794	794	794	794	794	794	794	794	794	794	794	794
2. Rice dry season	US\$	698	698	698	860	867	868	868	868	868	868	868	868	868	868	868	868	868	868	868	868	868
3. Cattle	US\$	972	1022	1549	1862	1862	1862	1862	1862	1862	1862	1862	1862	1862	1862	1862	1862	1862	1862	1862	1862	1862
Investment		0	391	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1. Direct	USD		391																			
2. Indirect	USD																					
Credit																						
1. Debt service	USD	17.73	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24	16.24
Net Income		1469	1029	889	1381	1849	1912	1912	1912	1912	1912	1912	1912	1912	1912	1912	1912	1912	1912	1912	1912	1912
Incremental benefits			1.49	1.49	1101.97	1581.69	1646.49	1646.49	1646.49	1646.49	1646.49	1646.49	1646.49	1646.49	1646.49	1646.49	1646.49	1646.49	1646.49	1646.49	1646.49	1646.49
Incremental cost			441	581	1189	1202	1203	1203	1203	1203	1203	1203	1203	1203	1203	1203	1203	1203	1203	1203	1203	1203
Incremental net income			-440	-580	-87	380	443	443	443	443	443	443	443	443	443	443	443	443	443	443	443	443
Incremental net income - Cumulative			-440	-1019	-1107	-727	-283	160	603	1046	1489	1932	2375	2818	3262	3705	4148	4591	5034	5477	5920	6363
	20 years																					
NPV		\$984																				
FIRR		27.427%																				
B/C		\$1.14																				

A.9 Farm-based livelihood activities - Mushroom

Per beneficiary																						
Land use dynamics																						
Parameter -	WOP		With Project																			
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
1. Mushroom (oyster) (m2/unit)	%	0	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
Financial Budget																						
Items	Unit	Without Project	With Project																			
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Production value	US\$	5	6178	5544	7645	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815
1. Mushroom (oyster)	US\$	5	6178	5544	7645	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815	7815
Incremental cost	US\$	3	6222	7294	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303
1. Mushroom (oyster)	US\$	3	6222	7294	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303	7303
Investment		0	988	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1. Direct	USD		988																			
2. Indirect	USD																					
Net Income		1	-44	-1750	341	511	511	511	511	511	511	511	511	511	511	511	511	511	511	511	511	511
Incremental benefits			6173	5539	7640	7810	7810	7810	7810	7810	7810	7810	7810	7810	7810	7810	7810	7810	7810	7810	7810	7810
Incremental cost			7207	7291	7300	7300	7300	7300	7300	7300	7300	7300	7300	7300	7300	7300	7300	7300	7300	7300	7300	7300
Incremental net income			-1034	-1751	340	510	510	510	510	510	510	510	510	510	510	510	510	510	510	510	510	510
Incremental net income - Cumulative			-1034	-2785	-2446	-1936	-1426	-917	-407	103	613	1122	1632	2142	2651	3161	3671	4180	4690	5200	5709	6219
	20 years																					
NPV	\$173																					
FIRR	15.203%																					
B/C	\$1.00																					

A.10 Farm-based livelihood activities - Chicken

Per beneficiary																							
Land use dynamics																							
Parameter -	WOP		With Project																				
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20	
1. Production unit	%	25	25	25	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
Financial Budget																							
Items	Unit	Without Project	With Project																				
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Production value	US\$	132	132	132	451	487	487	487	487	487	487	487	487	487	487	487	487	487	487	487	487	487	487
1. Broiler chicken	US\$	132	132	132	451	487	487	487	487	487	487	487	487	487	487	487	487	487	487	487	487	487	487
Incremental cost	US\$	203	258	321	410	411	411	411	411	411	411	411	411	411	411	411	411	411	411	411	411	411	411
1. Broiler chicken	US\$	203	258	321	410	411	411	411	411	411	411	411	411	411	411	411	411	411	411	411	411	411	411
Investment		0	988	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1. Direct	USD		988																				
2. Indirect	USD																						
Net Income		-71	-126	-189	41	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
Incremental benefits			0	0	319	355	355	355	355	355	355	355	355	355	355	355	355	355	355	355	355	355	355
Incremental cost			1043	118	208	208	208	208	208	208	208	208	208	208	208	208	208	208	208	208	208	208	208
Incremental net income			-1043	-118	112	147	147	147	147	147	147	147	147	147	147	147	147	147	147	147	147	147	147
Incremental net income - Cumulative			-1043	-1161	-1049	-902	-755	-608	-462	-315	-168	-21	126	273	420	567	714	861	1008	1155	1302	1449	1449
	20 years																						
NPV			(\$297)																				
FIRR			8.994%																				
B/C			\$0.86																				

A.10 Farm-based livelihood activities - Piglet

Per beneficiary (production unit)																							
Land use dynamics																							
Parameter -	WOP		With Project																				
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20	
1. Production unit	%	10	10	10	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	
Financial Budget																							
Items	Unit	Without	With Project																				
		Project	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Production value	US\$	772	772	772	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	
1. Piglet	US\$	772	772	772	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	2138	
Incremental cost	US\$	802	852	1184	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	
1. Piglet	US\$	802	852	1184	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	1899	
Investment			988	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
1. Direct	USD		988																				
2. Indirect	USD																						
Net Income		-30	-80	-412	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	
Incremental benefits			0	0	1366	1366	1366	1366	1366	1366	1366	1366	1366	1366	1366	1366	1366	1366	1366	1366	1366	1366	
Incremental cost			1038	383	1097	1097	1097	1097	1097	1097	1097	1097	1097	1097	1097	1097	1097	1097	1097	1097	1097	1097	
Incremental net income			-1038	-383	269	269	269	269	269	269	269	269	269	269	269	269	269	269	269	269	269	269	
Incremental net income - Cumulative			-1038	-1421	-1151	-882	-613	-343	-74	196	465	734	1004	1273	1542	1812	2081	2351	2620	2889	3159	3428	
	20 years																						
NPV	\$139																						
FIRR	15.784%																						
B/C	\$1.02																						

A.11 Farm-based livelihood activities - Greenhouse (vegetable)

Per hectare																						
Land use dynamics																						
Parameter - Labour intensity (%)	WOP		With Project										Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10										
1. Cabbage	%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
2. Onion	%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
3. Cucumber	%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
4. Chili	%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Financial Budget																						
Items	Unit	Without Project	With Project																			
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Production value	US\$	3628	3628	3628	4210	4270	4313	4342	4342	4342	4342	4342	4342	4342	4342	4342	4342	4342	4342	4342	4342	4342
1. Cabbage	US\$	1049	1049	1049	1223	1223	1223	1223	1223	1223	1223	1223	1223	1223	1223	1223	1223	1223	1223	1223	1223	1223
2. Onion	US\$	496	496	496	613	613	613	613	613	613	613	613	613	613	613	613	613	613	613	613	613	613
3. Cucumber	US\$	750	750	750	918	918	918	918	918	918	918	918	918	918	918	918	918	918	918	918	918	918
4. Chili	US\$	1332	1332	1332	1455	1516	1559	1588	1588	1588	1588	1588	1588	1588	1588	1588	1588	1588	1588	1588	1588	1588
Incremental cost	US\$	1652	1652	2063	2189	2192	2197	2199	2199	2199	2199	2197	2197	2197	2197	2197	2197	2197	2197	2197	2197	2197
1. Cabbage	US\$	387	387	495	531	531	531	531	531	531	531	531	531	531	531	531	531	531	531	531	531	531
2. Onion	US\$	365	365	438	459	460	461	462	462	462	462	462	462	462	462	462	462	462	462	462	462	462
3. Cucumber	US\$	345	345	460	482	483	485	485	485	485	485	485	485	485	485	485	485	485	485	485	485	485
4. Chili	US\$	556	556	670	718	719	720	721	721	721	721	718	718	718	718	718	718	718	718	718	718	718
Investment			1318	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1. Direct	USD		1318																			
2. Indirect	USD																					
Net Income		1975	1975	1564	2020	2077	2116	2143	2143	2143	2143	2145	2145	2145	2145	2145	2145	2145	2145	2145	2145	2145
Incremental benefits			0	0	582	642	686	715	715	715	715	715	715	715	715	715	715	715	715	715	715	715
Incremental cost			1318	411	537	540	545	547	547	547	547	544	544	544	544	544	544	544	544	544	544	544
Incremental net income			-1318	-411	45	102	141	168	168	168	168	170	170	170	170	170	170	170	170	170	170	170
Incremental net income - Cumulative			-1318	-1728	-1683	-1581	-1440	-1272	-1104	-937	-769	-598	-428	-258	-88	82	252	423	593	763	933	1103
	20 years																					
NPV		(\$767)																				
FIRR		4.891%																				
B/C		\$0.82																				

A.12 Rehabilitation of rural road

I. Assumptions																								
Variable	Unit	Without project	Phasing (year)																				With project	
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20		
Total beneficiaries (household)	Number	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	
Kilometers of roads under project intervention (KM/village)	KM	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	
Average travel time of beneficiary communities to main market (Km/H)	KM/h	30	30	30	30	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	
Average travel distance of beneficiary communities to main market (km)	KM	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
Average travel cost of beneficiary communities to main market (round trip, 10Km)	USD/10 Km	0.25	0.25	0.25	0.25	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
Average travel per beneficiary household from beneficiary communities to main market (travel/week)	Number	2	2	2	2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	
Traveller/HH	Number	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	
Maintenance cost (USD/KM/year)	USD/KM/YEAR	1500	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	
Conversion (1h + 60 min)	Min	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	
Wage (USD/hour)	USD/hour	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	
Weeks/year	Number	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	
Number of Villages	Number	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	
B. Aggregated analysis																								
B.1 Financial analysis																								
Number of beneficiaries (HH)		3,000																						
Adoption rate (%) - Used the improved roads		85%																						
Beneficiaries per year (%)			Year 1 7%	Year 2 24%	Year 3 16%	Year 4 16%	Year 5 14%	Year 6 7%	Year 7 3%															
Implementation year	Year 0	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20		
	Year 0	2550																						
	Year 1		174		174	174	174	174	174	174	174	174	174	174	174	174	174	174	174	174	174	174		
	Year 2			607	607	607	607	607	607	607	607	607	607	607	607	607	607	607	607	607	607	607		
	Year 3				743	743	743	743	743	743	743	743	743	743	743	743	743	743	743	743	743	743		
	Year 4					409	409	409	409	409	409	409	409	409	409	409	409	409	409	409	409	409		
	Year 5					363	363	363	363	363	363	363	363	363	363	363	363	363	363	363	363	363		
	Year 6						174	174	174	174	174	174	174	174	174	174	174	174	174	174	174	174		
	Year 7						81	81	81	81	81	81	81	81	81	81	81	81	81	81	81	81		
	Total		174	780	1523	1932	2295	2469	2550	2550	2550	2550	2550	2550	2550	2550	2550	2550	2550	2550	2550	2550		
Financial analysis																								
		Years																						
I. Incremental Benefits		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Year 20	Year 15	Years 10
		-	-	-	-	18,758.46	84,278.78	164,531.75	208,718.26	247,971.31	266,725.67	266,725.67	275,471.48	275,471.48	275,471.48	275,471.48	275,471.48	275,471.48	275,471.48	275,471.48	275,471.48	\$844,920.23	\$711,601.34	\$518,925.06
Year 1		-	-	-	-	18,758.46	18,758.46	18,758.46	18,758.46	18,758.46	18,758.46	18,758.46	18,758.46	18,758.46	18,758.46	18,758.46	18,758.46	18,758.46	18,758.46	18,758.46	18,758.46			
Year 2			-	-	-	65,520.33	65,520.33	65,520.33	65,520.33	65,520.33	65,520.33	65,520.33	65,520.33	65,520.33	65,520.33	65,520.33	65,520.33	65,520.33	65,520.33	65,520.33	65,520.33			
Year 3				-	-	80,252.96	80,252.96	80,252.96	80,252.96	80,252.96	80,252.96	80,252.96	80,252.96	80,252.96	80,252.96	80,252.96	80,252.96	80,252.96	80,252.96	80,252.96	80,252.96			
Year 4					-	-	-	44,186.52	44,186.52	44,186.52	44,186.52	44,186.52	44,186.52	44,186.52	44,186.52	44,186.52	44,186.52	44,186.52	44,186.52	44,186.52	44,186.52			
Year 5						-	-	-	39,253.05	39,253.05	39,253.05	39,253.05	39,253.05	39,253.05	39,253.05	39,253.05	39,253.05	39,253.05	39,253.05	39,253.05	39,253.05			
Year 6							-	-	-	18,754.36	18,754.36	18,754.36	18,754.36	18,754.36	18,754.36	18,754.36	18,754.36	18,754.36	18,754.36	18,754.36	18,754.36			
Year 7								-	-	-	-	8,745.80	8,745.80	8,745.80	8,745.80	8,745.80	8,745.80	8,745.80	8,745.80	8,745.80	8,745.80			
II. Incremental costs		-	30,000.00	60,000.00	90,000.00	120,000.00	150,000.00	180,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00	\$812,456.64	\$710,823.73	\$587,442.50
Year 1		-	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00			
Year 2			-	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00			
Year 3				-	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00			
Year 4					-	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00			
Year 5						-	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00			
Year 6							-	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00			
Year 7								30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00			
Cash flow		-	(30,000)	(60,000)	(71,242)	(35,721)	14,532	28,718	37,971	56,726	56,726	65,471	65,471	65,471	65,471	65,471	65,471	65,471	65,471	65,471	65,471	\$32,463.59	\$777.61	(\$68,517.42)
Aggregated cash flow			(30,000)	(60,000)	(161,242)	(196,963)	(182,431)	(153,713)	(116,741)	(69,016)	(2,290)	63,181	128,653	194,124	269,596	328,067	390,539	456,010	521,482	586,953	652,426			
		20 years	15 years	10 years																				
NPV		\$32,463.59	\$777.61	(\$68,517.42)																				
EIRR		17.2%	14.1%	-0.23%																				
B/C		\$1.04	\$1.00	\$0.88																				
Payback period		10.04	10.04	10.04																				
Switching value - benefit		-3.8%	0%	13%																				
Switching value - cost		4.0%	0.1%	-11.7%																				

Table 2. Project costs and logframe targets*Project/programme costs*

Component- Sub-component	IFAD loan		Beneficiaries			Borrower/ counterpart			Total
	Amount	%	Amount		%	Amount		%	Amount
			Cash	In-kind		Cash (taxes)	In-kind		
Component 1. Development of Inclusive value chains	6583.80	89.11%	316.80	0.00	4.29%	488.02	0.00	6.61%	7388.62
Sub-component 1.1: Market Access Facilitation	3886.37	91.51%	0.00	0.00	0.00%	360.40	0	8.49%	4246.76
Sub-component 1.2: Enterprise Development and Financial Inclusion	2033.54	84.14%	316.80	0.00	13.11%	66.63	0	2.76%	2416.97
Sub-component 1.3: Policy Engagement and Market Integration	663.89	91.59%	0.00	0.00	0.00%	60.99	0	8.41%	724.88
Component 2: Promotion of climate resilient technologies and diversification in farming systems	9076.85	89.10%	301.20	66.50	3.61%	742.45	0.00	7.29%	10187.00
Sub-component 2.1: Climate resilience and productivity of APG farming systems	5212.65	88.59%	301.20	0.00	5.12%	370.38	0	6.29%	5884.23
Sub-component 2.2: Action Research and scaling of successful practices	875.35	92.84%	0.00	0.00	0.00%	67.54	0	7.16%	942.89
Sub-component 2.3: Livelihood improvements for vulnerable households	2988.85	88.96%	0.00	66.50	1.98%	304.54	0	9.06%	3359.89
Component 3. Project Management	1929.36	62.43%	0.00	0.00	0.00%	23.40	1137.5	37.57%	3090.26
Total	17590.00	85.12%	618.00	66.50	3.31%	1253.88	1137.50	11.57%	20665.88

Logframe targetsResults Hierarchy	Indicators			
	Name	Baseline	Mid-term	End Target
Outreach	CI 1 Persons reached by project-supported activities			
	Total number of persons receiving services	0	11214	28 034
	Males	0	5607	14 017
	Females	0	5607	14 017
	Young	0	1121	2 803
	Persons with disabilities	0	240	600
	CI 1a Corresponding number of households reached			
	Households	0	5723	14 308
	CI 1b Estimated corresponding number of household members			
	Households members	0	32050	80 125
Goal: To contribute to the reduction of rural poverty and improvement of the income and food security and safety of smallholder farmers and rural producer households in the two target provinces.	Target households (CI 1a) report an increase in income of at least 20%			
	Household (%)	0	25%	60%
	Target households (CI 1a) report enhanced food security			
	Household (%)	0	35%	75%
Development Objective: To promote inclusive value chain investments for national and export markets and enhance the climate resilience of targeted smallholder farmers and rural producer households.	Target households (CI 1a) report enhanced resilience to climate change and natural disasters			
	Household (%)	0	35%	75%
	CI SF.2.1 Households satisfied with project-supported services			
	Households (number)	0	2289	12162
	Households (%)	0	40%	85%
	Household members	0	12820	68106
	CI SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers			
	Households (number)	0	858	5723
	Households (%)	0	15%	40%
	Household members	0	4807	32050
Outcome 1: Inclusive and commercially viable value chains are strengthened, enabling smallholders and VC actors to access markets, infrastructure, as well as BDS and financial services.	CI 2.2.4 Supported rural producers' organizations providing new or improved services to their members			
	Number of POs	0	10	26
	Total number of POs members	0	1400	3640
	Women PO members	0	560	1456
	Men PO members	0	840	2184
	Young PO members	0	140	364
	CI 2.2.6 Households reporting improved physical access to markets, processing and storage facilities			
	Households reporting improved physical access to storage facilities (number)	0	1142	2856
	Households reporting improved physical access to markets, processing and storage facilities (%)	0	85%	85%
	Size of Households (number of people)	0	6397	15994
	CI 1.2.5 Households reporting using rural financial services			
	Households	0	1382	3456
	Household (%)	0	60%	60%
	Total number of household members	0	7741	19354
	Value of loans accessed by SMEs and cooperatives (in USD)			
	total (million)	0	1.3M	1.6M
	CI 2.2.1 Beneficiaries with new jobs/employment opportunities			
	Total number of persons with new jobs/employment opportunities	0	360	900
	Males	0	216	540

	Females	0	144	360
	Young	0	36	90
Output 1.1.1 District-level and province-level VC Investment Plans (VCIP) developed, validated and implemented	VCIPs developed, validated and implemented			
	Number	0	6	10
Output 1.1.2. Inclusive Multi-Stakeholders Platforms established and facilitated along the prioritized value chains	Policy 2 Functioning multi-stakeholder platforms supported			
	Number	0	6	10
Output 1.1.3. Strategic market-access infrastructure (processing facilities, farm-access roads) constructed or rehabilitated.	CI 2.1.6 Market, processing or storage facilities constructed or rehabilitated			
	Total number of facilities	0	8	24
	Total expected users	0	1493	4480
	CI 2.1.5 Roads constructed, rehabilitated or upgraded			
	Length of roads (km)	0	50	100
	People reached	0	6720	16800
Output 1.2.1. Capacity building support provided to cooperatives and MSEs for the development of business plans or bankable business proposals, or the formation of new cooperatives	CI 2.1.1 Rural enterprises accessing business development services			
	[MSE, Cooperatives] Rural enterprises (number)	0	67	102
	Employees (number)	0	326.4	816
	CI 1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services			
	Persons in rural areas trained in financial literacy and/or use of financial products and services (total)	0	796	1 326
	Males	0	398	663
	Females	0	398	663
	Young	0	80	133
	New cooperatives established			
	Number	0	20	30
Output 1.2.2 Cooperatives and MSEs supported to access rural financial services	Supported cooperatives and MSEs with an approved business plan and loan			
	Total number	0	47	72
	MSEs	0	30	48
	Cooperatives	0	17	24
	Average repayment rate by MSEs and cooperatives			
	MSEs	n/a	90%	90%
	Cooperatives	n/a	90%	90%
Output 1.3.1. MAE and other relevant regulatory authorities supported to improve the policy and regulatory frameworks	Policy 1 Policy-relevant knowledge products completed			
	Number	0	1	2
Outcome 2. Enhanced climate and market shock resilience of smallholders' farming systems and improved food security and safety for food insecure households	CI 1.2.4 Households reporting an increase in production			
	Household (number)	0	1896	4740
	Household (%)	0	75%	75%
	Total number of household members	0	10618	26544
	CI 1.2.8 Women reporting Minimum Dietary Diversity			
	Women (number)	0	1564	3910
	Women (%)	0	85%	85%
	Household (number)	0	1564	3910
	Household (%)	0	85%	85%
	Household members	0	8758	21896
	PRIPs developed and implemented			

Output 2.1.1. Resilience and improvement plans (PRIP) developed and implemented	Total number	0	24	60
	Cooperative/cluster-level	0	5	12
	APGs-level	0	19	48
	CI 1.1.4 Persons trained in production practices and/or technologies			
	Total persons trained in crops	0	1608	4 020
	Men trained in crops	0	804	2 010
	Women trained in crops	0	804	2 010
	Youth trained in crops	0	161	402
	CI 3.1.4 Land brought under climate-resilient management			
	Hectares of Land (number)	0	1300	2550
Output 2.1.2. Off-farm irrigation infrastructure rehabilitated for water resources conservation	Total persons (number)		1608	4020
	CI 1.1.2 Farmland under water-related infrastructure constructed/rehabilitated			
	Hectares of land	0	400	1 000
	Total users	0	320	800
	WUGs receiving capacity building support			
Output 2.2.1. New technologies and diversification farming practices for resilience and improved productivity are tested and scaled up	Number	0	8	20
	Farmers participating in on-farm testing of innovations			
	Total	0	224	560
	Men	0	112	280
	Women	0	112	280
Output 2.3.1. Vulnerable and food insecure households provided with livelihood diversification packages	Youth	0	22	56
	CI 2.1.2 Persons trained in income-generating activities or business management			
	Persons trained in IGAs or BM (total)	0	920	2 300
	Males	0	644	1 610
	Females	0	276	690
	Young	0	92	230
	Persons with disabilities	0	240	600
	CI 1.1.8 Persons provided with targeted support to improve their nutrition			
	Total persons participating	0	1 840	4 600
	Males	0	920	2 300
	Females	0	920	2 300
	Young	0	184	460
	Persons with disabilities	0	160	400
	Household	0	680	1 700
	Households members	0	3 808	9520

Main assumptions and shadow prices

i) General investment assumptions

13. The ex-ante incremental cost-benefit analysis assessed key project performance indicators, including the Net Present Value (NPV) at both private and social prices over a 20-year period, as well as the Financial and Economic Internal Rates of Return (FIRR and EIRR), the Benefit-Cost (B/C) ratio, payback period, and switching values. These indicators were calculated for the overall project, the additional financing component, and selected representative farm and trader business models. In addition, sensitivity analyses were conducted to assess the potential effects of variations in key parameters, including changes in benefits, costs, implementation delays, evaluation periods, and discount rates. The estimation of overall project financial and economic indicators considered total project costs, including beneficiary contributions, private sector contributions, and government counterpart financing.

14. The conversion from Lao Kip to United States dollars was based on the exchange rate applied during the design of the additional financing (USD 1 = LAK 21,530). For the baseline scenario, a financial cost of capital of 13.96% and a social discount rate of 8.58% were applied in both the financial and economic analyses over a 20-year evaluation period, in line with the assumptions used in the preliminary economic and financial analysis. To convert private prices into economic (shadow) prices, appropriate conversion factors were applied to selected goods and services. The analysis follows standard economic appraisal methodologies, as shown in the following tables.

Table 3. Derivation of conversion factors

A. Conversion Factor			
Factors	Conversion Factor	Values	Note
Standard Conversion Factor	SCF	1.079	International numeraire - Tradable
Inverse Standard Conversion Factor	SERF	0.927	Domestic numeraire - Tradable
Shadow Wage Rate Factor - Unskilled (adjusted SWRF)	SWRF	0.863	International numeraire
Shadow Wage Rate Factor - skilled (adjusted SWRF)	SWRF	0.834	International numeraire
Shadow Wage Rate Factor - unskilled labor (SWRF)	SWRF	0.800	Used by ADB
Shadow Wage Rate Factor - skilled labor (SWRF)	SWRF	0.900	Estimated
Conversion factor - non tradable		0.909	Domestic numeraire
Conversion factor-investment		0.913	
B. Discount rates			
Cost of capital (%)	r	15.92%	Estimated
Cost of capital (%) - Commercial banks (average)	r	12.00%	Collected
Average cost of capital (%)	r	13.96%	
Social discount rate (%) - Estimated	SDR	7.5%	Estimated
Social discount rate (%) - used by WB	SDR	7.8%	Used by WB
Social discount rate (%) - used by ADB	SDR	9.0%	Used by ADB
Social discount rate (%) - used by IFAD	SDR	10%	Used by IFAD
Average Social Discount Rate	SDR	8.6%	
VAT	%	10%	https://www2.deloitte.com/laos/en.html

Category	Value (Kip trillion)
Exports of goods and services (current LCU) (Average 10 years)	29199999877.45
Imports of goods and services (current LCU) (Average 10 years)	40983835878.91
Taxes on international trade (current LCU)* (Average 10 years)	7315926347.78
Customs and other import duties (current LCU) (Average 10 years)	1096438942.22
Taxes on exports, (current LCU) (Average 10 years)	6219487405.56
Cambodia does not provide any export or import subsidies (https://www.wto.org/english/tratop_e/tpr_e/s364_e.pdf)	
SERF = ((M + Tm - Sm) + (X - Tx + Sx)) / (M + X)	
M = imports	40,983,835,879
Tm = taxes on imports	1,096,438,942
Sm = subsidies on imports	0
X = exports	29,199,999,877
Tx = taxes on exports	6,219,487,406
Sx = subsidies on exports	0
M + Tm - Sm	42,080,274,821
X - tx + Sx	22,980,512,472
SERF	0.93
SCF = 1/SERF	1.0787

D. Social price of investment							
	Good and services - origen (%)		Skilled labour (%)	Conversion factor			Average
	Tradable	No tradable		Tradable	No tradable	Labour	
Component 1. Development of Inclusive value chains							
Sub-component 1.1: Market Access Facilitation	40%	40%	20%	0.93	0.91	0.9	0.914438
Sub-component 1.2:Enterprise Development and Financial Inclusion	40%	40%	20%	0.93	0.91	0.9	0.914438
Sub-component 1.3: Policy Engagement and Market Integration	40%	40%	20%	0.93	0.91	0.9	0.914438
Component 2: Promotion of climate resilient technologies and diversification infarming systems			20%				
Sub-component 2.1: Climate resilience and productivity of APG farming systems	40%	40%	20%	0.93	0.91	0.9	0.914438
Sub-component 2.2: Action Research and scaling of successful practices	40%	40%	20%	0.93	0.91	0.9	0.914438
Sub-component 2.3: Livelihood improvements for vulnerable households	40%	40%	20%	0.93	0.91	0.9	0.914438
Component 3. Project Management							
PMC Project Management	20%	20%	60%	0.93	0.91	0.9	0.907219
Average							0.913407

ii) Specific assumptions

15. The following table shows the financial and economic prices of outputs and inputs used to project the benefits and costs for each farm and trader model presented in the table above.

Table 4. Financial and economic prices of outputs and inputs

Crops (primary production)

1. Financial and Economic Prices										
A. Rice										
Description		WS rice					DS rice			
		Good/service	Unit	Financial Prices @ Design	CF	Economic Prices	Unit	Financial Prices @ Design	CF	Economic Prices
				2025				2025		
Outputs	Crops									
	Rice (wet season) raw rice - Farm gate price	Tradable	Kg	0.30	0.93	0.28	Kg	0.28	0.93	0.26
	Rice (wet season) dried - Market price (farmer to small mills)	Tradable	Kg	0.40	0.93	0.37	Kg	0.38	0.93	0.35
	Rice (wet season) dried - Market price (small mills to larger mills)	Tradable	Kg	0.5	0.93	0.46	Kg	0.48	0.93	0.44
	Rice straw	Non tradable	Kg	0.02	0.91	0.02	Kg	0.02	0.91	0.02
OUTFLOW										
	I. Variable costs									
	la. Inputs									
	Rice seed	Non tradable	kg	0.90	0.91	0.82	kg	0.90	0.909	0.82
	Chemical fertilizers (urea)	Tradable	kg	0.65	0.93	0.60	kg	0.65	0.927	0.60
	Chemical fertilizers (N-P-K)	Tradable	kg	0.70	0.93	0.65	kg	0.70	0.927	0.65
	Organic fertilizer (compost, manure)	Non tradable	kg	0.05	0.91	0.05	kg	0.05	0.909	0.05
	Herbicide	Tradable	Lt	6	0.91	5.45	Lt	6.00	0.909	5.45
	Insecticide	Tradable	Lt	8	0.91	7.27	Lt	8.00	0.909	7.27
	Fungicides	Tradable	Lt	10	0.91	9.09	Lt	10.00	0.909	9.09
	lb. Equipment and materials									
	Land preparation (tractor)	Non tradable	Hours-day	0	0.91	-	Hours-day	3.75	0.91	3.41
	Planting (seeder)	Non tradable	Hours-day	3.1	0.91	2.82	Hours-day	3.1	0.91	2.82
	Harvest (combine)	Non tradable	Hours-day	10	0.91	9.09	Hours-day	10	0.91	9.09
	Bags (50 kg)	Non tradable	Units	0.05	0.91	0.05	Units	0.05	0.91	0.05
	Fuel	Non tradable	lt	1.1	0.91	1.00	lt	1.1	0.91	1.00
	Transport (per tonn = 1000 kg)	Non tradable	Ton	12	0.91	10.91	Ton	12	0.91	10.91
	lc. Labour									
	Land clearing	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.8	5.60
	Sowing	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.8	5.60
	Transplanting	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.8	5.60
	Pesticides application - spraying	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.8	5.60
	Manure and fertilizer application	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.8	5.60
	Water supply	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.8	5.60
	Harvesting	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.8	5.60
	Drying & packing	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.8	5.60
	II. Fix cost									
	Land rent	Non tradable	Year	100	0.9	90.91	Year	100	0.91	90.91
	Land property taxes	Non tradable	Year	2.5	0.9	2.27	Year	2.5	0.91	2.27
	Water service - Drinking water	Non tradable	Month	2	0.9	1.82	Month	2	0.91	1.82
	Water service - Irrigation fee	Non tradable	Year	20	0.9	18.18	Year	20	0.91	18.18
	Energy service	Non tradable	Month	10	0.9	9.09	Month	10	0.91	9.09
	Technical assistance	Non tradable	Year	50	0.9	45.45	Year	50	0.91	45.45
	Other operative costs	Non tradable	Year	30	0.9	27.27	Year	30	0.91	27.27

Financial and Economic Prices			Vegetable																
			Cabbage					Chinese onion				Cucumber				Chilli			
				Financial Prices @ Design			Economic Prices		Financial Prices @ Design	CF	Economic Prices		Financial Prices @ Design	CF	Economic Prices		Financial Prices @ Design	CF	Economic Prices
Description		Good/service	Unit	2025	CF	\$USD	Unit	2025	CF	\$USD	Unit	2025	CF	\$USD	Unit	2025	CF	\$USD	
Outputs	Crops																		
	Fresh vegetable - Farm gate price	Tradable	Kg	0.35	0.93	0.32	Kg	0.7	0.93	0.65	Kg	0.15	0.93	0.14	Kg	0.6	0.93	0.56	
	Processed vegetable - Market price (farmer to primary aggregator)	Tradable	Kg	0.7	0.93	0.65	Kg	1.16	0.93	1.08	Kg	0.4	0.93	0.37	Kg	1.2	0.93	1.11	
	Processed vegetable - Market price (aggregator to wholesale market)	Tradable	Kg	1.4	0.93	1.30	Kg	2.1	0.93	1.95	Kg	0.8	0.93	0.74	Kg	2.32	0.93	2.15	
	Harvest residues	Non tradable	Kg	0.01	0.91	0.01	Kg	0.01	0.91	0.01	Kg	0.01	0.91	0.01	Kg	0.01	0.91	0.01	
OUTFLOW																			
	I.Variable costs																		
	la. Inputs																		
	Seed	Non tradable	kg	3.50	0.909	3.18	kg	8	0.91	7.27	kg	0.9	0.909	0.77	kg	0.5	0.909	0.45	
	Chemical fertilizers (urea)	Tradable	kg	0.7	0.927	0.60	kg	0.7	0.93	0.60	kg	0.7	0.927	0.60	kg	0.7	0.927	0.60	
	Chemic of fertilizers (N-P-K)	Tradable	kg	0.7	0.927	0.65	kg	0.7	0.93	0.65	kg	0.7	0.927	0.65	kg	0.7	0.927	0.65	
	Organic fertilizer (compost, manure)	Non tradable	kg	0.1	0.909	0.05	kg	0.1	0.91	0.05	kg	0.1	0.909	0.05	kg	0.1	0.909	0.05	
	Herbicide	Tradable	Lt	6.0	0.927	5.56	Lt	6.0	0.93	5.56	Lt	6.0	0.927	5.56	Lt	6.0	0.927	5.56	
	Insecticide	Tradable	Lt	8.0	0.927	7.42	Lt	8.0	0.93	7.42	Lt	8.0	0.927	7.42	Lt	8.0	0.927	7.42	
	Fungicides	Tradable	Lt	10.0	0.927	9.27	Lt	10.0	0.93	9.27	Lt	10.0	0.927	9.27	Lt	10.0	0.927	9.27	
	lb. Equipment and materials																		
	Land preparation (tractor)	Non tradable	Hours-day	3.75	0.9091	3.41	pers-day	3.75	0.91	3.41	pers-day	3.75	0.909	3.41	pers-day	3.75	0.909	3.41	
	Planting (seeder)	Non tradable	Hours-day	3.1	0.9091	2.82	pers-day	3.1	0.91	2.82	pers-day	3.1	0.909	2.82	pers-day	3.1	0.909	2.82	
	Harvest (combine)	Non tradable	Hours-day	10	0.9091	9.09	pers-day	10	0.91	9.09	pers-day	10	0.909	9.09	pers-day	10	0.909	9.09	
	Bags (50 kg)	Non tradable	Units	0.05	0.9091	0.05	pers-day	0.05	0.91	0.05	pers-day	0.05	0.909	0.05	pers-day	0.05	0.909	0.05	
	Threads	Non tradable	Rolls	0.01	0.9091	0.01	pers-day	0.01	0.91	0.01	pers-day	0.01	0.909	0.01	pers-day	0.01	0.909	0.01	
	Cutters	Non tradable	Unit	12	0.9091	10.91	pers-day	12	0.91	10.91	pers-day	12	0.909	10.91	pers-day	12	0.909	10.91	
	Fuel	Non tradable	lt	1.1	0.9091	1.00	pers-day	1.1	0.91	1.00	pers-day	1.1	0.909	1.00	pers-day	1.1	0.909	1.00	
	Transport (per tonn = 1000 kg)	Non tradable	Ton	12	0.9091	10.91	pers-day	12	0.91	10.91	pers-day	12	0.909	10.91	pers-day	12	0.909	10.91	
	lc. Labour																		
	Land clearing	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.80	5.60	pers-day	7	0.800	5.60	pers-day	7	0.800	5.60	
	Sowing	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.80	5.60	pers-day	7	0.800	5.60	pers-day	7	0.800	5.60	
	Transplanting	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.80	5.60	pers-day	7	0.800	5.60	pers-day	7	0.800	5.60	
	Pesticides application - spraying	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.80	5.60	pers-day	7	0.800	5.60	pers-day	7	0.800	5.60	
	Manure and fertilizer application	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.80	5.60	pers-day	7	0.800	5.60	pers-day	7	0.800	5.60	
	Water supply	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.80	5.60	pers-day	7	0.800	5.60	pers-day	7	0.800	5.60	
	Harvesting	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.80	5.60	pers-day	7	0.800	5.60	pers-day	7	0.800	5.60	
	Packing	Non tradable	pers-day	7	0.800	5.60	pers-day	7	0.80	5.60	pers-day	7	0.800	5.60	pers-day	7	0.800	5.60	
	II. Fix cost																		
	Land rent	Non tradable	Year	100	0.909	90.91	Year	100	0.91	90.91	Year	100	0.909	90.91	Year	100	0.909	90.91	
	Land property taxes	Non tradable	Year	2.5	0.909	2.27	Year	2.5	0.91	2.27	Year	2.5	0.909	2.27	Year	2.5	0.909	2.27	
	Water service - Drinking water	Non tradable	Month	2	0.909	1.82	Month	2	0.91	1.82	Month	2	0.909	1.82	Month	2	0.909	1.82	
	Water service - Irrigation fee	Non tradable	Year	20	0.909	18.18	Year	20	0.91	18.18	Year	20	0.909	18.18	Year	20	0.909	18.18	
	Energy service	Non tradable	Month	10	0.909	9.09	Month	10	0.91	9.09	Month	10	0.909	9.09	Month	10	0.909	9.09	
	Technical assistance	Non tradable	Year	50	0.909	45.45	Year	50	0.91	45.45	Year	50	0.909	45.45	Year	50	0.909	45.45	
	Other operative costs	Non tradable	Year	30	0.909	27.27	Year	30	0.91	27.27	Year	30	0.909	27.27	Year	30	0.909	27.27	
	Depreciation	Non tradable	Year	0	0.909	-	Year	0	0.91	-	Year	0	0.909	-	Year	0	0.909	-	
	Financial cost	Non tradable	Year	0	0.909	-	Year	0	0.91	-	Year	0	0.909	-	Year	0	0.909	-	

Financial and Economic Prices				Vegetable															
				Cabbage				Chinese onion				Cucumber				Chilli			
Description		Good/service	Unit	Financial Prices @ Design	CF	Economic Prices	Unit	Financial Prices @ Design	CF	Economic Prices	Unit	Financial Prices @ Design	CF	Economic Prices	Unit	Financial Prices @ Design	CF	Economic Prices	
				2025				2025				2025				2025			2025
Outputs	Crops																		
	Fresh vegetable - Farm gate price	Tradable	Kg	0.35	0.927	0.32	Kg	0.70	0.93	0.65	Kg	0.15	0.93	0.14	Kg	0.6	0.93	0.56	
	Processed vegetable - Market price (farmer to primary aggregator)	Tradable	Kg	0.7	0.927	0.65	Kg	1.16	0.93	1.08	Kg	0.40	0.93	0.37	Kg	1.2	0.93	1.11	
	Processed vegetable - Market price (aggregator to wholesale market)	Tradable	Kg	1.4	0.927	1.70	Kg	2.10	0.93	1.95	Kg	0.80	0.93	0.74	Kg	2.32	0.93	2.15	
OUTFLOW	Residues (harvest)	Non tradable	Kg	0.01	0.9091	0.01	Kg	0.01	0.91	0.01	Kg	0.01	0.91	0.01	Kg	0.01	0.91	0.01	
				0	0			0.00	0.00			0.00	0.00			0	0.00		
	I.Variable costs			0	0			0.00	0.00			0.00	0.00			0	0.00		
	la. Inputs			0	0			0.00	0.00			0.00	0.00			0	0.00		
		Seed	Non tradable	kg	3.5	0.9091	3.18	kg	8.00	0.91	7.27	kg	0.85	0.91	0.77	kg	0.5	0.91	0.45
		Chemical fertilizers (urea)	Tradable	kg	0.65	0.927	0.60	kg	0.65	0.93	0.60	kg	0.65	0.93	0.60	kg	0.65	0.93	0.60
		Chemic of fertilizers (N-P-K)	Tradable	kg	0.7	0.927	0.65	kg	0.70	0.93	0.65	kg	0.70	0.93	0.65	kg	0.7	0.93	0.65
		Organic fertilizer (compost, manure)	Non tradable	kg	0.05	0.9091	0.05	kg	0.05	0.91	0.05	kg	0.05	0.91	0.05	kg	0.05	0.91	0.05
		Herbicide	Tradable	Lt	6	0.927	5.56	Lt	6.00	0.93	5.56	Lt	6.00	0.93	5.56	Lt	6	0.93	5.56
		Insecticide	Tradable	Lt	8	0.927	7.42	Lt	8.00	0.93	7.42	Lt	8.00	0.93	7.42	Lt	8	0.93	7.42
		Fungicides	Tradable	Lt	10	0.927	9.27	Lt	10.00	0.93	9.27	Lt	10.00	0.93	9.27	Lt	10	0.93	9.27
		lb. Equipment and materials			0	0			0.00	0.00			0.00	0.00			0	0.00	
		Land preparation (tractor)	Non tradable	Hours-day	3.75	0.9091	3.41	pers-day	3.75	0.91	3.41	pers-day	3.75	0.91	3.41	pers-day	3.75	0.91	3.41
		Planting (seeder)	Non tradable	Hours-day	3.1	0.9091	2.82	pers-day	3.10	0.91	2.82	pers-day	3.10	0.91	2.82	pers-day	3.1	0.91	2.82
		Harvest (combine)	Non tradable	Hours-day	10	0.9091	9.09	pers-day	10.00	0.91	9.09	pers-day	10.00	0.91	9.09	pers-day	10	0.91	9.09
		Bags (50 kg)	Non tradable	Units	0.05	0.9091	0.05	pers-day	0.05	0.91	0.05	pers-day	0.05	0.91	0.05	pers-day	0.05	0.91	0.05
		Threads	Non tradable	Rolls	0.01	0.9091	0.01	pers-day	0.01	0.91	0.01	pers-day	0.01	0.91	0.01	pers-day	0.01	0.91	0.01
		Cutters	Non tradable	Unit	12	0.9091	10.91	pers-day	12.00	0.91	10.91	pers-day	12.00	0.91	10.91	pers-day	12	0.91	10.91
		Fuel	Non tradable	lt	1.1	0.9091	1.00	pers-day	1.10	0.91	1.00	pers-day	1.10	0.91	1.00	pers-day	1.1	0.91	1.00
		Transport (per tonn = 1000 kg)	Non tradable	Ton	12	0.9091	10.91	pers-day	12.00	0.91	10.91	pers-day	12.00	0.91	10.91	pers-day	12	0.91	10.91
	lc. Labour				0	0			0.00	0.00			0.00	0.00			0	0.00	
		Land clearing	Non tradable	pers-day	7	0.8	5.60	pers-day	7.00	0.80	5.60	pers-day	7.00	0.80	5.60	pers-day	7	0.80	5.60
		Sowing	Non tradable	pers-day	7	0.8	5.60	pers-day	7.00	0.80	5.60	pers-day	7.00	0.80	5.60	pers-day	7	0.80	5.60
		Transplanting	Non tradable	pers-day	7	0.8	5.60	pers-day	7.00	0.80	5.60	pers-day	7.00	0.80	5.60	pers-day	7	0.80	5.60
		Pesticides application - spraying	Non tradable	pers-day	7	0.8	5.60	pers-day	7.00	0.80	5.60	pers-day	7.00	0.80	5.60	pers-day	7	0.80	5.60
		Manure and fertilizer application	Non tradable	pers-day	7	0.8	5.60	pers-day	7.00	0.80	5.60	pers-day	7.00	0.80	5.60	pers-day	7	0.80	5.60
		Water supply	Non tradable	pers-day	7	0.8	5.60	pers-day	7.00	0.80	5.60	pers-day	7.00	0.80	5.60	pers-day	7	0.80	5.60
		Harvesting	Non tradable	pers-day	7	0.8	5.60	pers-day	7.00	0.80	5.60	pers-day	7.00	0.80	5.60	pers-day	7	0.80	5.60
Packing		Non tradable	pers-day	7	0.8	5.60	pers-day	7.00	0.80	5.60	pers-day	7.00	0.80	5.60	pers-day	7	0.80	5.60	
				0	0			0.00	0.00			0.00	0.00			0	0.00		
Land rent		Non tradable	Year	100	0.9091	90.91	Year	100.00	0.91	90.91	Year	100.00	0.91	90.91	Year	100	0.91	90.91	
Land property taxes		Non tradable	Year	2.5	0.9091	2.27	Year	2.50	0.91	2.27	Year	2.50	0.91	2.27	Year	2.5	0.91	2.27	
Water service - Drinking water		Non tradable	Month	2	0.9091	1.82	Month	2.00	0.91	1.82	Month	2.00	0.91	1.82	Month	2	0.91	1.82	
Water service - Irrigation fee		Non tradable	Year	20	0.9091	18.18	Year	20.00	0.91	18.18	Year	20.00	0.91	18.18	Year	20	0.91	18.18	
Energy service		Non tradable	Month	10	0.9091	9.09	Month	10.00	0.91	9.09	Month	10.00	0.91	9.09	Month	10	0.91	9.09	
Technical assistance		Non tradable	Year	50	0.9091	45.45	Year	50.00	0.91	45.45	Year	50.00	0.91	45.45	Year	50	0.91	45.45	
Other operative costs	Non tradable	Year	30	0.9091	27.27	Year	30.00	0.91	27.27	Year	30.00	0.91	27.27	Year	30	0.91	27.27		
Depreciation	Non tradable	Year	0	0.9091	-	Year	0.00	0.91	-	Year	0.00	0.91	-	Year	0	0.91	-		
Financial cost	Non tradable	Year	0	0.9091	-	Year	0.00	0.91	-	Year	0.00	0.91	-	Year	0	0.91	-		

D. Fruits - Banana						
1. Financial and Economic Prices		Fruits				
		Banana				
				Financial Prices @ Design		Economic Prices
Description		Good/service	Unit	2025	CF	\$USD
Outputs	Crops					
	Fruit - Farm gate price	Non tradable	Kg	0.15	0.91	0.14
	Fruit - Market price (farmer to small aggregators)	Non tradable	Kg	0.18	0.91	0.16
	Fruit - Market price (small aggregator to larger aggregator)	Non tradable	Kg	0.27	0.91	0.25
	Banana leaf	Non tradable	Kg	0.03	0.91	0.03
OUTFLOW						
	I. Variable costs					
	Ia. Inputs					
	Banana suckers / tissue-culture plants	Non tradable	kg	0.3	0.900	0.27
	Chemical fertilizers (urea)	Tradable	kg	0.65	0.93	0.60
	Chemical fertilizers (N-P-K)	Tradable	kg	0.70	0.93	0.65
	Organic fertilizer (compost, manure)	Non tradable	kg	0.05	0.91	0.05
	Mulching material (plastic or organic)	Non tradable	kg	0.2	0.93	0.19
	Herbicides	Tradable	Lt	6.00	0.93	5.56
	Insecticides	Tradable	Lt	8.00	0.93	7.42
	Fungicides	Tradable	Lt	10.00	0.93	9.27
	Ib. Equipment and materials					
	Land preparation (tractor hire)	Non tradable	Hours-person	3.75	0.9	3.38
	Hole digging / planting equipment hire	Non tradable	Hours-person	3.1	0.9	2.79
	Irrigation equipment hire or seasonal drip lines	Non tradable	Kit	30	0.9	27.00
	Harvest tools (knives, machetes)	Non tradable	Units	5	0.9	4.50
	Packing materials (unit = 50kg)	Non tradable	Units	0.05	0.9	0.05
	Propping / tying material (bamboo, rope, twine)	Non tradable	Units	0.01	0.9	0.01
	Fuel	Non tradable	lt	1.1	0.9	0.99
	Transport (per tonn = 1000 kg)	Non tradable	Ton	12	0.9	10.80
	Ic. Labour					
	Land clearing	Non tradable	pers-day	7	0.8	5.60
	Land preparation (including pit digging)	Non tradable	pers-day	7	0.8	5.60
	Planting	Non tradable	pers-day	7	0.8	5.60
	Weeding	Non tradable	pers-day	7	0.8	5.60
	Desuckering and pruning	Non tradable	pers-day	7	0.8	5.60
	Mulching application	Non tradable	pers-day	7	0.8	5.60
	Manure and fertilizer application	Non tradable	pers-day	7	0.8	5.60
	Irrigation operation and water supply	Non tradable	pers-day	7	0.8	5.60
	Pest and disease control – spraying	Non tradable	pers-day	7	0.8	5.60
	Bunch covering / bagging (if used)	Non tradable	pers-day	7	0.8	5.60
	Harvesting	Non tradable	pers-day	7	0.8	5.60
	Sorting, grading	Non tradable	pers-day	7	0.8	5.60
	Drying & packing / loading	Non tradable	pers-day	7	0.8	5.60
	II. Fix cost					
	Land rent	Non tradable	Year	100	0.91	90.91
	Land property taxes	Non tradable	Year	2.5	0.91	2.27
	Water service - Drinking water	Non tradable	Month	2	0.91	1.82
	Water service - Irrigation fee	Non tradable	Year	20	0.91	18.18
	Energy service	Non tradable	Month	10	0.91	9.09
	Technical assistance	Non tradable	Year	50	0.91	45.45
	Other operative costs	Non tradable	Year	30	0.91	27.27
	Depreciation	Non tradable	Year	0	0.91	-
	Financial cost	Non tradable	Year	0	0.91	-

D. Fruits - Papaya						
1. Financial and Economic Prices		Fruits				
		Papaya				
Description		Good/service	Unit	Financial Prices @ Design	CF	Economic Prices
				2025		\$USD
Outputs	Crops					
	Fruit - Farm gate price	Tradable	Kg	0.2	0.93	0.19
	Fruit - Market price (farmer to small aggregators)	Tradable	Kg	0.3	0.93	0.28
	Fruit - Market price (small aggregator to larger aggregator)	Tradable	Kg	0.45	0.93	0.42
	Leaf	Non tradable	Kg	0.02	0.91	0.02
OUTFLOW						
	I.Variable costs					
	Ia. Inputs					
	Papaya seedlings / seeds	Non tradable	kg	0.8	0.91	0.73
	Chemical fertilizers (urea)	Tradable	kg	0.7	0.93	0.60
	Chemical fertilizers (N-P-K)	Tradable	kg	0.7	0.93	0.65
	Organic fertilizer (compost, manure)	Non tradable	kg	0.1	0.91	0.05
	Mulching material (plastic or organic)	Non tradable	kg	0.2	0.91	0.18
	Herbicide	Tradable	Lt	6.0	0.93	5.56
	Insecticide	Tradable	Lt	8.0	0.93	7.42
	Funcides	Tradable	Lt	10.0	0.93	9.27
	Ib. Equipment and materials					
	Land preparation (tractor hire)	Non tradable	Hours-day	3.75	0.91	3.41
	Hole digging / planting equipment hire	Non tradable	Hours-day	3.1	0.91	2.82
	Irrigation equipment hire or seasonal drip lines	Non tradable	Hours-day	30	0.91	27.27
	Harvest tools (knives, machetes)	Non tradable	Units	5	0.91	4.55
	Packing materials (unit = 50kg)	Non tradable	Units	0.05	0.91	0.05
	Propping / tying material (bamboo, rope, twine)	Non tradable	Units	0.01	0.91	
	Fuel	Non tradable	lt	1.1	0.91	1.00
	Transport (per tonn = 1000 kg)	Non tradable	Ton	12	0.91	10.91
	Ic. Labour					
	Land clearing	Non tradable	pers-day	7	0.800	5.60
	Land preparation (including pit digging)	Non tradable	pers-day	7	0.800	5.60
	Planting	Non tradable	pers-day	7	0.800	5.60
	Weeding	Non tradable	pers-day	7	0.800	5.60
	Desuckering and pruning	Non tradable	pers-day	7	0.800	5.60
	Mulching application	Non tradable	pers-day	7	0.800	5.60
	Manure and fertilizer application	Non tradable	pers-day	7	0.800	5.60
	Irrigation operation and water supply	Non tradable	pers-day	7	0.800	5.60
	Pest and disease control – spraying	Non tradable	pers-day	7	0.000	-
	Bunch covering / bagging (if used)	Non tradable	pers-day	7	0.909	6.36
	Harvesting	Non tradable	pers-day	7	0.909	6.36
	Sorting, grading	Non tradable	pers-day	7	0.909	6.36
	Drying & packing / loading	Non tradable	pers-day	7	0.75	5.25
	II. Fix cost					
	Land rent	Non tradable	Year	100	0.91	90.91
	Land property taxes	Non tradable	Year	2.5	0.91	2.27
	Water service - Drinking water	Non tradable	Month	2	0.91	1.82
	Water service - Irrigation fee	Non tradable	Year	20	0.91	18.18
	Energy service	Non tradable	Month	10	0.91	9.09
	Technical assistance	Non tradable	Year	50	0.91	45.45
	Other operative costs	Non tradable	Year	30	0.91	27.27
	Depreciation	Non tradable	Year	0	0.91	-
	Financial cost	Non tradable	Year	0	0.91	-

E. Legume						
B. Vegetable Dry season			Legume			
				Financial Prices @ Design		Economic Prices
Description		Good/service	Unit	2025	CF	\$USD
Outputs	Crops					
	Dry mung bean - Farm gate price	Non tradable	Kg	0.45	0.91	0.41
	Dry mung bean- Market price (farmer to primary aggregator)	Non tradable	Kg	0.95	0.91	0.86
	Dry mung bean - Market price (aggregator to wholesale market)	Non tradable	Kg	1.2	0.91	1.09
	Harvest residues	Non tradable	Kg	0.02	0.91	0.02
OUTFLOW						
I. Variable costs						
Ia. Inputs						
	Seed	Non tradable	kg	0.90	0.909	0.82
	Chemical fertilizers (urea)	Tradable	kg	0.65	0.927	0.60
	Chemical fertilizers (N-P-K)	Tradable	kg	0.70	0.927	0.65
	Organic fertilizer (compost, manure)	Non tradable	kg	0.05	0.909	0.05
	Herbicide	Tradable	Lt	0.20	0.927	0.19
	Insecticide	Tradable	Lt	6.00	0.927	5.56
	Fungicides	Tradable	Lt	8.00	0.927	7.42
Ib. Equipment and materials						
	Land preparation (tractor)	Non tradable	Hours	3.75	0.91	3.41
	Planting (seeder)	Non tradable	Hours	3.1	0.91	2.82
	Harvest (combine)	Non tradable	Hours	10	0.91	9.09
	Bags (50 kg)	Non tradable	Units	0.05	0.91	0.05
	Threads	Non tradable	Rolls	0.01	0.91	0.01
	Cutters	Non tradable	Unit	12	0.91	10.91
	Fuel	Non tradable	lt	1.1	0.91	1.00
	Transport (per tonn = 1000 kg)	Non tradable	Ton	12	0.91	10.91
Ic. Labour						
	Land clearing	Non tradable	pers-day	7	0.8	5.60
	Sowing	Non tradable	pers-day	7	0.8	5.60
	Transplanting	Non tradable	pers-day	7	0.8	5.60
	Pesticides application - spraying	Non tradable	pers-day	7	0.8	5.60
	Manure and fertilizer application	Non tradable	pers-day	7	0.8	5.60
	Water supply	Non tradable	pers-day	7	0.8	5.60
	Harvesting	Non tradable	pers-day	7	0.8	5.60
	Packing	Non tradable	pers-day	7	0.8	5.60
II. Fix cost						
	Land rent	Non tradable	Year	100	0.800	80.00
	Land property taxes	Non tradable	Year	2.5	0.800	2.00
	Water service - Drinking water	Non tradable	Month	2	0.800	1.60
	Water service - Irrigation fee	Non tradable	Year	20	0.800	16.00
	Energy service	Non tradable	Month	10	0.800	8.00
	Technical assistance	Non tradable	Year	50	0.800	40.00
	Other operative costs	Non tradable	Year	30	0.800	24.00
	Depreciation	Non tradable	Year	0	0.800	-
	Financial cost	Non tradable	Year	0	0.000	-

Prices – Processing

1. Financial and Economic Prices					Rice							
A. Rice					WS rice				DS rice			
Description			Good/service	Unit	Financial Prices @	CF	Economic Prices	Financial Prices @	CF	Economic Prices		
					Design		\$USD	Design		\$USD		
Outputs	Crops											
		Husk-free rice	Tradable	Kg	0.6	0.93	0.56	Kg	0.58	0.93	0.54	
		Rice husk	No tradable	Kg	0.15	0.91	0.14	Kg	0.15	0.91	0.14	
OUTFLOW												
	I.Variable costs											
	Ia. Inputs											
		Paddy rice (dried rice)	Tradable	Kg/ha	0.30	0.93	0.28	kg	0.28	0.927	0.26	
		Energy (kWh/kg=0.070)	Non tradable	KWh	0.07	0.909	0.06	kg	0.38	0.909	0.35	
	Ib. Equipment and materials											
		Bags	Non tradable	Unit (50 kg)	0.05	0.91	0.05	Unit (50 kg)	0.05	0.91	0.05	
		Meshes and coverings (m²/kg=0.0002)	Non tradable	Unit	0.8	0.91	0.73	Unit	0.8	0.91	0.73	
		Rice screeners or rice sorters (machine-days/kg=0.00003)	Non tradable	Unit	20	0.91	18.18	Unit	20	0.91	18.18	
		Threads (meters/kg=0.08)	Non tradable	Unit	0.01	0.91	0.01	Unit	0.01	0.91	0.01	
		Ventiladors (fan-days/kg=0.00005)	Non tradable	Unit	5	0.91	4.55	Unit	5	0.91	4.55	
	Ic. Other costs											
		Transport	Non tradable	Kg	12	0.9	10.80	Kg	12	10.80	129.60	
	Ic. Labour											
		i) Collection	Non tradable	pers-day	8.5	0.80	6.80	pers-day	8.5	0.80	6.80	
		ii) Transportation	Non tradable	pers-day	8.5	0.80	6.80	pers-day	8.5	0.80	6.80	
		iii) Threshing	Non tradable	pers-day	8.5	0.80	6.80	pers-day	8.5	0.80	6.80	
		iv) Sorting	Non tradable	pers-day	8.5	0.80	6.80	pers-day	8.5	0.80	6.80	
		v) Drying	Non tradable	pers-day	8.5	0.80	6.80	pers-day	8.5	0.80	6.80	
		vi) Storing	Non tradable	pers-day	8.5	0.80	6.80	pers-day	8.5	0.80	6.80	
		vi) Packing	Non tradable	pers-day	8.5	0.80	6.80	pers-day	8.5	0.80	6.80	
	II. Fix cost											
		Land rent	Non tradable	Year	100	0.91	90.91	Year	100	0.91	90.91	
		Land property taxes	Non tradable	Year	2.5	0.91	2.27	Year	2.5	0.91	2.27	
		Water service	Non tradable	Month	2	0.91	1.82	Month	2	0.91	1.82	
		Technical assistance	Non tradable	Year	20	0.91	18.18	Year	20	0.91	18.18	
		Other operative costs	Non tradable	Month	10	0.91	9.09	Month	10	0.91	9.09	
		Depreciation	Non tradable	Year	0	0.91	-	Year	0	0.91	-	
		Financial cost	Non tradable	Year	0	0.91	-	Year	0	0.91	-	

Prices – animal production

1. Financial and Economic Prices						
A. Chicken			Chicken			
Description	Good/service	Unit	Financial Prices @	CF	Economic	
			Design		Prices	
			2025		\$USD	
A. Outputs	Animal product					
	Chicken (Liveweight)	Non tradable	Kg	1.4	0.91	1.27
	Chicken manure	Non tradable	Kg	0.18	0.91	0.16
B. Outflow						
	I. Variable costs					
	Ia. Inputs					
	Chicks	Non tradable	chick	0.3	0.91	0.27
	Chicks (vaccinated)	Non tradable	chick	0.04	0.91	0.04
	Commercial feed	Non tradable	kg	0.20	0.91	0.18
	Local feed	Non tradable	kg	0.05	0.91	0.05
	Ib. Equipment and materials					
	Cleaning kits	Non tradable	unit	5	0.91	4.55
	Feeder	Non tradable	unit	2	0.91	1.82
	Drinking fountain	Non tradable	Unit	2	0.91	1.82
	Bags (50 kg)	Non tradable	Units	0.5	0.91	0.45
	Fuel	Non tradable	lt	0.9	0.91	0.82
	Ic. Services					
	Transport (per tonn = 1000 kg)	Non tradable	Ton	5	0.91	4.55
	Ic. Labour					
	Feeding	Non tradable	pers-day	7	0.80	5.60
	Cleaning pens	Non tradable	pers-day	7	0.80	5.60
	Maintenance /repair	Non tradable	pers-day	7	0.80	5.60
	Marketing process	Non tradable	pers-day	7	0.80	5.60
	II. Fix cost					
	Land rent	Non tradable	Year	50	0.91	45.45
	Land property taxes	Non tradable	Year	5	0.91	4.55
	Water service - Drinking water	Non tradable	Month	3	0.91	2.73
	Water service - Irrigation fee	Non tradable	Year	20	0.91	18.18
	Energy service	Non tradable	Month	10	0.91	9.09
	Technical assistance	Non tradable	Year	50	0.91	45.45
	Other operative costs	Non tradable	Year	1	0.91	0.91
	Depreciation	Non tradable	Year	1	0.9	0.90
	Financial cost	Non tradable	Year	1	0.9	0.90

2. Financial and Economic Prices

B. Pig

Description		Good/service	Unit	Piglet		
				Financial Prices @	CF	Economic
				Design		Prices
				2025		\$USD
Outputs	Animal product					
	Pig (Liveweight)	Non tradable	Kg	1.5	0.91	1.36
	Pig manure	Non tradable	Kg	0.01	0.91	0.01
OUTFLOW						
	I. Variable costs					
	la. Inputs					
	Piglets (2 month)	Non tradable	Piglet	28.00	0.91	25.45
	Piglet (vaccinated)	Non tradable	Piglet	2.50	0.91	2.27
	Commercial feed	Non tradable	kg	0.65	0.91	0.59
	Local feed	Non tradable	kg	0.35	0.91	0.32
	lb. Equipment and materials					
	Cleaning kits	Non tradable	unit	5.0	0.91	4.55
	Feeder	Non tradable	unit	4.0	0.91	3.64
	Drinking fountain	Non tradable	Unit	4.0	0.91	3.64
	Bags (50 kg)	Non tradable	Units	0.5	0.91	0.45
	Fuel	Non tradable	lt	0.9	0.91	0.82
	Transport	Non tradable	lt	12.0	0.91	10.91
	lc. Labour					
	Feeding	Non tradable	pers-day	7	0.80	5.60
	Cleaning pens	Non tradable	pers-day	7	0.80	5.60
	Maintenance /repair	Non tradable	pers-day	7	0.80	5.60
	Marketing process	Non tradable	pers-day	7	0.80	5.60
	II. Fix cost					
	Land rent	Non tradable	Year	50	0.91	45.45
	Land property taxes	Non tradable	Year	5	0.91	4.55
	Water service - Drinking water	Non tradable	Month	3	0.91	2.73
	Water service - Irrigation fee	Non tradable	Year	20	0.91	18.18
	Energy service	Non tradable	Month	10	0.91	9.09
	Technical assistance	Non tradable	Year	50	0.91	45.45
	Other operative costs	Non tradable	Year	1	0.91	0.91
	Depreciation	Non tradable	Year	1	0.91	0.91
	Financial cost	Non tradable	Year	1	0.91	0.91

1. Financial and Economic Prices						
A. Cattle						
Description		Good/service	Unit	Cattle		
				Financial Prices @ Design 2025	CF	Economic Prices \$USD
Outputs	Animal product					
	Cattle (Liveweight)	Non tradable	Kg	3.00	0.91	2.73
	Cattle manure	Non tradable	Kg	0.01	0.91	0.01
OUTFLOW						
	I. Variable costs					
	Ia. Inputs					
	Calf for fattening (6 month)	Non tradable	Kg	2.50	0.91	2.27
	Fresh forage	Non tradable	Kg	0.03	0.91	0.03
	Rice straw	Non tradable	Kg	0.01	0.91	0.01
	Cattle (vaccinated)	Non tradable	Unit	2.50	0.91	2.27
	Commercial feed	Non tradable	kg	0.50	0.91	0.45
	Local feed	Non tradable	kg	0.30	0.91	0.27
	Ib. Equipment and materials					
	Cleaning kits	Non tradable	unit	5.0	0.91	4.55
	Feeder	Non tradable	unit	4.0	0.91	3.64
	Drinking fountain	Non tradable	Unit	4.0	0.91	3.64
	Bags (50 kg)	Non tradable	Units	0.5	0.91	0.45
	Fuel	Non tradable	lt	0.9	0.91	0.82
	Rope (20 meters)	Non tradable	Roll	1.5	0.91	1.36
	Transport (per tonn = 1000 kg)	Non tradable	Ton	12.0	0.91	10.91
	Ic. Labour					
	Feeding	Non tradable	pers-day	7	0.80	5.60
	Cleaning pens	Non tradable	pers-day	7	0.80	5.60
	Maintenance /repair	Non tradable	pers-day	7	0.80	5.60
	Marketing process	Non tradable	pers-day	7	0.80	5.60
	II. Fix cost					
	Land rent	Non tradable	Year	50	0.91	45.45
	Land property taxes	Non tradable	Year	5	0.91	4.55
	Water service - Drinking water	Non tradable	Month	3	0.91	2.73
	Water service - Irrigation fee	Non tradable	Year	20	0.91	18.18
	Energy service	Non tradable	Month	10	0.91	9.09
	Technical assistance	Non tradable	Year	50	0.91	45.45
	Other operative costs	Non tradable	Year	1	0.91	0.91
	Depreciation	Non tradable	Year	0	0.91	-
	Financial cost	Non tradable	Year	0	0.91	-

1. Financial and Economic Prices						
A. Beekeeping				Cattle		
Description		Good/service	Unit	Financial Prices @	CF	Economic
				Design		Prices
				2025		\$USD
Outputs	Animal product					
	Honey	Non tradable	Kg	4.00	0.91	3.64
	OUTFLOW					
	I.Variable costs					
	la. Inputs					
	Stamped wax (1.5kg/box)	Non tradable	Kg	8.00	0.91	7.27
	Kit veterinary	Non tradable	Kg	10.00	0.91	9.09
	Sugar (maintenance feed) 4 times/year 1 kg/colony	Non tradable	Kg	0.40	0.91	0.36
	lb. Equipment and materials					
	Kit material	Non tradable	unit	30.00	0.91	27.27
	Honey jar (1 kg/jar)	Non tradable	unit	0.20	0.91	0.18
	lc. Servicios					
	Transport (per tonn = 1000 kg)	Non tradable	unit	12.0	0.91	10.91
	lc. Labour				0.91	-
	Feeding	Non tradable	pers-day	7.0	0.80	5.60
	Harvest	Non tradable	pers-day	7.0	0.80	5.60
	Maintenance /repair/monitoring	Non tradable	pers-day	7.0	0.80	5.60
	Marketing process	Non tradable	pers-day	7.0	0.80	5.60
	II. Fix cost					
	Land rent	Non tradable	Year	4	0.91	
	Land property taxes	Non tradable	Year	0.5	0.91	0.45
	Water service - Drinking water	Non tradable	Month	0.9	0.91	0.82
	Water service - Irrigation fee	Non tradable	Year	1.5	0.91	1.36
	Energy service	Non tradable	Month	12	0.91	10.91
	Technical assistance	Non tradable	Year	0	0.91	
	Other operative costs	Non tradable	Year	7	0.91	6.36
	Depreciation	Non tradable	Year	0	0.91	-
	Financial cost	Non tradable	Year	0	0.91	-

Prices – Fisheries and Aquaculture

1. Financial and Economic Prices										
A. Fish - african cat fish			african cat fish				Tilapia			
Description		Good/service	Unit	Financial Prices @ Design	CF	Economic Prices	Unit	Financial Prices @ Design	CF	Economic Prices
				2025		\$USD		2025		\$USD
A. Outputs	Animal product									
	Fish	Non tradable	Kg	2	0.91	1.82	Kg	2.5	0.91	2.27
B. Outflow										
	I.Variable costs									
	la. Inputs									
	Fingerlings	Non tradable	Unit	0.050	0.91	0.05	Unit	0.05	0.909	0.05
	Feed	Non tradable	Kg	0.7	0.91	0.59	Kg	0.6	0.909	0.55
	Probiotics	Non tradable	Kg	2.5	0.91	2.27	Kg	8	0.909	7.27
	lb. Equipment and materials									
	Basic equipment (nets, tools)	Non tradable	unit	30	0.91	27.27	unit	30	0.9	27.00
	Fish harvesting trays (15 kg)	Non tradable	Units	4	0.91	3.64	Units	4	0.9	3.60
	Bags (1kg)	Non tradable	Units	0.03	0.91	0.03	Units	0.03	0.9	0.03
	Transport (per tonn = 1000 kg)	Non tradable	Ton	12	0.91	10.91	Ton	12	0.9	10.80
	lc. Labour									
	Feeding	Non tradable	pers-day	7	0.8	5.60	pers-day	7	0.8	5.60
	Cleaning ponds	Non tradable	pers-day	7	0.8	5.60	pers-day	7	0.8	5.60
	Harvest	Non tradable	pers-day	7	0.8	5.60	pers-day	7	0.8	5.60
	Maintenance /repair	Non tradable	pers-day	7	0.8	5.60	pers-day	7	0.8	5.60
	Marketing process	Non tradable	pers-day	7	0.8	5.60	pers-day	7	0.8	5.60
	II. Fix cost									
	Land rent	Non tradable	Year	50	0.91	45.45	Year	50	0.9	45.00
	Land property taxes	Non tradable	Year	5	0.91	4.55	Year	5	0.9	4.50
	Water service - Drinking water	Non tradable	Month	3	0.91	2.73	Month	3	0.9	2.70
	Water service - Irrigation fee	Non tradable	Year	20	0.91	18.18	Year	20	0.9	18.00
	Energy service	Non tradable	Month	10	0.91	9.09	Month	10	0.9	9.00
	Technical assistance	Non tradable	Year	50	0.91	45.45	Year	50	0.9	45.00
	Other operative costs	Non tradable	Year	1	0.91	0.91	Year	1	0.9	0.90
	Depreciation	Non tradable	Year	0	0.91	-	Year	0	0.9	-
	Financial cost	Non tradable	Year	0	0.91	-	Year	0	0.9	-

1. Financial and Economic Prices						
B. Shrimp			Shrimp			
Description	Good/service	Unit	Financial Prices @ Design	CF	Economic Prices	
			2025		\$USD	
A. Outputs	Animal product					
	Shrimp	Non tradable	Kg	4.5	0.91	4.09
B. Outflow						
	I. Variable costs					
	la. Inputs					
	Fingerlings	Non tradable	Unit	0.01	0.909	0.01
	Feed	Non tradable	Kg	0.60	0.909	0.55
	Probiotics	Non tradable	Kg	10.00	0.909	9.09
	lb. Equipment and materials					
	Basic equipment (nets, tools)	Non tradable	unit	30	0.909	27.27
	Srimp harvesting trays (15 kg)	Non tradable	Units	4	0.909	3.64
	Bags (1kg)	Non tradable	Units	0.03	0.909	0.03
	Transport (per tonn = 1000 kg)	Non tradable	Ton	12	0.909	10.91
	lc. Labour					
	Feeding	Non tradable	pers-day	7	0.8	5.60
	Cleaning ponds	Non tradable	pers-day	7	0.8	5.60
	Harvest	Non tradable	pers-day	7	0.8	5.60
	Maintenance /repair	Non tradable	pers-day	7	0.8	5.60
	Marketing process	Non tradable	pers-day	7	0.8	5.60
	II. Fix cost					
	Land rent	Non tradable	Year	50	0.909	45.45
	Land property taxes	Non tradable	Year	5	0.909	4.55
	Water service - Drinking water	Non tradable	Month	3	0.909	2.73
	Water service - Irrigation fee	Non tradable	Year	20	0.909	18.18
	Energy service	Non tradable	Month	10	0.909	9.09
	Technical assistance	Non tradable	Year	50	0.909	45.45
	Other operative costs	Non tradable	Year	1	0.909	0.91
	Depreciation	Non tradable	Year	0	0.909	-
	Financial cost	Non tradable	Year	0	0.909	-

Prices – Mushroom

1. Financial and Economic Prices				Oyster mushroom		
Description		Good/service	Unit	Financial Prices @ Design	CF	Economic Prices
				2025		\$USD
Outputs	Crops					
	Fresh mushroom - Farm gate price	Non tradable	Kg	5.5	0.91	5.00
	Dried mushroom - Market price (farmer to primary aggregator)	Non tradable	Kg	10	0.91	9.09
	Processed mushroom - Market price (aggregator to wholesale market)	Non tradable	Kg	14	0.91	12.73
OUTFLOW						
	I.Variable costs					
	Ia. Inputs					
	Ready-inoculated bags	Non tradable	kg	0.4	0.91	0.36
	Disinfection product kit	Non tradable	Kit	5	0.91	4.55
	Ib. Equipment and materials					
	Sprayers & watering equipment	Non tradable	Unit	10	0.91	9.09
	Racks / shelving	Non tradable	Unit	20	0.91	18.18
	Solar dryer (optional)	Non tradable	Unit	80	0.91	72.73
	Cleaning kit (gloves, boots, brush)	Non tradable	Unit	8	0.91	7.27
	Knives	Non tradable	Unit	2	0.91	1.82
	Trays	Non tradable	Unit	4	0.91	3.64
	Baskets	Non tradable	Unit	3	0.91	2.73
	Bags (1 kg)	Non tradable	Unit	0.03	0.91	0.03
	Threads	Non tradable	Rolls	1	0.91	0.91
	Ic. Labour					
	Installing inoculated bags	Non tradable	pers-day	7	0.8	5.60
	Cleaning and humidification	Non tradable	pers-day	7	0.8	5.60
	Harvesting	Non tradable	pers-day	7	0.8	5.60
	Drying	Non tradable	pers-day	7	0.8	5.60
	Packing	Non tradable	pers-day	7	0.8	5.60
	Transport	Non tradable	pers-day	7	0.8	5.60
	Id. Service					
	Transport service	Non tradable	Ton	12	0.91	10.91
	II. Fix cost					
	Land rent	Non tradable	Year	50	0.91	45.45
	Land property taxes	Non tradable	Year	5	0.91	4.55
	Water service - Drinking water	Non tradable	Month	3	0.91	2.73
	Water service - Irrigation fee	Non tradable	Year	20	0.91	18.18
	Energy service	Non tradable	Month	10	0.91	9.09
	Technical assistance	Non tradable	Year	50	0.91	45.45
	Other operative costs	Non tradable	Year	1	0.91	0.91
	Depreciation	Non tradable	Year	0	0.91	-
	Financial cost	Non tradable	Year	0	0.91	-

Table D. Beneficiary adoption rates and phasing

Beneficiary - Tables												
Province	Beneficiaries	Main objctive	Model	Value chain stage	Production cycle	Modality	Number Pos	Beneficiaries/Pos	Total beneficiaries	Ha/beneficiary	Total has	Adoption rate (%)
Component 1												
Province 1 and 2	Cooperatives	Export and domestic market	Rice (+ improved roads)	Primary production	Dry and wet season	Maching grant (block grant)	10	87	873	4.0	3487.1768	85%
	APG			Primary production	Dry and wet season	Maching grant (block grant)	10	70	700	4.0	2796.1326	85%
	SME			Collection and processing	Dry and wet season	Maching grant (block grant)	44	1	44	4.0	175.756906	85%
	Cooperatives			Primary production/postcosecha	Dry season	Maching grant (block grant)	7	87	611	1.4	873	85%
Province 1 and 2	APG	Export and domestic market	Vegetable: Chili, Cabbage, Chinese onion, cucumber (+ improved roads)	Primary production/postcosecha	Dry season	Maching grant (block grant)	7	70	490	1.4	700	85%
	SME			Primary production/postcosecha	Dry season	Maching grant (block grant)	24	1	24	1.4	34.2857143	85%
	Total							102		2742		8066.35201
Component 2												
Province 1 and 2	APG	Integrated system: Diversification of rice-based production system	A. Rice + Fish*Fruit (banana, papaya)	Primary production	Dry and wet	Maching grant (block grant)	10	282	2820	1.7	4794	75%
Province 1 and 3	APG	Integrated system: Diversification of rice-based production system	A. Rice + Shrimp*Fruit (banana, papaya)	Primary production	Dry and wet	Maching grant (block grant)	9	282	2538	1.7	4314.6	75%
Province 1 and 2	APG	Integrated system: Diversification of	B. Rice + Cattle (meat)	Primary production	Dry and wet	Maching grant (block grant)	8	282	2256	1.7	3835.2	75%
Province 1 and 2	APG	Rotation system: Diversification of rice-based production system	C. Rice ----> legume ----> Rice+fruit (banana, papaya)	Primary production	Dry and wet	Maching grant (block grant)	8	282	2252	1.7	3828.4	75%
Province 1 and 2	Vulnerable HHs	Food security and domestic market	D. Small greenhouses (chinese onion, cabbage, letucce)	Primary production	Dry and wet	Grant	340					
			E. Chicken (broiler)		Dry and wet	Grant	340	1	340	0.015	5.1	75%
Province 1 and 2	Vulnerable HHs	Food security and domestic market - New opportunities	F. Mushroom	Primary production	Dry and wet	Grant	340	1	340	0.015	5.1	75%
			G. Pig production		Dry and wet	Grant	340	1	340		0	75%
			H. Beekeeping		Dry and wet	Grant	340	1	340		0	75%

C. Phasing												
Total (%)				6.81%	23.78%	29.13%	16.04%	14.25%	6.81%			

Table E

E. 1 Economic cash flow – Overall project

ble

Aggregated farm model - Economic																									
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	20 Years	15 Years	10Years	
Incremental benefits		123,352	540,442	1,516,632	3,893,467	7,930,128	11,691,435	14,567,954	16,453,442	17,314,361	17,751,441	17,997,165	18,100,051	18,101,500	18,101,500	18,101,500	18,101,500	18,101,500	18,101,500	18,101,500	18,101,500	\$101,667,015	\$80,943,579	\$49,715,838	
2025		123,352	109,592	606,115	1,075,085	1,104,770	1,105,104	1,116,101	1,116,101	1,116,101	1,116,101	1,116,101	1,116,101	1,116,101	1,116,101	1,116,101	1,116,101	1,116,101	1,116,101	1,116,101	1,116,101				
2026	-	-	430,850	3,688,648	3,701,006	3,701,006	3,701,006	3,701,006	3,805,595	3,805,595	3,805,595	3,805,595	3,805,595	3,805,595	3,805,595	3,805,595	3,805,595	3,805,595	3,805,595	3,805,595	3,805,595				
2027	-	-	-	460,180	827,729	2,501,618	4,450,009	4,716,873	4,716,873	4,716,873	4,716,873	4,716,873	4,716,873	4,716,873	4,716,873	4,716,873	4,716,873	4,716,873	4,716,873	4,716,873	4,716,873				
2028	-	-	-	-	290,503	258,130	1,811,705	2,072,406	3,050,482	3,050,482	3,242,387	3,242,387	3,242,387	3,242,387	3,242,387	3,242,387	3,242,387	3,242,387	3,242,387	3,242,387	3,242,387				
2029	-	-	-	-	-	258,121	229,327	1,702,389	2,051,002	2,088,340	2,089,053	2,124,500	2,124,500	2,124,500	2,124,500	2,124,500	2,124,500	2,124,500	2,124,500	2,124,500	2,124,500				
2030	-	-	-	-	-	125,325	109,596	826,666	1,127,700	1,262,093	1,262,093	1,262,093	1,262,093	1,262,093	1,262,093	1,262,093	1,262,093	1,262,093	1,262,093	1,262,093	1,262,093				
2031	-	-	-	-	-	-	-	57,511	79,368	301,025	510,423	524,048	524,048	524,048	525,568	525,568	525,568	525,568	525,568	525,568	525,568				
2032	-	-	-	-	-	-	-	-	11,969,786	12,295,024	12,367,003	12,371,619	12,370,524	12,367,267	12,363,980	12,360,694	12,357,408	12,354,121	12,350,835	12,347,548	12,344,262	\$80,133,235	\$65,992,127	\$44,627,687	
2025	552,666	2,202,598	3,864,750	5,346,989	8,149,885	9,979,707	11,383,286	11,969,786	12,295,024	12,367,003	12,371,619	12,370,524	12,367,267	12,363,980	12,360,694	12,357,408	12,354,121	12,350,835	12,347,548	12,344,262		\$80,133,235	\$65,992,127	\$44,627,687	
2026	-	272,221	806,972	783,584	783,584	783,584	783,584	783,584	783,584	783,584	783,584	783,584	783,584	783,584	783,584	783,584	783,584	783,584	783,584	783,584	783,584				
2027	-	-	1,930,377	839,344	2,182,203	2,052,139	2,052,139	2,052,139	2,052,139	2,052,139	2,052,139	2,052,139	2,052,139	2,052,139	2,052,139	2,052,139	2,052,139	2,052,139	2,052,139	2,052,139	2,052,139				
2028	-	-	-	2,384,433	2,190,824	2,786,603	2,215,539	2,290,023	2,290,244	2,290,244	2,290,244	2,290,244	2,290,244	2,290,244	2,290,244	2,290,244	2,290,244	2,290,244	2,290,244	2,290,244	2,290,244				
2029	-	-	-	-	1,095,824	1,091,828	1,095,431	2,187,289	2,188,585	2,188,585	2,201,513	2,200,988	2,200,988	2,200,988	2,200,988	2,200,988	2,200,988	2,200,988	2,200,988	2,200,988	2,200,988				
2030	-	-	-	-	-	-	-	1,155,400	1,049,240	1,049,240	1,111,509	1,111,509	1,111,509	1,111,509	1,111,509	1,111,509	1,111,509	1,111,509	1,111,509	1,111,509					
2031	-	-	-	-	-	-	-	-	427,440	882,362	880,595	1,007,481	1,007,481	1,007,481	1,007,481	1,007,481	1,007,481	1,007,481	1,007,481	1,007,481	1,007,481				
2032	-	-	-	-	-	-	-	-	25,671	134,857	313,853	362,209	370,812	370,711	370,636	370,532	370,427	370,323	370,219	370,114	370,010	\$4,247,088	\$4,247,088	\$4,247,088	
Direct investment		327,749	1,282,396	1,906,462	1,030,211	368,000	299,642	187,912																	
2026	-	327,749																							
2027	-	-	1,282,396																						
2028	-	-	-	1,906,462																					
2029	-	-	-	-	1,030,211																				
2030	-	-	-	-	-	368,000																			
2031	-	-	-	-	-	-	299,642																		
2032	-	-	-	-	-	-	-	187,912																	
Project operating cost		375,064	380,109	364,923	399,781	368,471	351,563	160,669																	
2026	-	375,064																							
2027	-	-	380,109																						
2028	-	-	-	364,923																					
2029	-	-	-	-	399,781																				
2030	-	-	-	-	-	368,471																			
2031	-	-	-	-	-	-	351,563																		
2032	-	-	-	-	-	-	-	160,669																	
Incremental cash flow		- 1,152,127.09	- 3,324,660.84	- 4,619,502.86	- 2,883,513.54	-	- 956,227.67	- 1,060,522.21	- 2,816,086.41	- 4,483,555.78	- 5,021,336.71	- 5,389,438.02	- 5,625,546.34	- 5,729,527.56	- 5,734,233.31	- 5,737,519.67	- 5,740,806.04	- 5,744,092.41	- 5,747,378.78	- 5,750,665.15	- 5,753,951.51	- 5,757,237.88	\$15,591,028	\$6,007,700	(\$855,401)
Aggregated cash flow		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		20years	15years	10years																					
NPV		\$15,591,028	\$6,007,700	\$855,401																					
FIRR		20.374%	17.666%	6.89%																					
B/C		\$1.18	\$1.13	\$0.99																					
Payback period		11.66	11.66	11.66																					
Switching value - benefit		-15%	-11%	-2%																					
Switching value - cost		19%	24%	-2%																					

E.2 Economic cash flow - Component 1

Aggregated farm model - Economic																								
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	20 Years	15 Years	10Years
Incremental benefits				154,752	942,326	2,712,125	4,849,252	6,350,561	7,737,393	8,255,383	8,606,214	8,846,041	8,947,624	8,948,466	8,948,466	8,948,466	8,948,466	8,948,466	8,948,466	8,948,466	8,948,466	\$46,624,656	\$36,379,543	\$20,962,843
2026	-	-	-	154,752	459,887	482,794	483,120	492,818	492,818	492,818	492,818	492,818	492,818	492,818	492,818	492,818	492,818	492,818	492,818	492,818	492,818			
2027	-	-	-	-	482,429	1,539,748	1,618,541	1,618,867	1,628,565	1,628,565	1,628,565	1,628,565	1,628,565	1,628,565	1,628,565	1,628,565	1,628,565	1,628,565	1,628,565	1,628,565				
2028	-	-	-	-	-	899,583	2,007,617	2,009,368	2,152,359	2,152,359	2,152,359	2,152,359	2,152,359	2,152,359	2,152,359	2,152,359	2,152,359	2,152,359	2,152,359	2,152,359				
2029	-	-	-	-	-	-	748,555	1,623,571	1,685,394	1,691,538	1,774,211	1,774,211	1,774,211	1,774,211	1,774,211	1,774,211	1,774,211	1,774,211	1,774,211	1,774,211				
2030	-	-	-	-	-	-	-	1,262,514	1,566,622	1,594,421	1,620,337	1,620,337	1,620,337	1,620,337	1,620,337	1,620,337	1,620,337	1,620,337	1,620,337	1,620,337				
2031	-	-	-	-	-	-	-	-	974,431	712,735	740,293	740,293	740,293	740,293	740,293	740,293	740,293	740,293	740,293	740,293				
2032	-	-	-	-	-	-	-	-	-	67,270	60,584	223,607	234,102	234,130	234,973	234,973	234,973	234,973	234,973	234,973				
Incremental cost		227,970	866,053	1,335,641	1,765,812	3,173,061	4,369,605	5,251,112	5,655,504	5,868,793	5,938,401	5,951,227	5,953,393	5,953,411	5,953,411	5,953,411	5,953,411	5,953,411	5,953,411	5,953,411		\$36,416,493	\$29,600,424	\$19,316,814
2026	227,970		69,700	228,048	328,788	345,394	345,426	345,632	345,632	345,632	345,632	345,632	345,632	345,632	345,632	345,632	345,632	345,632	345,632	345,632				
2027	-	-	796,263	122,393	1,621,792	1,679,639	1,679,639	1,679,639	1,679,639	1,679,639	1,679,639	1,679,639	1,679,639	1,679,639	1,679,639	1,679,639	1,679,639	1,679,639	1,679,639	1,679,639				
2028	-	-	-	253,778	975,308	975,308	1,415,032	1,415,032	1,415,032	1,415,032	1,415,032	1,415,032	1,415,032	1,415,032	1,415,032	1,415,032	1,415,032	1,415,032	1,415,032	1,415,032				
2029	-	-	-	-	676,962	676,962	1,191,586	1,191,586	1,191,586	1,191,586	1,191,586	1,191,586	1,191,586	1,191,586	1,191,586	1,191,586	1,191,586	1,191,586	1,191,586	1,191,586				
2030	-	-	-	-	-	477,639	1,380,467	1,380,467	1,380,467	1,380,467	1,380,467	1,380,467	1,380,467	1,380,467	1,380,467	1,380,467	1,380,467	1,380,467	1,380,467	1,380,467				
2031	-	-	-	-	-	-	227,920	235,063	448,532	951,334	569,603	569,932	572,096	572,096	572,096	572,096	572,096	572,096	572,096	572,096				
2032	-	-	-	-	-	-	-	106,287	40,477	112,010	158,928	166,613	166,613	166,613	166,613	166,613	166,613	166,613	166,613	166,613				
Indirect investment		279,406	1,056,955	1,681,021	896,138	253,604	234,441	139,569														\$3,501,788	\$3,501,788	\$3,501,788
2026	279,406																							
2027	-	-	1,056,955																					
2028	-	-	-	1,681,021																				
2029	-	-	-	-	896,138																			
2030	-	-	-	-	-	253,604																		
2031	-	-	-	-	-	-	234,441																	
2032	-	-	-	-	-	-	-	139,569																
Project operating cost		157,673	159,794	153,410	168,064	154,902	147,794	67,544														\$752,413	\$639,831	\$639,831
2026	157,673																							
2027	-	-	159,794																					
2028	-	-	-	153,410																				
2029	-	-	-	-	168,064																			
2030	-	-	-	-	-	154,902																		
2031	-	-	-	-	-	-	147,794																	
2032	-	-	-	-	-	-	-	67,544																
Incremental cash flow		- 665,049.19	- 2,082,802.45	- 3,015,319.64	- 1,887,688.44	- 869,442.02	- 97,412.12	- 1,092,336.03	- 2,081,880.27	- 2,386,592.66	- 2,667,812.91	- 2,894,814.10	- 2,994,230.92	- 2,995,055.71	- 2,995,055.71	- 2,995,055.71	- 2,995,055.71	- 2,995,055.71	- 2,995,055.71	- 2,995,055.71		\$5,953,963	\$2,524,919	(\$2,608,171)
Aggregated cash flow		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		20years	15years	10years																				
NPV		\$5,953,963	\$2,524,919	(\$2,608,171)																				
FIRR		15.105%	13.020%	6.48%																				
B/C		\$1.15	\$1.08	\$0.89																				
Payback period		10.07	10.07	10.07																				
Sensitivity value - benefits		12%	-7%	-																				
Sensitivity value - cost		18%	0%	-15%																				

E.2 Economic cash flow - Component 2

Aggregated farm model - Economic																								
Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	20 Years	15 Years	20 Years
Incremental benefits		123,352	540,442	1,361,880	2,951,141	5,218,003	6,842,183	8,017,393	8,716,050	9,058,978	9,145,227	9,151,124	9,152,427	9,153,034	9,153,034	9,153,034	9,153,034	9,153,034	9,153,034	9,153,034	9,153,034	\$55,042,359	\$44,563,036	\$28,752,195
2026		123,352	540,442	1,361,880	2,951,141	5,218,003	6,842,183	8,017,393	8,716,050	9,058,978	9,145,227	9,151,124	9,152,427	9,153,034	9,153,034	9,153,034	9,153,034	9,153,034	9,153,034	9,153,034	9,153,034			
2027		-	159,562	451,363	615,178	621,976	621,983	623,283	623,283	623,283	623,283	623,283	623,283	623,283	623,283	623,283	623,283	623,283	623,283	623,283	623,283			
2028		-	430,850	1,576,541	2,148,721	2,172,465	2,172,469	2,172,469	2,172,469	2,172,469	2,172,469	2,172,469	2,172,469	2,172,469	2,172,469	2,172,469	2,172,469	2,172,469	2,172,469	2,172,469	2,172,469			
2029		-	-	382,788	1,581,025	2,660,956	2,660,956	2,660,956	2,660,956	2,660,956	2,660,956	2,660,956	2,660,956	2,660,956	2,660,956	2,660,956	2,660,956	2,660,956	2,660,956	2,660,956	2,660,956			
2030		-	-	-	527,729	1,488,604	1,488,604	1,488,604	1,488,604	1,488,604	1,488,604	1,488,604	1,488,604	1,488,604	1,488,604	1,488,604	1,488,604	1,488,604	1,488,604	1,488,604	1,488,604			
2031		-	-	-	-	258,150	229,327	944,501	1,287,263	1,405,514	1,468,176	1,468,176	1,468,176	1,468,176	1,468,176	1,468,176	1,468,176	1,468,176	1,468,176	1,468,176	1,468,176			
2032		-	-	-	-	-	258,121	229,327	944,501	1,287,263	1,405,514	1,468,176	1,468,176	1,468,176	1,468,176	1,468,176	1,468,176	1,468,176	1,468,176	1,468,176	1,468,176			
Incremental cost		324,696	1,336,545	2,529,109	3,581,176	4,976,824	5,610,102	6,132,174	6,314,282	6,424,234	6,433,602	6,420,392	6,417,131	6,413,856	6,410,570	6,407,283	6,403,997	6,400,711	6,397,424	6,394,138	6,390,851			
2026		324,696	202,431	432,924	438,157	437,984	437,761	437,562	437,338	437,114	436,890	436,667	436,443	436,219	435,995	435,772	435,548	435,324	435,100	434,876	434,653			
2027		-	1,134,114	707,060	1,512,134	1,530,412	1,529,809	1,529,020	1,528,334	1,527,553	1,526,771	1,525,989	1,525,208	1,524,426	1,523,645	1,522,863	1,522,081	1,521,300	1,520,518	1,519,736	1,518,955			
2028		-	-	3,389,126	886,046	1,852,147	1,874,534	1,873,786	1,872,840	1,871,990	1,871,032	1,870,076	1,869,117	1,868,160	1,867,202	1,866,245	1,865,288	1,864,330	1,863,373	1,862,415	1,861,458			
2029		-	-	-	794,839	-470,837	1,619,774	1,032,101	1,031,094	1,031,108	1,030,700	1,029,943	1,029,043	1,028,091	1,027,097	1,026,004	1,024,951	1,023,857	1,022,710	1,021,518	1,020,276			
2030		-	-	-	-	679,444	423,597	905,915	916,865	916,037	915,621	915,153	914,684	914,216	913,748	913,279	912,811	912,343	911,875	911,406	910,939			
2031		-	-	-	-	-	324,628	202,387	432,829	437,889	438,061	437,665	437,440	437,214	436,989	436,765	436,541	436,316	436,091	435,866	435,641			
2032		-	-	-	-	-	-	151,384	94,380	201,843	204,283	204,202	204,098	204,006	203,901	203,797	203,693	203,588	203,484	203,380	203,275			
Direct investment (including road)		48,343	225,441	225,441	134,073	114,396	65,202	48,343	-	-	-	-	-	-	-	-	-	-	-	-	-			
2026		48,343																						
2027		-	225,441																					
2028		-	-	225,441																				
2029		-	-	-	134,073																			
2030		-	-	-	-	114,396																		
2031		-	-	-	-	-	65,202																	
2032		-	-	-	-	-	-	48,343																
Project operating cost		217,391	220,315	211,513	231,717	213,569	203,770	93,125	-	-	-	-	-	-	-	-	-	-	-	-	-			
2026		217,391																						
2027		-	220,315																					
2028		-	-	211,513																				
2029		-	-	-	231,717																			
2030		-	-	-	-	213,569																		
2031		-	-	-	-	-	203,770																	
2032		-	-	-	-	-	-	93,125																
Incremental cash flow		- 467,077.89	- 1,241,858.40	- 1,604,183.22	- 995,825.10	- 86,785.63	963,110.09	1,743,750.57	2,401,767.51	2,634,744.04	2,721,625.11	2,730,732.16	2,735,296.63	2,739,177.60	2,742,463.96	2,745,750.33	2,749,036.70	2,752,323.07	2,755,609.44	2,758,895.80	2,762,182.17			
Aggregated cash flow		- 467,077.89	(1,708,008.29)	(3,313,119.51)	(4,308,944.61)	(4,395,730.29)	(3,432,620.18)	(1,688,869.59)	712,897.92	3,547,641.97	6,069,267.08	8,799,999.34	11,535,295.87	14,274,473.47	17,016,937.43	19,762,687.77	22,511,724.47	25,264,047.53	28,019,856.97	30,778,552.78	33,540,734.95			
		20 Years	15 Years	20Years																				
NPV		\$9,637,066	\$6,482,781	\$1,752,770																				

Table F
Sensitivity analysis

Variables	Δ%	Overall project		Risk analysis
		IRR (%)	NPV (USD M)	
Base scenario	0%	20.37%	15.59	Based scenario
Project benefits	-10%	13.11%	1.06	Combination of risks affecting output prices, yields and adoption rates
Project benefits	-20%	-3.88%	-4.74	
Project costs	10%	14.44%	7.58	Increase of construction material prices
Project costs	20%	8.22%	-0.44	
Combined effect 1: 10% decrease in benefits and 10% increase in costs.	-10%/+5%	9.79%	1.42	Combined effect of increases in product and input prices due to factors such as rising inflation.
Combined effect 2: 10% increase in benefits and 5% increase in costs.	+5%/5%	23.92%	21.75	Combined effect of a decrease in product prices and an increase in input prices due to factors such as reduced demand and rising inflation.
One-year lag in benefit generation		20.18%	15.48	Project implementation delays
two-year lag in benefit generation		19.52%	15.02	
Adoption rate - Small-medium scale farmers (60%)		19.33%	13.35	
Adoption rate – medium scale and larger farmers (70%)		19.76%	13.83	
Combined effect - Adoption rate - small-medium scale farmers (60%), Adoption rate – medium scale and larger farmers (70%)		18.61%	11.59	
Evaluation period (15 years)		17.97%	9.01	Uncertainty about the continuation of the activities supported by the project in the short, medium and/or long term
Excluding indirect project costs		23.06%	17.38	Return on direct investment in productive systems at the community and enterprise level
Social discount rate (6 percent)			24.06	Linked with political and economic stability and macroeconomic context
Social discount rate (10 percent)			12.10	

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Annex 5: SECAP Review Note

Mission Dates: 10-21 November 2025
Document Date: 26/05/2026
Project No. 2000005224
Report No. 7515-LA

Asia and the Pacific Division
Programme Management Department

The SECAP Review note should build on the preliminary note mentioned above, draw on the results of the screening exercise and be informed by the issues raised during the design mission, the stakeholders interviews, publicly available tools and dataset, and environmental, social or climate-related studies that inform on the characteristics of the project location. The SECAP review note includes the revised ESMP and should be attached to the Project Design Report, integrated in Draft Project Implementation Manual (PIM) and COSTAB and shall be submitted to Design Review Meeting (DRM) or IRC (for NSOs).

1. Introduction

1. The Linking Enterprises, Agriculture and Development for Green Growth (LEAD) Project will be implemented by the Ministry of Agriculture and Environment and represents a strategic shift in the IFAD's engagement in Lao PDR, moving from a predominately supply-driven, grant-based model toward a demand-driven, market-oriented and financially sustainable approach. Drawing on lessons from the 2025 Country Strategy and Programme Evaluation (CSPE), the 2018–2025 Country Strategic Opportunities Programme (COSOP) completion review, and performance insights from the Agriculture for Nutrition Project – Phase II (AFN-II) and the Partnerships for Irrigation and Commercialization of Smallholder Agriculture Project (PICSA), the project focuses on consolidating and graduating existing Agriculture Producer Groups (APGs) into commercially viable cooperatives. Importantly, LEAD places stronger emphasis on sustainable access to finance, blended financing instruments and risk-sharing mechanisms, enabling producer groups to transition from reliance on grants to gradually becoming investment-ready organizations capable of engaging with markets and financial institutions. Through territorial, multi-stakeholder prioritization, climate-resilient production and value-chain planning, the project aims to improve market integration, reduce post-harvest losses, and strengthen climate and market resilience. LEAD's focus on sustainable production, climate-resilient infrastructure, and inclusive value chain development aligns with Lao PDR's key policy frameworks, including the 10th National Socio-Economic Development Plan (2026-2030), Green Growth Strategy (2018-2030), 10th Five-Year Agriculture & Forestry and Rural Development Plan (2026-2030), National Adaptation Plan (2025-2035), Nationally Determined Contributions (NDC) 2021, and MSME Development Plan (2021-2025). These strategies prioritize transitioning from subsistence to market-oriented agriculture through enhanced productivity, agro-processing development, export diversification, and climate adaptation.
2. The **SECAP background study** serves as a linkage to understand the **gaps / challenges** that could be encountered while implementing LEAD; it sets the stage for the project on thematic topics of social, environmental, and climate change integration. The objective of the study is to provide insightful guidance for mainstreaming climate change, environmental concerns and social disparities. The study is based on interaction with multiple stakeholders at national, provincial and community levels and includes a previous desk review of available documents and published reports. The SECAP Review Note lists the SECAP Risks deemed critical for LEAD. The assessment draws from the World Bank's Climate Change Knowledge portal as well as the Country Risk Profile Report prepared by the World Bank and Asian Development Bank. In addition, the Note has been prepared following IFAD's SECAP 2021 Edition Volumes 1 and 2 and other relevant strategic documents.

2. Potential Social, Environmental and Climate risks and impacts of the project

3. Socioeconomic situation and underlying causes

4. The Lao PDR has an estimated population of 7.7 million (2023), with over 65% residing in rural areas^[41]. The population is youthful, with a median age of 24.5 years and 34% under 15 years old.^[42] Ethnic diversity is significant, comprising 50 officially recognized groups.^[43]
5. **Poverty:** The country has reduced poverty significantly over the last two decades, with the national poverty rate falling from 33% (2000) to 18% (2019)^[44]. However, rural poverty remains acute, affecting 23.8% of the population compared to 10% in urban areas^[45] and the gap continues to increase due to a differential pace in poverty reduction with rural and remote areas facing the most severe impacts. Poverty has a higher incidence in the South and Central Provinces, among ethnic groups and among households whose head has a low level of education. The gross national income (GNI) per capita in the Lao PDR was USD 2,560 in 2023 which places the country in the lower-middle-income category.^[46]
6. **Gender:** In 2023, 63.2% of labour force participation was by women, compared to 56% by men. Women shared 61% of unpaid work, while men shared 26%. Women constitute a major segment of the informal economy in Lao PDR, engaging in activities like agriculture, small-scale trade, and handicrafts. Lack of access to financial and social protection services have affected women's livelihoods, the capacity to earn income and the disparities in women's access to resources, particularly in rural areas, impeding women's economic empowerment. Access to finance is particularly poor for women in the agricultural sector as most women lack land ownership and titling, thus failing to provide collateral for formal credit. The economic effects since 2020 such as high inflation and a weak currency have further affected women's capacity to access education and healthcare for girls due to financial limitations, while restricted access to health services has influenced their overall well-being and capacity to engage in the workforce. In 2024, the Lao PDR was ranked 104th out of 146 countries by the Gender Inequality Index, which attributed this inequality to social norms and disparities in economic participation, education attainment, health and political empowerment.
7. **Youth:** Lao PDR has one of the youngest populations in the region with approximately 60% of its population under the age of 25 and 70% residing in rural areas^[47]. Youth are defined in the national context as individuals between the ages of 15 and 35. Projections show a rapid increase in working-age population and a falling dependency ratio. Thus, in the medium-term, Lao PDR is set to benefit from the "demographic dividend" to the economy. Despite this potential, young people in Lao PDR face persistent barriers to employment and participation in the labour market. Youth unemployment is a concern in Laos and many young people lack the skills and opportunities to secure decent jobs. Youth employment is dominated by low-productivity, unremunerated work in the agriculture sector, with almost three quarters of youth workers engaged in agriculture, half of whom (almost 51%) being non-wage family workers^[48]. Youth unemployment is high among all age groups, and underemployment—particularly in informal and subsistence work—disproportionately affects young rural women.
8. Youth migration is driven by a combination of factors, including limited employment opportunities and low wages, leading young people to seek work, particularly in neighbouring countries like Thailand. Young people also migrate internally within Laos, often from rural areas to urban centres, seeking better opportunities. Low wages and job insecurity are major drivers of youth migration, both internally within Laos and externally to other countries^[49]. Migration is highly gendered, with a significant proportion of emigrants being women, many of whom may find work through irregular channels, limiting their access to decent employment. Migrant workers send significant amounts of money back to Laos, which contributes to the national economy.^[100]
9. **Ethnic Groups:** Lao PDR is the most ethnically diverse country in Southeast Asia. As per the 2015 census, the population of Lao PDR comprises four main ethno-linguistic families: Lao-Tai (62.4%), Mon-Khmer (23.7%), Hmong-lu Mien (9.7%), and Sino-Tibetan (2.9%)^[111]. The four ethno-linguistic families are officially divided into 50 ethnic groups that include more than 200 ethnic subgroups^[12]. The Lao-Tai, with 8 sub-groups mostly made up of Lao people, are the dominant ethnicity and tend to live in the lowlands and do rice farming. With 33 sub-groups, the Mon-Khmer have the widest range of linguistic and cultural diversity. Originally, they were wet-rice farmers but were displaced and forced up the sides of the mountains by the migration of the Lao-Tai. The Hmong-Mien and the Chinese-Tibetan arrived fairly recently in the 19th century from China and today these two ethnolinguistic groups live on the mountains in the northern provinces of Laos. Together they make up a group of peoples composed of several ethnic subgroups – two distinct sub-groups among the Hmong-Mien and 7 among the Sino-Tibetan. Despite the ethno-linguistic diversity in the country, the official policy has been to consider all diverse groups as one nationality and this is formalised in the National Assembly's official Agreement 213 of November 2008. Lao PDR's constitution (1991) notes the need to incorporate the concerns of all ethnic groups in developing policy across sectors and reaffirms its intention to strengthen the rights of all ethnic groups (Article 8 and 22). Article 8 specifically states that all ethnic groups 'have the right to preserve their own traditions and culture' and forbids discrimination between ethnic groups^[13]. A national legislation relevant to the ethnic groups is the ethnic minority policy, Decree 207, which upholds the principle that all ethnic groups should have improved access to services and that all discrimination must be eradicated.
10. The majority of the ethnic groups inhabit the remote, mountainous and forested areas of Laos and practise more traditional ways of life with distinct sociocultural

differences; they experience marginalization. Traditionally, these communities practiced shifting cultivation or swidden (*hay kheuan nhai* or pioneering shifting cultivation clearing primary forests) complemented with harvesting of forest products from the fallows and regenerating young forests for food and income. This practice was prohibited by the government and communities encouraged to adopt a more environmentally benign form of cultivation (*hay moun vien* or rotational shifting cultivation) on allocated plots or within agreed areas without encroachment into new forest areas, although settled agriculture using 'improved, conservation-oriented farming' has been encouraged in the long term^[14]. A major policy thrust for managing shifting cultivation has been the Village Relocation and Consolidation Strategy of 1989 which encouraged the ethnic-linguistic groups inhabiting the uplands and mountain areas of Laos to move down to lowland areas where there are more economic opportunities, productive agriculture and better access to government services. The relocation policy, though well intended, has left upland communities deprived of access (and ownership) rights to their ancestral land, severely curtailing rights to few allocate plots thus posing a threat to traditional lifestyles. To facilitate transition to settled agriculture, improve economic opportunities and also prevent further deforestation, cash crop plantations, in particular, rubber has been strongly supported by the government.

11. **Persons with Disabilities:** Disability prevalence in Lao PDR varies significantly across data sources, with estimates ranging from 1.3 per cent to 12.7 per cent. The 2015 Population and Housing Census reported a prevalence of 2.77 per cent, with illness (44.7 per cent), congenital causes (18.95 per cent), and accidents (7.19 per cent) identified as leading causes. Persons with disabilities (PWDs) are among the most vulnerable population groups and experience higher poverty rates than the general population, accounting for 25.1 per cent of the poorest households, compared to 22.4 per cent among persons without disabilities. Disability prevalence is higher in remote rural areas without road access (3.3 per cent) and among poorer ethnic groups such as the Mon-Khmer (3.51 per cent), highlighting the compounded effects of poverty, rural isolation, and ethnicity on exclusion from development benefits.
12. Lao PDR ratified the Convention on the Rights of Persons with Disabilities (CRPD) in 2009. The principal domestic framework, Law No. 57 on Disabled Persons (2018), guarantees the rights of PWDs to independent living, education, healthcare, and employment, and disability-related policies are led by the Ministry of Labour and Social Welfare (MoLSW) and the National Committee for Disabled Persons and Elderly (NCDE). Despite this framework, access to services remains uneven. Literacy among PWDs is 52.9 per cent, compared to 86 per cent nationally, and 43.16 per cent of children with disabilities have never enrolled in primary school, mainly due to distance to schools, lack of assistive learning materials, and affordability constraints. PWDs also face widespread physical and financial barriers to healthcare, particularly in rural areas. Labour market exclusion is pronounced. Only 46.5 per cent of PWDs aged 10 and above are employed, compared to 68.4 per cent of persons without disabilities. PWDs are significantly more likely to be classified as "homemakers," reflecting disguised unemployment. In rural areas, livelihood options are largely limited to agriculture and manual labour, often without adaptive equipment or technical support, while discriminatory practices such as "good health" certification further restrict access to formal employment. Women with disabilities face compounded disadvantage, with an employment rate of 38.1 per cent compared to 54.9 per cent among men with disabilities, and youth with disabilities (15–24) are seven times more likely to be neither in employment, education, nor training.
13. In its 2022 concluding observations, the CRPD Committee highlighted high unemployment, precarious and low-wage work among persons with disabilities—particularly in rural areas—and recommended expanding access to inclusive vocational training, strengthening social protection and poverty reduction schemes, ensuring disability-inclusive implementation of the 2030 Agenda, and guaranteeing the active participation of persons with disabilities and their representative organizations in international cooperation programmes. The National Action Plan on Disability responds to these challenges by prioritizing persons with disabilities in rural and remote areas, strengthening community-based outreach, expanding access to assistive devices, and promoting inclusive livelihoods and job creation to reduce poverty and economic exclusion^[1].
14. ^[1] CRPD Concluding Observations, September 2022; UNCT Joint Submission September 2022; National Disability Action Plan (2026-2030)
15. **Nutrition:** Despite a robust food production in the country, food insecurity and malnutrition are persistent issues in Laos, especially in rural areas where poverty is more prevalent. Around 32.8% of children under the age of five in Lao PDR are stunted, as of 2022, indicating chronic malnutrition and its potential long-lasting effects on physical and cognitive development. While stunting among children under-two has dropped from 42% in 2012 to 25.4% in 2018, wasting among children below five years old has risen (from 5.1% in 2012 to 9% in 2018 to 10.7% in 2022). Remote rural areas and the poorest households face higher stunting rates than counterparts from urban areas and rich households. Women bear the brunt of increased care responsibilities due to malnutrition and health issues in their families, limiting their time and opportunities for economic and educational activities^[15]. Chronic malnutrition rates, particularly among children and pregnant women, are influenced by several interrelated factors such as poverty and economic challenges, geographic and ethnic disparities, health and nutrition practices, food insecurity and dietary practices, water, sanitation and hygiene (WASH) issues. Addressing these factors requires a comprehensive approach that includes improving economic conditions, enhancing access to healthcare and education, promoting better nutrition and WASH practices, and targeting interventions to the most affected regions and communities.
16. ^[1] Lao Statistics Bureau, *Population and Housing Census* (2023).
17. ^[2] UNFPA, *Lao PDR Demographic Profile* (2023).
18. ^[3] Lao Government, *Ethnic Groups Classification Report* (2015).
19. ^[4] World Bank, *Lao PDR Poverty Assessment* (2021).
20. ^[5] Lao Statistics Bureau, *Poverty and Consumption Report* (2020).
21. ^[6] World Bank, *GNI per Capita Data* (2023).
22. ^[7] FFTC Agricultural Policy Platform article 1340 Youth and Agri-entrepreneurship in Lao PDR <https://ap.fttc.org/tw/article/1340>
23. ^[8] FFTC Agricultural Policy Platform article 1340 Youth and Agri-entrepreneurship in Lao PDR <https://ap.fttc.org/tw/article/1340>
24. ^[9] International Organization for Migration (IOM) (2023). *Migration in the Lao People's Democratic Republic: A Country Profile 2023*. IOM, Geneva.
25. ^[10] *ibid*
26. ^[11] Lao Statistics Bureau, 2016
27. ^[12] Centre for Development Policy Research, Ministry of Planning and Investment
28. ^[13] Ethnic Groups Development Plan (EGDP) for scaling implementation of ER Programme (Ver 2) prepared by GIZ for submission to GCF, May 2022
29. ^[14] Kenney-Lazer, M (2013) *Shifting cultivation in Laos: Transitions in policy and perspective*. Report commissioned by the Secretariat of the Sector Working Group for Agriculture and Rural Development (SWG-ARD), Clark University, USA
30. ^[15] Voluntary National Review On the implementation of the 2030 Agenda on Sustainable Development, Lao PDR, 2024
31. The section below summarizes the potential SECAP risks and impacts of the project, analyzed through the lens of the nine standards. It contextualizes these risks and impacts using country-specific data and information from Lao PDR.

2.1 Biodiversity conservation

32. Potential risks could arise from habitat degradation due to establishment of new agriculture plots (vegetable gardens). Potential risks could also arise due to the introduction of aggressive exotic species of fishes (eg African catfish) in aquaculture interventions. If project villages are selected in the fringes of Protected areas, human-wildlife conflicts may emerge due to possible increases in crop depredation by wildlife. Further, construction of new farm roads could lead to habitat degradation and the removal of arboreal species. However, this is expected to be negligible to low given mitigation measures in place.
33. Risks related to biodiversity as a consequence of project interventions are assessed to be **moderate**.

2.2 Resource efficiency and pollution prevention

34. The risks arise from the potential increased use of agricultural chemical inputs, particularly in regard to soil fertility enhancement, weed and pest control. The use of such inputs could result in soil contamination and water pollution - to vary extent - unless regenerative agricultural practices based on sound agro-ecological approaches are adopted or well-defined preventive measures are put in place. Animal waste generated in slaughter houses and improper waste management pose risks of air pollution, contamination of surface water and soil, and spread of zoonotic diseases and health issues. Land development activities can potentially lead to incidences of soil erosion.
35. Risks under this standard are assessed to be **moderate**.

2.3 Cultural heritage

36. Project activities will not be conducted in sites/locations with any cultural heritage or artifacts, nor will any activity impinge on intangible cultural heritage. The project will avoid any project activities that potentially affect the known tangible cultural heritages, and also anticipate, based on proposed project activities, the way project activities are carried out, and implementation results does not affect any intangible cultural heritage, particularly with the cultural norms and farming traditions of the ethnic groups present in the project area.
37. **Risks** related to cultural heritage are rated **low**.

2.4 Indigenous peoples

38. Lao PDR has a rich diversity of ethnic communities distributed throughout the country. The country recognises this diversity and has framed necessary legislations (Decree 207) to protect the cultural heritage and practices of ethnic groups. Lao PDR is also a signatory to UNDRIP. Within two project provinces of Khammouane and Savannakhet, the combined population is 1,438,845, of which about 127,342 people (9 percent) are from Mon-Khmer ethno-linguistic families (which comprises of 33 small ethnic groups).
39. Due to the low population of ethnic groups in the two project provinces, a Free, Prior Informed Consent Implementation (FPIC) Plan and a Stakeholder Engagement Plan (SEP), including a Grievance Redress Mechanism (GRM), will be formulated as required. The FPIC Implementation Plan and the SEP will integrate elements required for an Indigenous People Plan. Thus, a stand-alone IP Plan is not prepared.
40. The risks for this standard is rated **low**.

2.5 Labour and working conditions

41. The project plans to bring about benefit to an estimated 76,765 people – through support in improving crop production, value chains, rehabilitation of about 150 km of farm road, and improved use of infrastructure such as collection points, storage facilities, access to irrigation, and so forth. In Laos, about 23 percent of children (aged 5-17) are involved in child labor (Lao Social Indicator Survey 2023). In agriculture alone, up to 88% of child labor (14–17) are involved in agriculture, forestry and fishing. Farmers are commonly exposed to the risks related to pesticides & agrochemicals, and other physical risks related to injury due to improper use of farming equipment and tools, and other environmental hazards due to possible contact with snakes, insects, and other wildlife.
42. The risks under this standard are rated **Moderate**.

2.6 Community health and safety

43. In agricultural production, risks arise hazardous agro-chemicals (pesticides, herbicides, rodenticide) due to lack of proper use, management, and disposal of these agri-chemicals (associated with crop production). Risks is also foreseen for unintended introduction and spread of zoonotic diseases, particularly parasites in case of interventions promoting livestock products. Improper disposal of animal waste in slaughter houses could also pose risk of contamination and health issues. The risks of water borne diseases and the spread of vector borne diseases (such as malaria and dengue) can potentially increase in cases where irrigation and water harvesting interventions are introduced and results in stagnation. Additionally, improper storage of agricultural produces and use of pest-control chemicals in processing facilities could potentially lead to contamination and product deterioration raising health concerns.
44. During infrastructure improvement, community members are exposed to the risk related to road safety and other physical injury risks due to rehabilitation of 150km of farm roads and possibly the installation of water harvesting facilities, and irrigation system (e.g., canal upgrading, drip irrigation, and construction of post-harvest facilities. Laos is widely known for having a serious unexploded ordnance (UXO) risk. Under this project, the risk of Unexploded Ordnance (UXO) is identified as associated with physical activities that involve earth excavation (typically associated with rehabilitation of 150km of farmer roads and installation/ construction of other small-scale infrastructure such as irrigation canal, water harvesting, post-harvest facilities).
45. The risks under this standard are presently perceived as **Moderate**.

2.7 Physical and economic resettlement

46. Project interventions will mainly involve the rehabilitation and/or repair of irrigation infrastructure, repair and upgradation of rural roads as well as the establishment of market infrastructures for storage and semi-processing. None of these activities are expected to cause any physical or economic resettlement. The project will not finance any activities that involve permanent land acquisition.
47. Therefore, the risk for this standards is rated **low**.

2.8 Financial intermediaries and direct investments

48. The project will involve collaboration and active partnerships with financial intermediaries such as Banks. Due diligence exercises will be carried out as a mandatory procedure during the partnership selection process. This will apply to all intermediaries and investments. The risks for this standard can be expected to be **low**.

2.9 Climate change

49. Lao PDR faces projected warming of 3.6°C by the 2090s against the baseline conditions over 1986–2005. The Climate Change Knowledge Portal (CCKP) suggests that rises in annual maximum and minimum temperatures are expected to be more rapid than that for average temperatures. Monthly minimum temperatures are expected to typically rise 10-20% faster and are likely to amplify pressures on human health, livelihoods and ecosystems^[1]. Ensemble models indicate that annual precipitation rates are expected to increase, with larger changes under higher emission pathways. The country's 2nd National Communication to the UNFCCC reports a transition to more intense precipitation periods with the frequency of months experiencing more than 600 mm rainfall increasing over the 20th century^[2]. Overall, the CCKP shows a trend of consistent warming and an increase in the intensity of heavy precipitation periods and extreme events for the country. These changes increase vulnerability of the country to various climate-related hazards and the CCKP indicates high risks from floods, cyclones, landslides, water scarcity and prolonged dryspells, extreme heat conditions and wildfires. Lao PDR's overall ranking on the INFORM risk index is somewhat exacerbated by its lack of coping capacity and to a lesser extent the vulnerability of its population^[3].
50. Although downscaled climate projections are unavailable, a climate change vulnerability assessment of Lao PDR conducted by UNHabitat provides brief assessments at the provincial level^[4]. According to the report, floods constitute the main climate hazard in all the four provinces targeted under LEAD – Khammouane, Savannakhet, Xekong and Salavan – with a sizable population in all four provinces vulnerable to this hazard. In addition, the provinces are also at risk from storms and dry spells. Climate-induced landslides is an additional risk in uplands with some provinces being more vulnerable than others. Adaptive

capacities vary across provinces thus affecting the degree of vulnerability and risk the populations are subjected to. For the provinces targeted for LEAD, climate risks are assessed as **moderate**. Several districts of the provinces are also at risks of landslides, extreme heat and seasonal dry spells. Adaptive capacities are assessed to be high with DRR plans in place^[5], but capacities at the community level are somewhat inadequate and require strengthening.

51. ^[1] Climate Change Risk Profile: Laos PDR (2021). The World Bank Group and Asian Development Bank.
52. ^[2] Lao PDR (2013). Second National Communication to the UNFCCC. URL: <https://unfccc.int/sites/default/files/resource/Laonc2.pdf>
53. ^[3] Climate Change Risk Profile: Laos PDR (2021). The World Bank Group and Asian Development Bank.
54. ^[4] UN Habitat: Lao PDR Climate Change Vulnerability Assessment Preliminary Report (2019)
55. ^[5] UN Habitat: Lao PDR Climate Change Vulnerability Assessment Preliminary Report (2019)

3. Regulatory framework and institutional capacities

56. The project will be implemented by the Ministry of Agriculture and Environment (MAE) as the lead implementing agency, reflecting IFAD's long-standing partnership with MAE since 1979 and MAE's proven track record in managing IFAD-financed projects including AFN-II and PICSA. The Ministry of Industry and Commerce (MOIC) will serve as co-implementing agency specifically for Component 1 focused on value chain development, trade facilitation, and private sector engagement. A formal Memorandum of Understanding (MoU) will be signed between MAE and MOIC during project start-up to clearly delineate roles, responsibilities, coordination mechanisms, and accountability frameworks. This dual-ministry approach builds on lessons from PICSA and AFN-II, ensuring that agricultural production and climate resilience are led by MAE, while market integration and enterprise development leverage MOIC's comparative strengths.
57. The project will collaborate with a core group of co-implementing partners including the Ministry of Public Works and Transport (MPWT), the Ministry of Technology and Communication (MTC), the Ministry of Labour and Social Welfare (MLSW), the Ministry of Information, the Ministry of Health (MoH) and the Ministry of Culture and Tourism (MCT). Related technical agencies such as the National Agriculture and Forestry Research Institute (NAFRI), the Lao Farmers' Association and the Lao Women's Union.

3.1 National policies and regulatory framework relevant to SECAP

Category	Policies & Strategies	Year
Food Security & Nutrition	National Nutrition Strategy to 2025 and Plan of Action 2021-2025	2021-2025
	Zero Hunger National Action Plan	2019-2025
Agriculture & Rural Development	9th National Socio-Economic Development Plan (Agriculture Chapter)	2021-2025
	Agricultural Development Strategy to 2025 and Vision to 2030	2010-2030
	Law on Agricultural Cooperatives	2024
	Decree on establishment of agriculture groups and cooperatives	2020
	Forest Law (Revised)	2019
	Forestry Strategy to 2020 and Vision to 2030	2013-2030
	Decree on contract farming in the agricultural sector	2025
Climate & Environment	National Green Growth Strategy	2019-2030
	Nationally Determined Contribution (NDC) - Updated	2021
	National Adaptation Programme of Action (NAPA)	2009
	National Disaster Risk Management Strategic Plan	2021-2025
	National Biodiversity Strategy and Action Plan 2016-2025	2016-2025
	Environment Protection Law (Revised)	2012
National Development Strategies	9th National Socio-Economic Development Plan	2021-2025
	Vision 2030 and Strategy 2025	2016-2030
	Sustainable Development Goals (SDG) Voluntary National Review	2018, 2021

Category	Policies & Strategies	Year
	Rural Development and Job Creation – MAE (Dept of Rural Development)	2018
Water & Irrigation	Water and Water Resources Law (Revised)	2017
	National Water Resources Strategy	2018-2025
	Irrigation Development Strategy	2010-2020
Social Inclusion & Governance	National Strategy for the Advancement of Women 2021-2025	2021-2025
	National Strategy on Ethnic Groups	2016-2025
	National Youth Development Plan	2016-2020
	Decree on Ethnic Groups	2013
	Law No. 57 on Persons with Disabilities	2018
	National Action Plan on Disability	2026-2030
UXO & Post-Conflict	National Strategic Plan for UXO Sector in Lao PDR	2021-2030
	Safe Path Forward III Strategy	2021-2030
Trade & Economic Development	National Export Strategy	2021-2025
	SME Development Plan	2016-2020
	National Industrial Development Strategy	2021-2030
Governance & Legal Framework	Constitution of Lao PDR	2015
	Land Law (Revised)	2019
	Investment Promotion Law (Revised)	2016

3.2 National capacities, challenges and lessons with respect to SECAP implementation and compliance

58. Lao PDR has demonstrated improving SECAP compliance capacity through recent IFAD projects including AFN-II and PICSA, which successfully implemented climate adaptation measures and gender-responsive interventions. The government has established dedicated Environmental and Social units within MAE and MOIC with trained staff in IFAD's SECAP procedures. However, challenges persist including limited technical capacity at sub-national levels for environmental assessments, weak inter-agency coordination, and insufficient resources for systematic E&S monitoring. Key lessons from previous projects emphasize the importance of sustained capacity building for local implementing units, simplified monitoring tools adapted to local contexts, and platforms for participatory oversight. LEAD's success will require building on existing institutional strengths while addressing capacity gaps through targeted training, clear accountability mechanisms, and digital technologies for enhanced real-time monitoring of environmental, social, and climate outcomes.

4. Environmental and social category

59. The SECAP assessment indicates a **moderate** risk rating.

5. Climate risk category

60. Climate risks for the project target groups are assessed as moderate and rise from 'too much, too little' water syndrome. Situated in the Mekong floodplains, climate risks for the two provinces presently targeted – Khamouane and Savannakhet - arise primarily from floods with storms, landslides and dryspells affecting some districts of Savannakhet. However, adaptive capacities are assessed to be high as DRR plans and resources are reported to be in place.^[1]

61. ^[1] Lao PDR National Climate Change Vulnerability Assessment: Preliminary Results. UN Habitat 2019

6. Recommendations for project design and implementation

62. Steps must be taken by the project to enhance adaptive capacities of vulnerable groups to overcome stress arising out of climate and market challenges. The project has already incorporated approaches that will enhance adaptive capacities of these stakeholders, particularly through interventions outlined in Component 2. In addition, the following actions are recommended to further enhance adaptive capacities and build resilience of the primary stakeholders of the project:
1. The project areas are highly susceptible to annual floods and target communities suffer loss of assets due to flood inundations. The project must ensure the construction of flood resistant infrastructure (storage spaces/houses built on stilts) to ensure sufficient protection for household/community assets (grains, livestock etc) from floodwaters thus reducing asset loss due to flood waters.
 2. Access to seeds of stress-tolerant crop varieties for reduction of crop losses due to floods, droughts and pests must be improved in the project areas. Participatory Technology Development (PTD) approaches involving Agricultural Research Institutions (at national and provincial levels) and APGs should be supported by LEAD to encourage participatory action research and community-led varietal selection mechanisms.
 3. Based on these trials, LEAD should encourage the establishment of Community Seed Banks and link to Seed APGs.
 4. LEAD should take concrete steps to improve access of vulnerable groups within its stakeholders to existing early warning mechanisms such as Laos Climate Services for Agriculture (LaCSA).
 5. LEAD should explore collaborations with development partners to pilot financial/non-financial climate risk insurance particularly for vulnerable groups.
63. Peer learning is an extremely effective mode of technology/good practice transfer. LEAD should tap opportunities offered by the SSTC to learn and replicate existing good practices in climate resilient agricultural practices and resilience building from neighbouring countries and beyond for the benefit of project teams and project stakeholders in Laos.

7. Further studies needed

64. During the Design stage, an ESCMP, Grievance Redressal Mechanism and Stakeholder Engagement Plan has been prepared. Additional studies that are deemed necessary during implementation are the following:
- Site-specific ESCMPs must be developed for all infrastructure investments under Component 1, (irrigation infrastructure, rural roads and market infrastructure). Each ESCMP will address environmental impacts (waste management, water contamination, soil erosion), social impacts (occupational health and safety, community health, food safety), and climate considerations (extreme weather resilience, water availability under climate change). Plans will establish contractor obligations, monitoring protocols, and grievance mechanisms.
 - Insurance for climate-induced crop losses and loss of assets can significantly influence adaptive capacities and resilience of affected communities, particularly the vulnerable and disadvantaged groups. A study to assess the present coverage of climate-related insurance mechanisms and gaps that compromise the ability of vulnerable groups to bounce back to climate stress is recommended.
 - Lao PDR has a rich cultural and biological diversity. Several ethnic groups, particularly those inhabiting areas around forests and natural systems have a tradition of harnessing wild edibles, fruits and forest products. Several of these products are also sold as commodities in local markets. Preliminary market visits suggest a strong demand for such products. LEAD should conduct a study on the value-chain of such commodities, including studies on potential nutritional value and opportunities for value addition. This is important for ensuring sustainable harnessing and management of these products as well as diversification of value chains, which is an essential element of risk spreading and hence, of resilience building.
 - A second study that requires consideration is linked to the practice of paddy-cum-shrimp and fish culture witnessed during the field trip. Farmers mentioned the challenge of accessing shrimp 'seeds' (eggs/juveniles) for continuing shrimp farming. LEAD should explore the possibility of introducing shrimp seed production technology from National/International Research organisations (such as World Fish Centre/NAFR) and support an Action Research to build up capacities within Lao PDR in this field.

8. Monitoring and evaluation

65. The LEAD project will implement a comprehensive monitoring and evaluation framework specifically designed to track environmental, social, and climate performance alongside development outcomes. The National Project Coordination Office (NPCO) will lead M&E oversight with dedicated Environmental and Social (E&S) focal points at national, provincial, and district levels to ensure systematic monitoring of SECAP compliance. An integrated Environmental, Social, and Climate Management Plan (ESCMP) will serve as the cornerstone of the project's risk management system, featuring specific indicators for climate adaptation effectiveness, gender empowerment outcomes, and environmental sustainability measures. The ESCMP will include monitoring protocols for climate-resilient infrastructure investments, agroecological practice adoption rates, and women's participation in value chain activities. All procurement processes will incorporate mandatory environmental and social safeguard clauses aligned with IFAD's enhanced Social, Environmental and Climate Assessment Procedures (SECAP), ensuring that contractors and service providers demonstrate compliance with climate-smart and socially inclusive practices. Special attention will be given to UXO risk management protocols in all infrastructure and field activities.
66. A multi-tiered Grievance Redress Mechanism (GRM) will be established at village, district, and provincial levels, with gender-sensitive procedures and anonymous reporting options to address environmental, social, or climate-related concerns. The GRM will include specific protocols for addressing gender-based discrimination, environmental degradation, or climate maladaptation issues.
67. Participatory monitoring through MSPs will enable continuous stakeholder feedback on environmental and social performance, while annual SECAP compliance reviews will inform adaptive management decisions. Digital monitoring tools will track real-time data on climate resilience indicators, women's economic empowerment metrics, and environmental sustainability outcomes to ensure the project maintains its commitment to inclusive, climate-resilient development.

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10. SECAP Matrix

ESCMP Matrix						
Environmental/Social and climate Impacts	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution in Implementation Phase	Means of Verification (Monitoring and reporting)	Frequency of Verification	Cost Estimate

Biodiversity	LEAD should promote and strictly adhere to a 'no deforestation' policy for all project related agricultural activities, in particular, the construction of farm roads Strict monitoring of aquatic species being introduced; exotic, invasive and aggressive species (African catfish) detrimental for local aquatic diversity must not be allowed Stakeholder consultations for determining frequency and intensity of crop depredation; action plan formulation with Forest department (Wildlife) to operationalise preventive mechanisms	Awareness campaigns, Sensitisation meetings, Training camps ESCMP studies for all infrastructure sub-projects Consultations with Forest Wildlife staff, Participatory prevention plan development Preventive steps designing workshops	PMU and concerned Provincial Project Management Units and concerned line department	No of stakeholder consultations; Action plans formulated; Incidences and frequency of crop depredation	Every six months	SECAP Person to be recruited
Resource Efficiency and Pollution Prevention	Promote safe handling and disposal of hazardous agro-chemicals adopting National/International standards and methodology Organise awareness raising among users Organise trainings on safe handling and disposal of hazardous material (including animal waste from slaughterhouses) Ensure the adoption and use of preventive clothing and equipment	Awareness campaigns, Sensitisation workshops Training camps Participatory monitoring	PMU and concerned Provincial Project Management Units	Guidelines/PoP in use Trainings conducted Safe disposal protocols and mechanisms established and in operation APGs and target groups aware of preventive and safe disposal measures APGs and target groups adopting such measures Preventive clothing and equipment	Quarterly	SECAP Person to be recruited
Ethnic groups (Indigenous Peoples)	FPIC plans formulated FPIC conducted Stakeholder Engagement Plans formulated GRM established	Stakeholder meetings FPIC consultation/ formulation meetings	PMU and concerned Provincial Project Management Units	FPICs conducted FPIC agreements Stakeholder engagement events held GRM functional	Regular	SECAP Person to be recruited
Labour and working conditions	Guidelines/Operational guidelines prepared based on National/IFAD policies SOP for procurement prepared Operational guidelines for project prepared Functional GRM established	Awareness campaigns Stakeholder meetings	CPMU and PMU	Operational Guidelines SOP GRM functional	Quarterly	SECAP Person to be recruited
Community Health	Awareness raising on the safe handling and disposal of hazardous agro-chemicals Training and capacity building on safe handling and disposal of hazardous agro-chemicals Strict safeguards established to prevent import of zoonotic diseases through livestock and poultry Regular monitoring to prevent waterlogging or stagnation Introduction of biological methods for control of mosquitoes-borne diseases	Awareness campaigns Stakeholder meetings Training camps Participatory monitoring	CPMU and Provincial Project teams	Awareness events held Trainings imparted Monitoring reports Biological control methods introduced and adopted	Quarterly	SECAP Person to be recruited

Environmental and Social Safeguards Classification: Moderate

Environmental and Social Safeguards				
Biodiversity conservation	Yes/No	Likelihood	Consequence	Risk Rating
1.1 Could the project involve or lead to conversion or degradation of biodiversity, habitats (including modified habitat, natural habitat and critical natural habitat) and/or ecosystems and ecosystem services?	Yes	Unlikely	Moderate Project will significantly affect modified habitat , but will not impinge on natural habitat or critical natural habitat.	Moderate
1.2 Could the project involve or lead to activities negatively impacting habitats that are legally protected, officially proposed for protection, or recognized as protected by traditional local communities and/or authoritative sources (e.g. National Park, Nature Conservancy, Indigenous Community Conserved Area, (ICCA), etc.)?	No			Low
1.3 Could the project involve or lead to an increase in the chance of human-wildlife encounters/conflict?	No			Low
1.4 Could the project involve or lead to risks to endangered species (e.g. reduction, encroachment on habitat)?	No			Low
1.5 Could the project involve or lead to negative impacts/risks to migratory wildlife?	No			Low
1.6 Could the project involve or lead to introduction or utilization of any invasive alien species of flora and fauna, whether accidental or intentional?	Yes	Possible	Minor Low potential for invasive species of flora or fauna to be introduced and strict controls are in place.	Low
1.7 Could the project involve or lead to the handling or utilization of genetically modified organisms?	No			Low
1.8 Will the project involve or lead to procurement through primary suppliers of natural resource materials (wood, gravel, sand, etc.)?	Yes		Moderate Project will require procurement of natural resources through primary suppliers, and resource extraction is tightly regulated.	Moderate
Resource Efficiency and Pollution Prevention	Yes/No	Likelihood	Consequence	Risk Rating
2.1 Could the project involve or lead to the release of pollutants to the environment (on and off farm) due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	Yes	Possible	Minor Pollutants may be released, either routinely or by accident, but treatment systems are proven, verified and affordable. Receiving environment has absorptive capacity.	Low
2.2 Could the project be located in an area which is being, or has been, polluted by an external source (e.g. a mine, smelter, industry)?	No			Low
2.3 Will the project involve or lead to significant consumption of raw materials and energy?	Yes		Minor The project will require consumption of raw materials and/or energy, but this will be a small component of the project, and impacts can be appropriately managed.	Low
2.4 Will the project develop or rehabilitate irrigation schemes and/or involve or lead to significant extraction, diversion or containment of surface or ground water? (For example, construction of dams, reservoirs, river basin developments, groundwater extraction)	No			Low
2.5 Will the project involve the use of agrochemicals (pesticides, fertilizers, and other modifying agents) which have potential to pollute soils and water bodies or cause other negative impacts?	Yes		Minor The project will only require minimal amounts of fertilizer and/or pesticides.	Low
2.6 Will the project involve or lead to primary production of living natural resources through cultivation or rearing of plants, annual and perennial crop farming, etc.?	Yes		Moderate Project will be fully dependent on production of living natural resources. Project will be sited in an existing agricultural area, with low environmental and/or social sensitivity.	Moderate
2.7 Will the project involve or lead to engagement in areas of forestry, including the harvesting of natural forests, plantation development, and/or reforestation?	No			Low

Environmental and Social Safeguards				
2.8 Will the project involve livestock and production of animal products (dairy, skins, meat, etc.)?	Yes		Minor The project will involve small scale livestock with no extensive or intensive systems (nomadic or transhumant systems).	Low
2.9 Will the project involve marine or freshwater fisheries, at industrial or artisanal scale?	No			Low
2.10 Will the project involve inland or marine aquaculture?	Yes		Minor The project will involve aquaculture activities at small-scale on land or water bodies where there is no expectation of land-use/ water-use conflicts, introduction of non-native species, escapes of aquaculture species to the wild, habitat destruction, wastes release and use of seed extracted from the wild; Will include artisanal/minor or no fish processing activities with pollution control.	Low
Cultural Heritage	Yes/No	Likelihood	Consequence	Risk Rating
3.1 Could the project involve or lead to adverse impacts to sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	No			Low
3.2 Could the project involve or lead to excavations, demolitions, movement of earth, flooding or other environmental changes in an area that is considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values or intangible forms of culture (e.g. knowledge, innovations, practices) or contains features considered as critical cultural heritage? (See Annex 1 of the Cultural Heritage Guidance Note for further information)	No			Low
3.3 Could the project involve or lead to alterations to landscapes and natural features with cultural significance?	No			Low
3.4 Could the project involve or lead to utilization of tangible and/or intangible forms (e.g. practices, traditional knowledge) of Cultural Heritage for commercial or other purposes?	No			Low
Indigenous peoples	Yes/No	Likelihood	Consequence	Risk Rating
4.1. Is the project sited in areas where indigenous Peoples are present? (Indigenous peoples' traditionally owned or otherwise occupied and used lands, territories, waters and coastal seas and other resources).	Yes			Low
4.2 Could the project adversely affect indigenous people's rights to traditionally owned or otherwise occupied and used lands, territories, waters, coastal seas and other resources and/or livelihood systems?	No			Low
4.3 Could the project result in the utilization and/or commercial development of natural resources on lands and territories inhabited by indigenous peoples?	No			Low
Labour and Working Conditions	Yes/No	Likelihood	Consequence	Risk Rating
5.1 Could the project operate in sectors or value chains where there have been reports of discriminatory practices and the lack of equal opportunity (for disadvantaged and vulnerable workers, including women, children of working age, migrants and persons with disabilities), denial of freedom of association and collective bargaining, labour migrants?	No			Low
5.2 Could the project operate in a value chain where there have been reports of forced labour? Note: Risks of forced labour may be increased for projects located in remote places or where the status of migrant workers is uncertain.	No			Low
5.3 Could the project involve children (a) below the nationally-defined minimum employment age (usually 15 years old) or (b) above the nationally-defined minimum employment age but below the age of 18 in supported activities or in value chains?	Yes	Likely	Minor The project will not operate in sectors or value chains where child labour was evident in the past. The status of child labour regulation is clear.	Moderate
5.4 Could the project: (a) operate in a sector, area or value chain where producers and other agricultural workers are typically exposed to significant occupational and safety risks, and/or (b) promote or use technologies or practices that pose occupational safety and health (OSH) risks for farmers, other rural workers or rural populations in general? (Note: "OSH risks in agriculture might include: dangerous machinery and tools; hazardous chemicals; toxic or allergenic agents; carcinogenic substances or agents; parasitic diseases; transmissible animal diseases; confined spaces; ergonomic hazards; extreme temperatures; and contact with dangerous and poisonous animals, reptiles and insects. Psychosocial hazards might include violence and harassment.")	Yes	Likely	Minor The project will operate in a sector, area, or value chain where workers are occasionally exposed to OSH risks, and where regulation is known to be effective.	Moderate

Environmental and Social Safeguards				
Community Health, Safety and Security	Yes/No	Likelihood	Consequence	Risk Rating
6.1 Could the project lead to and or be at risk from water-borne, zoonotic or vector-borne diseases (e.g. temporary breeding habitats), and/or communicable and non-communicable diseases?	Yes	Possible	Moderate The project will be situated in an area where there is past evidence of negative impacts from water-borne, zoonotic or vector-borne diseases, or communicable/non-communicable diseases, but where regulation or containment of these impacts has been shown to be effective. Project activities could lead to moderate risks of water-borne, zoonotic or vector-borne diseases (e.g. temporary breeding habitats), and/or communicable and non-communicable diseases.	Moderate
6.2 Could the project have unintended negative impacts on nutrition?	No			Low
6.3 Will the project involve the construction or rehabilitation of dams?	No			Low
6.4 Could the project involve or lead to transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	No			Low
6.5 Could the project lead to the potential for gender-based violence, including sexual harassment, exploitation and abuse, as a result of labour influx, land redistribution, or other actions that alter community dynamics?	Yes	Unlikely	Minor The project may lead to minor changes to community dynamics but no serious cases of gender-based violence and/or sexual exploitation are expected. Gender-based violence protocols in place.	Low
6.6 Will the project construct, rehabilitate or upgrade rural roads and/or lead to increases in traffic or alteration in traffic flow?	Yes		Moderate Moderate changes to traffic volumes or alterations to traffic flow. Risk of injury or death is reduced by good design and implementation of safety protocols. New construction, rehabilitation or upgrade of rural roads, with Annual Average Daily Traffic (AADT) below 400.	Moderate
6.7 Could the project lead to an influx of project workers?	Yes	Unlikely	Minor The project will require the employment of new labour, but workers can be sourced from local communities, and so influx is kept to a minimum, and risks are effectively managed.	Low
6.8 Could the project involve or lead to the engagement of security personnel to protect facilities and property or to support project activities?	No			Low
Physical and economic resettlement	Yes/No	Likelihood	Consequence	Risk Rating
7.1 Will the project result in temporary or permanent and full or partial physical displacement (including people without legally recognizable claims to land)?	No			Low
7.2 Will the project result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	Yes		Minor Minor possible negative impact on either community assets or individual farmer assets.	Low
7.3 Could the project increase the risk of forced evictions? (The project cannot proceed unless forced evictions are avoided)	No			Low
7.4 Could the project result in adverse impacts on or changes to land tenure arrangements and/or community-based property rights/customary rights to land, territories and/or resources?	No			Low
Financial intermediaries and direct investments	Yes/No	Likelihood	Consequence	Risk Rating
8.1 Could the investment be granted to an institution that does not have an environmental and social policy and an associated environmental and social management system (ESMS) in place (transparent, publicly available)?	Yes	Possible	Minor The institution has an ESMS in place. Reports are not publicly available.	Low

Environmental and Social Safeguards				
8.2 Could the investment be granted to an institution with insufficient capacities (i.e. unqualified personnel e.g. ES Officer) to implement the ESMS?	No			Low
8.3 Could the investment be granted to an institution that does not have an Exclusion List?	Yes	Possible	Minor The institution has an Exclusion List that is broadly aligned with IFAD standards.	Low
8.4 According to the institution's portfolio classification: Could the institution have potential high-risk projects in their portfolio?	No			Low
8.5 Could the institution not be providing a stable communication channel with stakeholders and local communities (e.g. a Grievance Redress Mechanism)?	No			Low
8.6 Could the institution not be providing auxiliary or capacity building support services?	Yes	Possible	Minor The institution offers some training services to customers (directly or through third party service providers) to improve business and livelihood opportunities.	Low

Climate Risk Classification: Moderate

Step 1: Hazard identification	
What are the expected hazards in the project intervention area?	No, Yes, TBD
1.1 River flood	Yes
1.2 Coastal Flood	No
1.3 Urban Flood	No
1.4 Landslide	Yes
1.5 Cyclone	Yes
1.6 Water Scarcity (agricultural droughts and/or dry spells)	Yes
1.7 Extreme Heat	Yes
1.8 Wildfires	Yes
Future climate scenarios foreseen (period 2040-2059) - Change in frequency and intensity	No, Yes, TBD
1.9 Change in temperature (increase or decrease)	Yes
1.10 Change in rainfall (increase or decrease)	Yes
1.11 Climate variability	Yes
1.12 Intensity and frequency of extreme events	Yes
Is the project expected to have an impact on climate change (i.e. contribute to greenhouse gas emissions)?	No, Yes, TBD
1.13 Is the project expected to be a significant emitter of greenhouse gas emissions?	No
Step 2: Exposure Assessment	
Is the project located in exposed areas to weather-related natural hazards?	No, Yes, TBD
2.1 Low-lying areas (valleys, coastal zones, and small islands)	Yes
2.2 Very warm areas (subtropical)	Yes
2.3 Tropical areas (rainforests)	No
2.4 Arid and semi-arid areas (deserts)	No
2.5 Mountains zones and permafrost areas (tundra)	No
2.6 River banks	Yes
Does the project target agricultural systems, ecosystems or livelihoods exposed to weather-related hazards?	No, Yes, TBD
2.7 Is crop production frequently affected by rainfall variability, prolonged droughts, changes in temperature or pests and diseases?	Yes
2.8 Is livestock productivity frequently affected by rainfall variability, prolonged droughts, changes in temperature or diseases?	No
2.9 Are fisheries frequently affected by ocean acidification, water salinity and changes in sea surface temperature due to ocean-atmospheric oscillations or climate change?	N/A
2.10 Is forest productivity frequently affected by wildfires, diseases, rainfall variability, prolonged droughts, or changes in temperature?	N/A
2.11 Is the biodiversity in the project area likely to be affected by changes in climate variables?	Yes
2.12 Is any stage of the agricultural value chain (production, storage, processing and marketing) exposed to climate related hazards?	Yes
2.13 Is any rural infrastructure likely to be affected by flooding, landslides, changes in temperatures, and extreme winds.	Yes
Step 3: Sensitivity Assessment	
What are key sensitivities for the populations in the project's areas of intervention?	No, Yes, TBD
3.1 Is conflict exacerbating the population's sensitivity to weather related hazards?	No
3.2 Is population displacement being exacerbated by climate change impacts?	No
3.3 Are diseases (e.g. COVID-19, malaria, cholera) increasing the population's vulnerability and affecting their capacity to address potential weather-related hazards?	No
3.4 Are social inequalities (e.g. based on gender, youth, indigenous persons and other marginalized groups) being exacerbated by climate change?	No
3.5 Human Development Index (HDI)	Yes
3.6 Multidimensional Poverty Index (MPI)	Yes
Step 4: Adaptive capacity	
What are key adaptive capacities in the areas of project intervention?	No, Yes, TBD
4.1 Is the country well ranked in the Disaster risk reduction progress score?	Yes
4.2 Are climate and weather information services (real-time weather data, seasonal forecasts etc.) effectively being delivered (through radio, TV, SMS, extension services etc.) to farmers, rural dwellers, and end users?	Yes
4.3 Does the project country have an early action plan (preparedness and emergency response) to mitigate the impacts of weather-related hazards once the shock occurs?	Yes
4.4 Does the government or other institutions support the target population/communities with the necessary social and economic resources to prepare for or respond to climate-related events?	Yes
4.5 Is the target community carrying out (using their own means) agricultural adaptation?	No

4.6 Does the target population have the economic means or support to adjust or adapt their activities in response to weather related shocks?	No
4.7 Do policies/mechanisms exist that make financial credit, loans, and agricultural insurance available?	Yes
4.8 Are rural infrastructures effectively delivering services to farmers and rural dwellers?	Yes

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Environmental, Social and Climate Management Plan (ESCMP)

Mission Dates: 10-21 November 2025
Document Date: 26/05/2026
Project No. 2000005224
Report No. 7515-LA

Asia and the Pacific Division
Programme Management Department

Environmental, Social and Climate Management Plan

February 9, 2026

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1. Introduction

The Linking Enterprises, Agriculture and Development for Green Growth (LEAD) Project represents IFAD's strategic shift toward a demand-driven, market-oriented and financially sustainable development approach in Lao PDR. The project will operate in the southern provinces of Savannakhet and Khammouane, which form the Lao section of the Greater Mekong Subregion's East-West Economic Corridor (EWEC). The total estimated cost is USD 38 million, including USD 17.59 million IFAD financing through a performance-based allocation loan, USD 2.041 million from Government of Lao PDR and approximately USD 2.0 million in target group participation.

The goal of LEAD is to contribute to the reduction of rural poverty and improving the income, food safety and security of smallholder farmers and rural producer households in the target provinces by supporting climate-resilient, diversified, and value-added agricultural production, aligned with the national Green Growth Strategy. The development objective is to promote inclusive agricultural and food value chains for national and export markets and enhance climate resilience. The project will accelerate and consolidate inclusive agricultural transformation through enhanced market integration, market-resilient production, and strengthened farmers' organizations. The project will directly benefit 13,708 households representing 76,765 persons across Savannakhet and Khammouane provinces, with 50% women and at least 10% youth. The project duration is seven years, and it will be implemented by the Ministry of Agriculture and Environment (MAE) as the lead agency, with Ministry of Industry and Commerce (MOIC) as co-implementing agency for value chain development and market integration interventions.

1.1 Project Rationale

Building on the lessons learned and results of PICSA and AFN-II, the project's theory of change rests on the understanding that sustainable agricultural commercialization and rural poverty reduction require simultaneous interventions that work synergistically to create enabling conditions for market-oriented, business-driven agricultural development while building climate resilience and ensuring no one is left behind. The project has two components. Component 1 develops inclusive and commercially viable value chains by strengthening Agriculture Production Groups (APGs), establishing Multi-Stakeholder Platforms (MSPs), investing in climate-resilient market infrastructure and enabling access to rural finance. Component 2 enhances climate resilience and productivity of farming systems through climate-smart production practices, irrigation rehabilitation, action research on innovations, and supports the poorest households to transition from subsistence to market-oriented activities.

1.1.1 Project components

Component 1: Inclusive Value Chains Development

The objective of this component is to develop inclusive and commercially viable value chains by transforming APGs into sustainable market-oriented enterprises. This will be achieved through: (i) facilitating market access based on participatory value chain assessments, via multi-stakeholder platforms and climate-resilient market infrastructure; (ii) strengthening institutional, business, financial and technological capacities of APGs and MSMEs; (iii) investing in farm roads and appropriate agri-food storage and processing facilities that reduce post-harvest losses, facilitate marketing and enhance value addition; and (iv) supporting APG transition from informal groups to registered cooperatives and commercial enterprises. The component will promote entrepreneurship, particularly

among women and youth, while deploying digital platforms to create enabling environments for linking smallholder producers to national and export markets. This will be implemented building on complementarities with other development partners in the target regions.

Sub-component 1.1: Market Access Facilitation

The proposed outputs and activities under this sub-component include:

Components and sub-components	Activities
<i>Output 1.1.1 Value Chain Investment Plans developed</i>	Prioritise value chains based on current market dynamics and potential for participation of small-scale farmers and select initially 5-6 commodities per each province Analyse each prioritised value chain and its actors, identifying both structural and dynamic issues, including the major constraints and opportunities to enhance competitiveness and efficiency. Through multistakeholder processes, develop Value Chain Investment Plans (VCIPs) at the provincial level for each commodity using a standard template. The VCIPs will outline targeted interventions including investment priorities, infrastructure needs, capacity building requirements, and engagement strategies among private sector actors. Validate VCIPs through multi-stakeholder consultations at provincial and district levels.
<i>Output 1.1.2 Inclusive Multi-Stakeholder Platforms established and operational</i>	Map existing platforms, associations, and coordination mechanisms to avoid duplication and identify collaboration opportunities Identify and profile all value chain actors for each prioritized commodity Facilitate the formation of inclusive commodity-specific Multi-Stakeholders Platforms (MSPs) bringing together producers (including women and youth), traders, aggregators, input suppliers, service providers, research institutions, financial institutions and government stakeholders (including the Lao Chamber of Commerce and Industry). Establish clear governance structures for MSPs including defined roles and responsibilities, transparent decision-making processes, and mandatory representation quotas for APGs, women, and youth. Build organizational, management and leadership capacities of MSPs through training in facilitation, conflict resolution and strategic planning Organize regular dialogue sessions, joint planning workshops, and coordination meetings (minimum quarterly) to identify investment priorities, policy constraints, market opportunities, and collective action opportunities Design/customise a digital platform for value chain transparency and managing MSPs process. Such a system can provide aggregation of data from all value chain actors, providing shared dashboards that improve transparency and support evidence-based decision making. It will also embed MSP coordination tools

	such as joint action tracking, role-based access, market intelligence sharing and performance monitoring.
<i>Output 1.1.3 Strategic market infrastructure constructed</i>	Conduct infrastructure prioritization (identified under 1.1.1 using participatory consultations with value chain actors via MSPs. Identify infrastructure investments in terms of public and private infrastructure types, including farm roads connecting production areas to markets, aggregation and collection centres, storage and grading facilities, sorting and packaging facilities, processing units, and cold storage - prioritize rehabilitation and upgrading of existing facilities over new construction where feasible Develop infrastructure feasibility studies and detailed technical designs for public investments (roads) incorporating climate-resilient features when feasible and appropriate Sign agreements with public entities defining responsibilities for operation, maintenance, and asset management

Sub-component 1.2: Enterprise Development and Financial Inclusion

The proposed outputs and activities under this sub-component include:

Components and sub components	Activities
<i>Output 1.2.1 Business development skills strengthened</i>	Conduct organizational capacity assessments of APGs and cooperatives to identify specific capacity gaps and training needs Deliver Financial Education and Business Literacy (FEBL) training programs tailored to different literacy levels and organizational maturity stages Strengthen business management skills including financial record-keeping, cash flow management, inventory control, pricing strategies, and profit margin analysis Support development of comprehensive business plans for cooperatives and MSEs including market analysis, production planning, financial projections, risk management strategies, and growth/transition pathways. MSE investments will be primarily dedicated to women and youth. Provide technical assistance in developing bankable business proposals for accessing formal credit and investment capital Strengthen quality management capacities including food safety standards, certification requirements and export compliance. Foster consolidation of APGs into larger cooperatives to access economies of scale and de-risking advantages
<i>Output 1.2.2 Cooperatives and MSEs supported to access rural</i>	Work with credit officers within financial institutions to simplify loan application procedures and standardize loan application templates suitable for rural agricultural clients Develop blended finance mechanisms (de-risking tools) combining grants and loans to reduce risk for first-time borrowers and

<i>financial services</i>	enable transitioning to commercial lending (blocked grant as a fixed deposit for a loan of the same amount or higher) Monitor loan performance, repayment rates, and financial inclusion outcomes disaggregated by gender, age, and poverty level

Subcomponent 1.3: Policy Engagement and Market Integration

The proposed outputs and activities under this sub-component include:

Components and sub components	Activities
<i>Output 1.3.1 Strategic policy dialogue and regulatory framework enhanced</i>	Support Government in implementation of the Decree on Groups and Cooperatives as per the developed implementation guidelines - including the establishment of the Cooperative Fund. Develop guidelines for small-scale producers relevant to food standards, safety compliance and export certification Identify other needed support for implementation of regulatory frameworks, including relevant to the National Policy on Plant Production, among others.

Component 2: Climate resilient technologies and diversification in farming systems

The component aims to increase the climate and market shock resilience of farming systems and improve the product quality and productivity of social inclusive APGs linked to value chains selected in component 1. At the same time this component will also support the poorest households in improving their livelihood activities, food security and nutrition. These objectives will be achieved through three subcomponents. This will be implemented building on complementarities with other development partners in the target regions.

Sub-component 2.1: Climate resilience and productivity of APG farming systems

The proposed outputs and activities under this sub-component include:

Components and sub components	Activities
<i>Output 2.1.1 Resilience and improvement plans (PRIP) implemented to enhance adaptive capacity</i>	Conduct assessment of APGs and assess possibilities for demand-driven clustering based on: (i) organizational maturity (informal, registered, cooperative); (ii) production systems; (iii) market engagement (subsistence, semi-commercial, commercial); (iv) geographic location for efficient service delivery (in collaboration with the Lao Farmers Association). Facilitate participatory development of market-viable Production Resilience and Improvement Plans (PRIPs) by APG/APG clusters based on climate vulnerability assessments and business opportunities Review and approve PRIPs based on: (i) market viability and financial sustainability; (ii) climate resilience benefits; (iii) APG

	organizational capacity and commitment. Include prioritisation of investments in off-farm irrigation rehabilitation. Provide blended finance mechanisms (de-risking tools) combining grants and loans to reduce risk (blocked grant as a fixed deposit for a loan of the same amount or higher for multiple loan cycles - ceiling of USD 750 per APG member - ceiling of USD 1000 per Cooperative member). Eligible investments including: green/shade houses; water harvesting and irrigation systems (drip, smart irrigation, canal upgrading); farm tools and equipment; digital solutions for workload reduction; organic inputs production equipment (bio-fertilizers, bio-pesticides); renewable energy systems (solar water pumps, hydroponic units); livestock shelters and equipment; farm-saved seed storage; transportation equipment; post-harvest storage/processing. Provide technical backstopping during PRIP implementation to APGs and ensure proper mentoring: (i) production planning and cash flow management for cropping and livestock cycles; (ii) integrated water and soil management; (iii) integrated pest management; (iv) food safety standards compliance (pesticide residues) and GAP; (iv) nutrition sensitive production; and (v) climate risk assessment and adaptive management for vulnerabilities to climate shocks, pests, diseases, and market fluctuations.
<i>Output 2.1.2</i> <i>Water resources and other ecosystem services conserved</i>	Rehabilitate and upgrade off-farm irrigation infrastructure including canals, water distribution systems, and drainage networks as identified in the PRIPs Establish or strengthen existing Water User Groups (WUGs) with clear governance structures, O&M responsibilities, and equitable water allocation mechanisms - Ensure women's participation in WUG governance and equitable access to irrigation water Develop O&M plans and build capacity of WUGs for long-term infrastructure sustainability Integrate watershed management approaches including soil conservation, agroforestry, crop-livestock integration.

Sub-component 2.2: Action Research and scaling of successful practices

Components and sub components	Activities
<i>Output 2.2.1</i> <i>New technologies and farming practices for resilience and improved productivity are</i>	Systematisation of innovation gaps for climate resilience from PRIPs and VCIPs and mapping of new resilience technologies and diversification practices in Laos and neighbouring countries relevant for addressing these gaps In collaboration with NAFRI and other partners, select 6 priority innovations for testing and scaling such as: integrated rice-aquaculture systems; perennial rice varieties; mushroom production; fish and shrimp seed production; integration of trees and green manure in farming systems; climate-smart agriculture; production of seed and animal stocks; post-harvesting techniques.

<i>tested and scaled up</i>	Implement innovation testing through model APGs and farmers Document and assess results including costs, benefits, climate resilience outcomes, gender impacts, and scalability Develop scaling strategy for proven innovations through: (i) training service providers (government extension, private agro-dealers, lead farmers) to promote innovations within APG clusters; (ii) creating farmer-to-farmer e-learning videos; (iii) establishing lead farmer demonstration networks within clusters; (iv) organizing cross-cluster exchange visits.

Sub-component 2.3: Livelihood improvement for vulnerable households

The proposed outputs and activities under this sub-component include:

Components and sub components	Activities
<i>Output 2.3.1 Livelihoods of poor households improved and diversified</i>	Identify and select food insecure households using participatory assessment criteria with validation by village authorities, and community representatives and civil society organisations Deliver small livelihood packages (up to USD 500 ceiling per household with in-kind contribution) for low-barrier value chain activities including: home vegetable gardens with nutrition-focused crop varieties; backyard poultry (5-20 birds) for eggs and meat; piggery; small livestock (rabbits, ducks); aquaculture (fish, frogs); beekeeping; sericulture; natural dye plants; mushroom cultivation; post-harvest processing equipment; solar dryers...- Provide mentoring to participating HH throughout the process to ensure that the provided asset generates its intended income generating outcome. Link vulnerable households to APG clusters and aggregators as suppliers of raw materials (eggs, vegetables...) or service providers (casual labour for sorting, packaging) Connect household production to local markets including school meal programs, health centers, hotels, and restaurants for consistent demand Provide integrated nutrition and livelihood training focusing on: (i) maternal and child nutrition; (ii) dietary diversity and food safety/hygiene practices; (iii) nutrition-sensitive production (vegetables, eggs, poultry); (iv) preservation and processing of nutritious foods Monitor nutrition outcomes (dietary diversity scores, household food security) alongside income generation to ensure dual impact Invest in community water supply that serves multi-functional water demands
<i>Output 2.3.2 Persons with disability are targeted with</i>	Conduct disability-inclusive needs assessment in target communities to identify persons with disabilities (PWD) and their specific livelihood constraints and opportunities Design tailored livelihood packages (up to USD 1,200 ceiling per household including support to assistive devices) to support

<i>livelihood support investments</i>	access to livelihood improvement activities: home-based activities and production systems, digital marketing, mushroom cultivation, herb processing, handicraft production, mobile phone-based services (e.g., market information relay, social media marketing support for APGs...) Provide mentoring to participating HH throughout the process to ensure that the provided asset generates its intended income generating outcome. Deliver skills training to enhance employability and access to job markets. Create awareness among APG clusters on disability inclusion, encouraging PWD participation as members or service providers

1.1.2 Target groups of the Project

LEAD will be implemented in the southern provinces of Savannakhet and Khammouane, which form the Lao section of the Greater Mekong Subregion's East–West Economic Corridor (EWEC), with potential expansion to Sekong and Salavan provinces contingent upon the availability of additional financial resources. The selection was based on the key criteria outlined below, as well as on Government demand to extend IFAD interventions to the southern provinces.

Table 1 - Selection criteria - Provinces

S. No.	Key Selection Criteria	Rationale
1.	Agricultural Potential	High concentration of smallholder farmers and APGs with commercialization potential; strong production base with diverse value chain opportunities
2.	Poverty level	Potential to benefit poor households within target district
3.	Market Access	Strategic location along the EWEC enabling cross-border trade, logistics, and value chain integration (e.g. Thailand, Vietnam); opportunities for value chain clustering and market integration
4.	Institutional Capacity	Existing government infrastructure and institutional capacity at provincial and district levels
5.	Climate Vulnerability	High exposure to climate change impacts, particularly flooding and erratic rainfall patterns, necessitating climate-resilient interventions
6.	Infrastructure	Transport corridor and road connectivity enabling market linkages and efficient project oversight

The selection of the districts within these provinces will be done jointly with the Government at the start-up phase utilising the advanced targeting tool and matrix

developed by IFAD Lao PDR Country Team and AFN II and PICSA projects. The project will select districts based on the criteria mentioned in Table 1. Additionally, it will also consider vii) presence of youth viii) presence of persons with disabilities ix) food and nutrition insecurity, and x) UXO clearance.

The geographic concentration will enable economies of scale in infrastructure investments, facilitate multi-stakeholder platform coordination, and maximize the impact of market linkages while ensuring efficient project management and oversight. In alignment with the targeting policies of IFAD and the Government of Lao PDR, and the shared commitment to leaving no one behind, the project will include poor villages and poor households, including those who are poor in other dimensions such as food security and will pay attention to intersectionality ensuring inclusion of those particularly vulnerable – women, youth, ethnic groups and persons with disabilities. Targeting will follow national systems, utilising the Government's categorization of poor households under Decree 348, and will ensure consistency with approaches already applied in PICSA and AFN II, such as the geographic phased approach.

The project will only focus on districts which have villages that have been UXO cleared. This is in line with national efforts to promote safe and inclusive development, to ensure sustainable outcomes by making sure communities can fully utilize the land and infrastructure without ongoing threats from UXO, and ensure that staff, target groups, and community members are not exposed to the risk of UXO accidents.

Outreach: The number of people directly receiving project services will be 24,674. Out of this, 50% will be women (12,337), 50% will be men (12,337) and 10% will be youth (2,467). The project will benefit 13,708 households with 76,765 household members. Fifty percent of the beneficiaries will be women (38,382) and 10% will be youth (7,676), aged 15-35 years. One person from each household will be a direct beneficiary. Table 2 presents estimated project beneficiaries in Savannakhet and Khammouane.

Table 2 - Estimated project beneficiaries by provinces

Province	Total Population (2025 Census)	Total HH	Poor HH (with %)	Target HHs ¹	Persons with Disabilities	Target Persons ²	Target Women (50 %)	Target Youth (10 %)
Khammouane	460,241	92,034	5,740 (29%)	4,032	28	22,579	11,290	2258
Savannakhet	1,136,860	174,856	27,061 (18%)	9,676	4,695	54,186	27,093	5419
Total (Initial Phase)	1,597,101	266,890	32,801	13,708	4,723	76,765	38,382	7,676

Targeting methods: LEAD will employ both direct and self-targeting strategies to effectively reach its intended beneficiaries. Through direct targeting, the project identifies and supports vulnerable groups such as women, youth, persons with disabilities and poor households using tools such as community-based selection, poverty mapping, and participation quotas. Direct targeting identifies these groups through data, CSOs, OPDs, and village administrations. Self-targeting will be used through which semi-commercial

¹ One person from each household will be directly benefitted through the agricultural producer group; the entire household benefits indirectly.

² The estimated average household size of Khammouane is 5.2/hh and Savannakhet is 6.1/hh. The average is taken as 5.6 persons per hh as per the 2025 provincial census.

and commercial farmer groups are likely to engage voluntarily in market-oriented activities. This will allow interested and capable beneficiaries to opt in, particularly in areas where farmer groups are more commercially inclined.

Farmer groups: LEAD will work with existing agricultural producer groups (APGs)/Associations/Cooperatives - in line with the national Decree on Associations No. 536/GOV and Decree 606 on Groups and Union - seeking to transition from semi-commercial to commercial operations and graduate to higher levels of commercialization and market integration as per the Government technical guidelines for APG graduation. The project will also work with new target groups who will join existing APGs or organize themselves into new commercially oriented producer groups or micro and small enterprises. Each APG will comprise of 40-50 members. APGs and MSEs institutional, business, financial, and technological capacities will be strengthened through FEBL training programs and the development of comprehensive, bankable business plans. Market integration will be facilitated through the establishment of inclusive commodity-specific Multi-Stakeholder Platforms (MSPs) and the development of Value Chain Investment Plans (VCIPs). Strategic market infrastructure will build their climate resilience, and the groups will be supported to access rural financial services including through development of blended finance mechanisms to reduce risk for first-time borrowers.

APGs will undergo demand driven clustering, and the participatory development and implementation of market-viable Production Resilience and Improvement Plans (PRIPs) will guide investments in climate-resilient features like green/shade houses, upgraded irrigation systems, and renewable energy. Rehabilitation of off-farm irrigation infrastructure and strengthening/establishment of Water User Groups (WUGs) with capacity building for operation and maintenance will be undertaken. Action research will test and scale up new technologies relevant to climate resilience and diversification, such as integrated rice-aquaculture systems.

Women and Youth: The project integrates women's and youth engagement throughout its design. Women and youth are prioritised in value chain selection, MSE investments, and FEBL training, ensuring their access to income-enhancing activities. Governance quotas across APGs and WUGs (30% women and 10% youth) strengthen their leadership and decision-making roles, while MSP platforms (Lao Women, Youth Union, MoSLW) at district, provincial and national levels ensure their voices shape policies and operational planning. Drudgery-reducing technologies and gender-responsive climate assessments support women's wellbeing and reduce workload burdens, enabling their fuller participation in agricultural and economic activities. See table xx

Poor and Vulnerable Households: Target households will be identified through participatory assessments prioritizing food-insecure households, female-headed households, ethnic groups, and land-constrained families facing barriers to participating in business-oriented APG clusters. District authorities will conduct initial household screening using vulnerability indicators and a service provider will validate beneficiary selection and ensure the most vulnerable households are prioritized through participatory rural appraisal and through village-level consultations involving community representatives, village authorities, and CSOs.

Selected households will participate in needs assessments and receive customized livelihood packages. The project will provide a total of 1,700 livelihood packages across target districts (100 packages per district in 17 districts across Savannakhat and Khammouane provinces), with each package valued at up to USD 500, with in-kind contribution from participating households demonstrating commitment and ownership. A specialized service provider will support target households in preparing their Livelihood Investment Plan and be responsible for package procurement, delivery logistics, and provision of initial technical training to beneficiary households. The service provider will provide ongoing mentoring throughout implementation, monitor progress, and ensure vulnerable households successfully establish their livelihood activities. These households

will be linked to local markets and value chains through facilitation by extension staff, including connections to APG clusters, institutional buyers (such as schools and health centres) and local traders, with producer groups formed where collective marketing is needed.

Persons with disabilities: The project will follow a twin track approach. It will include both actions to improve accessibility of the services promoted or supported by the project (for example in climate resilience assessments, capturing of specific constraints at the district level as part of MSPs) as well as actions targeted specifically to persons with disabilities especially through component 2 Output 2.3.2. Community consultations will be conducted in a way that facilitates the full participation of persons with disabilities. Formal and informal project feedback and complaints mechanisms will be made accessible to persons with disabilities.

A needs assessment will be conducted across Savannakhet and Khammouane to identify persons with disabilities, document types and severity of disabilities using adapted screening tools, and understand their livelihood activities, skills, barriers, and aspirations. Based on the findings, the project will identify 400 persons with disabilities and design customized livelihood packages valued at USD 1,200, combining productive assets with appropriate assistive devices (e.g., wheelchairs, prosthetics, adapted tools). Packages will be tailored to each person's capabilities, household context, and market opportunities, and will include in-kind beneficiary contributions to ensure ownership. A specialized service provider with expertise in disability-inclusive livelihoods will lead the assessments, package design, procurement and delivery of assets, and skills training, working closely with OPDs and trained DAFO staff.

All participating persons with disabilities will receive intensive, long-term mentoring to ensure effective use of assets and assistive devices and to support income generation. Mentoring will cover orientation, device maintenance, accessibility adaptations, and technical training tailored to individual needs, with monthly household visits in year one and quarterly visits thereafter. Additional employability training will prepare persons with disabilities for opportunities beyond agriculture—including digital literacy, e-commerce, bookkeeping, mobile repair, tailoring, food processing, and other market-relevant skills—while APG clusters and cooperatives will receive awareness-raising to strengthen disability inclusion.

Ethnic Groups: The project will meaningfully engage ethnic groups. APG assessments and PRIP review processes will apply social inclusion and outreach criteria to ensure investments actively benefit ethnic groups alongside other vulnerable groups, while MSP structures at national and district levels will systematically capture issues specific to these groups. WUG governance will ensure equitable access to water and hygiene services for all ethnic communities. Climate assessments integrated into PRIPs will analyse differential impacts of climate shocks on ethnic groups and draw on traditional and Indigenous knowledge for adaptive management. Testing and scaling of technologies will also consider their effects on ethnic groups, including nutritional outcomes and opportunities to incorporate Indigenous practices. Where ethnic communities are present, they will be explicitly included in the APGs to strengthen their participation and integration into value chains.

Social inclusion strategy: The gender and social inclusion strategy supports the transformation of beneficiaries through a focus on three dimensions of empowerment: intrinsic (self-confidence and awareness), instrumental (access to resources and decision-

making), and collective (group action and advocacy). Recognizing that progress in one dimension reinforces the others, the project adopts an integrated approach to empowerment. In terms of Government and IFAD priorities, LEAD will be youth sensitive, nutrition sensitive, will prioritize persons with disabilities and include climate finance.

1.2 Purpose and Scope of the ESCMP

The Environmental, Social and Climate Management Plan (ESCMP) was developed on the basis on project concept and consultation with relevant project stakeholders during project design. Based on current project design, the ESCMP identified key environmental, social and climate risks and impacts (that are potentially associated with current proposed project activities), initially assessed, and preliminary mitigation measures proposed. Once project activities are finalized and firmed up during project inception phase, the ESC risks and impacts – based on final activities, will be identified, assessed, and mitigation measures elaborated – based on this ESMF. To ensure the ESC risks and impacts are identified vis-a-vis final project activities, a procedure for ESC screening is proposed in this ESCMP to guide the project in screening and assessing the ESC risks and impacts – for relevant activities – before these activities are carried out during project implementation.

Since detailed project interventions and locations are not concretised, the ESCMP outlines anticipated environmental, social, and climate-related risks and impacts, and defines the approach to identify measures to avoid, minimize, or mitigate the risks in line with the mitigation hierarchy. It sets forth implementation responsibilities, monitoring mechanisms, and institutional arrangements necessary to manage these risks effectively throughout the project lifecycle. The ESCMP also establishes guidance on stakeholder engagement and grievance redress.

The ESCMP is implemented in support of project activities, therefore it is considered as a living document and the responsibility of the Project Management Unit to update, ensuring the information is adequate and relevant to respond to project needs. It serves as a key instrument for ensuring that LEAD achieves its development goals while upholding sustainability and equity in project execution. This ESCMP is prepared in accordance with the relevant requirements of the Government of Lao PDR, and IFAD's Social, Environmental and Climate Assessment Procedures (SECAP 2021).

2. Institutional and legal framework

2.1 National Laws and Regulations

The Lao PDR has various laws and regulations that govern environmental and social impacts and risks assessment and management applicable for all development projects financed by both public and private sectors. The key Lao laws and regulations relevant to the LEAD Project are listed in Table below.

Category	Policies & Strategies	Year
Food Security & Nutrition	National Nutrition Strategy to 2025 and Plan of Action 2021-2025	2021-2025
	Zero Hunger National Action Plan	2019-2025
Agriculture & Rural Development	9th National Socio-Economic Development Plan (Agriculture Chapter)	2021-2025

Category	Policies & Strategies	Year
	Agricultural Development Strategy to 2025 and Vision to 2030	2010-2030
	Law on Agricultural Cooperatives	2024
	Decree on establishment of agriculture groups and cooperatives	2020
	Forest Law (Revised)	2019
	Forestry Strategy to 2020 and Vision to 2030	2013-2030
	Decree on contract farming in the agricultural sector	2025
Climate & Environment	National Green Growth Strategy	2019-2030
	Nationally Determined Contribution (NDC) - Updated	2021
	National Adaptation Programme of Action (NAPA)	2009
	National Disaster Risk Management Strategic Plan	2021-2025
	National Biodiversity Strategy and Action Plan 2016-2025	2016-2025
	Environment Protection Law (Revised)	2012
National Development Strategies	9th National Socio-Economic Development Plan	2021-2025
	Vision 2030 and Strategy 2025	2016-2030
	Sustainable Development Goals (SDG) Voluntary National Review	2018, 2021
	Rural Development and Job Creation – MAE (Dept of Rural Development)	2018
Water & Irrigation	Water and Water Resources Law (Revised)	2017
	National Water Resources Strategy	2018-2025
	Irrigation Development Strategy	2010-2020
Social Inclusion & Governance	National Strategy for the Advancement of Women 2021-2025	2021-2025
	National Strategy on Ethnic Groups	2016-2025
	National Youth Development Plan	2016-2020
	Decree on Ethnic Groups	2013
UXO & Post-Conflict	National Strategic Plan for UXO Sector in Lao PDR	2021-2030
	Safe Path Forward III Strategy	2021-2030
Trade & Economic Development	National Export Strategy	2021-2025
	SME Development Plan	2016-2020
	National Industrial Development Strategy	2021-2030
Governance & Legal Framework	Constitution of Lao PDR	2015
	Land Law (Revised)	2019

Category	Policies & Strategies	Year
	Investment Promotion Law (Revised)	2016

2.2 IFAD's Social, Environmental, Climate Assessment Procedures

Building on the suite of national environmental, social and sector-specific laws outlined above, IFAD's Social, Environmental and Climate Assessment Procedures (SECAP 2021) establish IFAD's own standards and procedures for screening, assessing and managing risks and impacts throughout the project cycle. SECAP comprises nine thematic Standards—ranging from biodiversity conservation and resource efficiency to labour conditions, cultural heritage, Indigenous Peoples and climate resilience—each with clearly defined objectives, scope and required mitigation hierarchy. By integrating international best practice with national requirements, the LEAD SECAP ensures that all IFAD-supported sub-projects are implemented in compliance with IFAD's policies.

- **Standard 1: Biodiversity Conservation.** The objectives are to conserve biodiversity and ensure the fair and equitable sharing of benefits from genetic resources. Respect and promote the knowledge and practices of indigenous peoples and local communities relevant to biodiversity conservation and sustainable use, including their customary use of biological resources. Apply a precautionary approach to natural resource management for environmentally sustainable development.
- **Standard 2 on Resource efficiency.** The objectives of this standard are to avoid, minimize and manage the risks and impacts associated with hazardous substances and materials, including pesticides; avoid or minimize project-related emissions of short- and long-lived climate pollutants; promote more sustainable use of resources, including energy, land and water; and identify opportunities for improving resource efficiency.
- **Standard 3 on Cultural Heritage.** The objectives are to preserve and safeguard cultural heritage. Actively prevent IFAD-supported projects from altering, damaging, or removing tangible or intangible cultural heritage. Promote the equitable sharing of benefits derived from its use and ensure meaningful consultation on matters related to cultural heritage.
- **Standard 4 on Indigenous Peoples.** The objectives of this standard are to support indigenous peoples to determine priorities and strategies for exercising their right to development; ensure that each project is designed in partnership with indigenous peoples and with their full, effective and meaningful consultation, leading to FPIC; ensure that indigenous peoples obtain fair and equitable benefits and opportunities from project-supported activities in a culturally appropriate and inclusive manner; and recognize and respect the rights of indigenous peoples to the lands, territories, waters and other resources that they have traditionally owned, used or relied upon.
- **Standard 5 on Labour and Working Conditions.** The objectives of this standard include: promote direct action to foster decent rural employment; promote, respect and realize fundamental principles and rights by preventing discrimination and promoting equal opportunities for workers; supporting freedom of association and the right to collective bargaining; and preventing the use of child labour and forced labour; protect and promote the safety and health of workers; ensure that projects comply with national employment and labour laws, and international commitments; leave no one behind by protecting and supporting workers in disadvantaged and

vulnerable situations, including women (e.g. maternity protection), young workers, migrant workers, workers in the informal economy and workers with disabilities.

- Standard 6 Community health and safety. The objectives of this standard are: ensure quality and safety in the design and construction of programming-related infrastructure, preventing and minimizing potential safety risks and accidents; avoid or minimize community exposure to disaster risks, diseases and hazardous materials associated with project activities; ensure that the safeguarding of personnel and property minimizes risks to communities and is carried out in accordance with international human rights standards and principles; have in place effective measures to address emergency events, whether human-made or natural hazards.
- Standard 7 on Physical and economic resettlement. The objectives of this standard are to avoid involuntary resettlement or, when unavoidable, minimize involuntary resettlement by exploring alternative project designs and sites; avoid forced eviction; ensure that resettlement activities are planned and implemented collaboratively with the meaningful participation of affected people; enhance and restore the livelihoods of all displaced people; and provide explicit guidance to borrowers/recipients/partners on the conditions that need to be met regarding involuntary resettlement.
- Standard 8 on Financial intermediaries and direct investments. The objectives of this standard are to promote sound environmental, social and climate practices, and sound human resource management with FIs and direct investees; ensure that FIs and direct investees assess and manage any environmental and social risks and impacts of subprojects; and promote good environmental and social management practices by direct investees and in the subprojects financed by FIs.
- Standard 9 on Climate Change. The objectives are to align IFAD-supported projects with Nationally Determined Contributions, the Paris Agreement goals, and other international frameworks. Screen and assess proposed activities for climate change and disaster risks and impacts (both project impacts and impacts on projects). Apply the mitigation hierarchy in project design. Strengthen community resilience to climate change impacts and climate-related disasters. Enhance community adaptation to the adverse impacts of climate change and foster climate-resilient, low GHG-emitting projects that safeguard food production.

3. Environmental and Social Baseline Conditions

This chapter provides an overview of environmental, social, climate baseline conditions for two project provinces: Savannakhet and Khammouane.

3.1 Savannakhet Province, Lao PDR

Savannakhet Province is located in south-central Lao PDR and is the country's largest province by area. It plays a strategic role in national and regional development due to its location along the Mekong River and the East–West Economic Corridor linking Thailand and Viet Nam. The province encompasses diverse physical landscapes, rich biodiversity, and a predominantly rural population that depends heavily on natural resources for livelihoods.

3.1.1 Physical Environment

Topography and Geology

Savannakhet Province covers a broad and diverse landscape. The western part of the province consists mainly of lowland plains and riverine floodplains along the Mekong River, which are intensively used for agriculture, particularly wet-season rice cultivation. Elevation in these areas is generally below 200 meters above sea level.

Moving eastward, the terrain gradually rises into rolling hills and forested uplands, eventually reaching the Annamite (Truong Son) Mountain Range along the border with Viet Nam. These eastern uplands are characterized by steep slopes, narrow valleys, and elevations exceeding 1,000 meters in some areas. The geology is dominated by sedimentary formations, limestone karst systems, and sandstone plateaus, which influence soil development and groundwater availability.

Climate and Rainfall

Savannakhet has a tropical monsoon climate with two distinct seasons:

- Rainy season: May to October, dominated by southwest monsoon winds.
- Dry season: November to April, including a cool dry period (November–February) and a hot dry period (March–April).

Average annual rainfall ranges from 1,300 to 1,800 mm, with higher precipitation in the eastern mountainous areas. Temperatures are generally high throughout the year, with annual averages around 26–27°C, and peak temperatures often exceeding 35°C during the hot season. The province is increasingly exposed to climate variability, including irregular rainfall, droughts, and localized flooding.

Soils and Land Capability

Soils in the lowland areas are predominantly alluvial and sandy loams, suitable for rice cultivation but often low in organic matter and nutrients. Upland soils are generally lateritic and shallow, with limited fertility and higher susceptibility to erosion when vegetation cover is removed. Soil degradation due to shifting cultivation, deforestation, and inappropriate land management practices remains a concern in upland districts.

Water Resources

Savannakhet is drained by several major river systems, including the Mekong River, Xe Bang Fai, Xe Bang Hiang, and numerous tributaries. These rivers provide water for irrigation, fisheries, domestic use, and hydropower development. Seasonal flooding is common in low-lying areas during the rainy season, while water scarcity can occur in the dry season, particularly in upland and remote communities.

Infrastructure

The province has relatively well-developed infrastructure compared to many other regions in Lao PDR. National Road No. 9, part of the East–West Economic Corridor, is a key transport artery. Savannakhet town serves as a major commercial and administrative center. However, rural roads, especially in upland districts, are often unpaved and may become inaccessible during the rainy season. Water supply, sanitation, and waste management infrastructure remain uneven, with significant gaps in rural areas.

3.1.2 Biological Environment

Ecosystems and Flora

Savannakhet Province lies within the Indo-Burma biodiversity hotspot and supports a wide range of ecosystems, including:

- Lowland evergreen and semi-evergreen forests
- Dry dipterocarp forests
- Mixed deciduous forests
- Riverine and wetland ecosystems

Forest cover is more extensive in the eastern uplands and within protected areas, while western lowlands have experienced significant forest conversion to agriculture. Dominant tree species include *Dipterocarpus*, *Shorea*, *Hopea*, and *Pterocarpus* species. Non-timber forest products (NTFPs), such as bamboo, rattan, medicinal plants, and wild foods, are widely used by local communities.

Fauna and Biodiversity

The province supports diverse wildlife, including mammals, birds, reptiles, and amphibians. Species of conservation concern recorded in the region include Asian elephant, gaur, white-cheeked gibbon, pangolin, and various threatened bird species. River systems provide important habitats for fish and aquatic species that are critical for local food security.

Protected and Sensitive Areas

Savannakhet contains several National Protected Areas (NPAs) and conservation zones, notably:

- Phou Xang He National Protected Area
- Dong Phou Vieng National Protected Area

These areas are recognized for their high biodiversity value and ecological functions. They also serve as important watersheds and carbon sinks. Despite their protected status, pressures such as illegal logging, wildlife hunting, agricultural encroachment, and infrastructure development persist.

Environmentally Sensitive Sites

Sensitive sites include wetlands, riverbanks, limestone karst areas, and forest corridors that support wildlife movement. These areas are vulnerable to land-use change, hydropower development, and climate-related impacts such as flooding and drought.

3.1.3 Socio-economic and Cultural Environment

Population Dynamics and Settlement Patterns

Savannakhet Province has a population exceeding one million people, making it one of the most populous provinces in Lao PDR. The population is predominantly rural, with settlements concentrated along rivers, roads, and fertile plains. Population growth remains moderate, with increasing rural-to-urban migration, particularly among youth seeking employment and education opportunities.

Ethnic Composition and Community Structure

The population is ethnically diverse, including Lao Loum (lowland Lao) as the majority group, as well as Upland Lao and Lao Soung ethnic groups in upland areas. Communities are typically organized around village-level governance structures, with strong social cohesion and reliance on traditional leadership systems.

Land Use and Livelihoods

Agriculture is the primary livelihood, with most households engaged in subsistence and semi-commercial rice farming, complemented by livestock rearing, fishing, and collection of NTFPs. Cash crops such as cassava, maize, rubber, and sugarcane have expanded in recent years. Dependence on natural resources remains high, particularly among poorer and upland communities.

Poverty and Income Distribution

While poverty rates have declined over time, poverty remains concentrated in rural and upland districts. Income inequality exists between urban and rural areas and among households with varying access to land, markets, and education. Many households rely on multiple livelihood strategies and seasonal migration to cope with income insecurity.

Community Health and Disease Patterns

Health outcomes have improved but remain constrained by limited access to quality services in remote areas. Common health issues include waterborne diseases, respiratory infections, malnutrition, and vector-borne diseases such as dengue fever. Environmental factors, including poor sanitation, unsafe drinking water, and indoor air pollution from biomass cooking, are key drivers of disease.

Cultural Heritage

Savannakhet has rich cultural heritage, including Buddhist temples (wats), historical sites, traditional festivals, and intangible cultural practices. These cultural assets play an important role in community identity and social cohesion and may be sensitive to development activities.

Access to Goods, Services, and Infrastructure

Access to basic services varies across the province:

- Water and sanitation: Improved in urban areas but limited in rural villages.
- Health care: District hospitals and health centers exist but often face staffing and resource constraints.
- Education: Primary education is widely available; access to secondary education declines in remote areas.
- Electricity: Grid coverage has expanded significantly, though some remote communities remain off-grid.
- Transport and markets: Market access is relatively good along main corridors but limited in upland districts.

Environmental Awareness and Climate Change

Community awareness of environmental issues such as deforestation, biodiversity loss, and climate change is increasing, supported by government programs and development partners. However, awareness does not always translate into sustainable practices due to economic pressures and limited alternatives.

Overall, Savannakhet Province presents a complex environmental and social baseline characterized by rich natural resources, growing development pressures, and persistent rural livelihoods challenges. These baseline conditions provide a critical foundation for assessing potential project impacts and designing appropriate mitigation and enhancement measures.

3.2 Khammouane Province

Khammouane Province is located in central Lao PDR, bordered by the Mekong River to the west and the Annamite Mountain Range along the eastern border with Viet Nam. The province is known for its distinctive karst landscapes, extensive forest areas, and high biodiversity, as well as for a largely rural population that depends heavily on agriculture and natural resources. Khammouane plays an important role in national transport and trade networks while also containing ecologically sensitive and culturally significant areas.

3.2.1 Physical Environment

Topography and Geology

Khammouane Province exhibits a highly varied topography. The western portion of the province consists of low-lying floodplains and river terraces along the Mekong River, with elevations generally below 200 meters above sea level. These areas support irrigated and rain-fed agriculture and host most of the province's urban centers, including Thakhek, the provincial capital.

The central and eastern parts of the province are dominated by limestone karst formations, plateaus, and rugged mountains of the Annamite Range, with elevations exceeding 1,500 meters in some areas. The karst landscape includes caves, sinkholes, underground rivers, and cliffs, making it one of the most distinctive geological regions in Lao PDR. These formations strongly influence hydrology, land use potential, and infrastructure development.

Climate and Rainfall

Khammouane experiences a tropical monsoon climate with two main seasons:

- A rainy season from May to October
- A dry season from November to April

Average annual rainfall ranges from approximately 1,500 to 2,000 mm, with higher precipitation in the eastern mountainous areas. Rainfall is often intense during the peak monsoon months, contributing to localized flooding in lowland areas and erosion in upland zones. Mean annual temperatures range between 25–27°C, with the hottest period occurring from March to April. Climate variability has increased in recent years, with more frequent droughts, heatwaves, and extreme rainfall events.

Soils and Land Capability

Soil types vary significantly across the province. Alluvial soils in the Mekong floodplain are relatively fertile and support rice cultivation and horticulture. In contrast, upland areas are characterized by shallow, rocky, and lateritic soils, particularly in karst and mountainous zones, which limit agricultural productivity. Soil erosion and land degradation are concerns in areas where forest cover has been reduced due to shifting cultivation, logging, or infrastructure development.

Water Resources

Khammouane Province is drained by several important river systems, including the Mekong River, Xe Bang Fai, Xe Bang Hiang, and Nam Theun rivers. The province is hydrologically significant due to the Nam Theun–Hinboun hydropower system, which transfers water between river basins. While surface and groundwater resources are generally abundant, seasonal flooding and dry-season water shortages occur in different parts of the province. Karst hydrology creates complex underground water flows that are vulnerable to contamination and difficult to manage.

Infrastructure

Khammouane is well connected by National Road No. 13, which runs north–south through the province, and by cross-border routes linking Lao PDR and Viet Nam. Thakhek serves as a regional transport, trade, and administrative hub. Electricity access is relatively high due to nearby hydropower generation, though some remote villages remain off-grid. Rural roads, water supply systems, and sanitation infrastructure remain limited in upland and remote districts.

3.2.2 Biological Environment

Ecosystems and Flora

Khammouane Province lies within the Indo-Burma biodiversity hotspot and supports a wide range of ecosystems, including:

- Evergreen and semi-evergreen forests
- Limestone and karst forests
- Mixed deciduous forests
- Riverine and wetland ecosystems

The eastern mountainous and karst areas retain relatively intact forest cover compared to other regions of Lao PDR. Dominant vegetation includes species of Dipterocarpaceae, Fagaceae, and karst-adapted flora, including endemic plant species found only in limestone environments. Forests provide important ecosystem services such as watershed protection, carbon storage, and non-timber forest products.

Fauna and Biodiversity

The province supports high faunal diversity, including mammals, birds, reptiles, amphibians, and fish. Species of conservation concern reported in the region include Asian elephant, gaur, southern white-cheeked gibbon, sun bear, pangolin, and several threatened bird and bat species, particularly associated with karst caves. Rivers and wetlands support diverse fish populations that are critical for local food security and livelihoods.

Protected and Sensitive Areas

Khammouane contains several nationally and internationally significant conservation areas, most notably:

- Nakain–Nam Theun National Park (formerly NPA)
- Phou Hin Poun National Protected Area

These protected areas are recognized for their exceptional biodiversity, extensive karst systems, and importance as wildlife habitats and watersheds. The province is also known for globally significant cave systems, such as Kong Lor Cave, which are both ecological and cultural landmarks.

Environmentally Sensitive Sites

Sensitive sites include karst landscapes, cave ecosystems, riverine corridors, wetlands, and forest areas that serve as wildlife corridors. These areas are particularly vulnerable to quarrying, hydropower development, agricultural expansion, tourism pressure, and climate-related impacts.

3.2.3 Socio-economic and Cultural Environment

Population Dynamics and Settlement Patterns

Khammouane Province has a population of several hundred thousand people, with the majority living in rural villages. Settlements are concentrated along rivers, roads, and fertile lowland areas, while upland and karst regions are more sparsely populated. Population growth is moderate, and migration patterns include seasonal and long-term labor migration to urban centers and neighboring countries.

Ethnic Composition and Community Structure

The population includes Lao Loum as the dominant ethnic group, along with Upland Lao and other ethnic groups, particularly in upland districts. Communities are organized around village administrative systems, with strong roles played by village heads, elders, and mass organizations. Social cohesion is generally strong, though economic disparities exist between lowland and upland communities.

Land Use and Livelihoods

Agriculture is the primary livelihood for most households. Rice farming dominates lowland areas, while upland communities practice a mix of rain-fed agriculture, livestock rearing, and collection of non-timber forest products (NTFPs). Fishing in rivers and wetlands provides an important source of protein and income. Tourism linked to natural and cultural attractions is an emerging livelihood in selected areas.

Poverty Trends and Income Distribution

Poverty levels in Khammouane have declined over time but remain higher in remote and upland districts. Income distribution is uneven, with better-off households benefiting from access to irrigated land, markets, wage employment, or remittances. Many households rely on diversified livelihood strategies to manage risks related to climate variability and market fluctuations.

Community Health and Disease Patterns

Health conditions have improved, but challenges persist, particularly in rural areas. Common health issues include waterborne diseases, malnutrition, respiratory infections, and vector-borne diseases such as dengue fever and malaria. Poor water quality, inadequate sanitation, limited health infrastructure, and indoor air pollution from biomass fuels are key drivers of disease.

Cultural Heritage

Khammouane Province has rich cultural and historical heritage, including Buddhist temples, sacred caves, traditional festivals, and historic sites associated with regional trade and conflict history. These cultural resources are important to local identity and may be sensitive to infrastructure development and tourism activities.

Access to Goods, Services, and Infrastructure

Access to basic services varies across the province:

- Water and sanitation: Improved systems are available in urban areas, while rural communities often rely on wells, springs, or surface water.
- Health care: District hospitals and health centers exist but face shortages of staff and equipment in remote areas.
- Education: Primary education is widespread; access to secondary and vocational education is more limited in rural districts.
- Electricity: Grid coverage is relatively high, though remote villages may still lack reliable access.
- Transport and markets: Good access along main roads, but limited connectivity in mountainous and karst areas.
- Agricultural extension: Services exist but have limited coverage and capacity.

Environmental Awareness and Climate Change

Awareness of environmental issues such as deforestation, biodiversity loss, and climate change is gradually increasing, supported by government programs, protected area management, and development partners. However, economic necessity often constrains the adoption of sustainable practices. Communities remain highly dependent on natural resources for livelihoods and resilience.

4. Environmental, Social and Climate Risks and Impacts & Mitigation Measures

As part of the SECAP Procedures described above, the project has been screened to identify potential environmental and social risks in relation to activities of Components 1 (Inclusive Value Chain Development) and Component 2 (Climate Resilient Technologies and diversification in farming systems) and how they may impact environmental, social and climate receptors, as well as proposed mitigation measures. This section is to be understood as an explanation of the ESCMP Matrix.

Biodiversity conservation

Risks to Biodiversity as a consequence of project interventions are perceived to be low. Potential risks could arise from introduction of exotic/alien species of fishes (eg African catfish) in aquaculture interventions which could be detrimental for local aquatic fauna. If project villages are selected in the fringes of Protected areas, human-wildlife conflicts may emerge due to possible increases in crop depredation by wildlife. In addition, risks of habitat degradation could also arise in case of tree felling/vegetation clearing while establishing cultivation plots (vegetable gardens, cash crop plantations) and the construction of new farm roads. However, these are expected to be negligible.

Recommended mitigation measures:

- i. Conduct sensitisation engagements with APG members, raising awareness about the threats of introducing aggressive exotic fishes (such as African catfishes) to local aquatic biodiversity. Discourage the introduction of aggressive, exotic species despite attractive economic returns.
- ii. Screen and pro-actively monitor species introductions in aquaculture interventions to prevent accidental/intentional introduction of exotic fauna.
- iii. In case of project villages neighbouring or in fringe areas of Protected Areas (National Parks and Wildlife Sanctuaries) conduct detailed consultations with Forest and Wildlife officials to identify risks of crop depredation by wildlife.
- iv. In collaboration with PA agencies, APG members and other stakeholders, develop detailed strategies to avoid/reduce crop depredation and Human-Wildlife Conflicts (HWC). Food crop plantation strips (for wildlife), alternative crop cultivation (unattractive or even repulsive to wildlife crops) can be possible components of HWC reduction plans in addition to physical infrastructure such as electric fencings. PA agencies and Wildlife wings of the Forest Department should have funds available to support such physical structures, where required.
- v. LEAD should adopt a strict 'Zero deforestation' policy to avoid habitat degradation or destruction.
- vi. A site inspection to ensure adherence to this policy must precede approval of any proposal for establishment of new cultivation (particularly vegetable gardens, horticultural plantations), or agricultural infrastructure (storage, processing) to avoid possible, unintended tree felling or clearing of forests. Geo-referenced photo documentation should accompany site inspection reports before approval and release of funds are made.

Resource efficiency and pollution prevention

Risks under this standard are perceived to be moderate.

The risks arise from the potential use of agricultural inputs, particularly in regard to soil fertility enhancement, weed and pest control. The use of such inputs could result in soil contamination and water pollution unless regenerative agricultural practices based on sound agro-ecological approaches are adopted or well-defined preventive measures put in place. Improper disposal of animal waste in slaughter houses could also pose risk of contamination and health issues. Land development activities for irrigation, market infrastructure and repair/construction of farm roads could potentially lead to incidences of soil erosion.

Recommended mitigation measures:

Although the project proposes to adopt agroecological approaches, moderate risks from the use of chemicals for nutrient enhancement and pest control cannot be ruled.

- i. The project must strictly discourage the adoption and use of inorganic agro-chemicals for soil nutrient amendments, pest and weed management. Extreme care and caution must be exercised by the project in ensuring that chemical fertilisers and pesticides are not used, and pro-active steps taken to discourage use of such chemicals.
- ii. Regular trainings on agroecological practices must be organised by the project and steps taken to initiate community level mechanisms for the production and regular availability of organic fertilisers, pest control agents and related inputs.
- iii. Regular trainings on the safe use of pest control agents must be imparted to farmers and steps taken to ensure adherence to the safe disposal of harmful chemicals (and containers).
- iv. Safety gear should be made available to APG members and SMEs as and where necessary.

The project could potentially support poultry value chains. This may entail the need for meat processing. Concerns arise in regard to the safe disposal of waste entrails and blood of the slaughtered animals as inappropriate disposal of biological waste could lead to pollution of soil and water bodies in addition to posing a health safety concern.

- v. Standard Operation Procedures (SOPs) to be adopted for safe disposal of animal waste arising from meat processing (SMEs) applying existing and ongoing practices promoted by Department of Livestock and Fisheries (burial of solid animal waste, recycling for compost/bone phosphate etc) and confirming to National/International standards laid out by MAE.
- vi. Integrate safe waste management and disposal clauses into procurement and infrastructure contracts

The project will support rehabilitation/repair of existing irrigation infrastructure, farm roads and/or the construction of new farm roads and market infrastructure. Infrastructure construction (or repair) could give rise to incidences of soil erosion.

- vii. Stakeholder consultations, particularly with WUGs/APGs/Cooperatives and concerned district/provincial authorities, should be mandated during the development of irrigation/market infrastructure/farm road sub-projects to identify potential soil erosion risks and incorporating risk aversion into the design. Measures such as contour bunding, vegetative barriers and native vegetation planting for slope stabilisation together with proper drainage design to prevent concentrated flows should be adopted as standard operating procedures.
- viii. Mandate ESCMPs for sub-projects, emphasising, among others, integration of soil erosion control, pollution control, waste management and disposal clauses into procurement and infrastructure contracts.

Cultural heritage

Project activities are not perceived to be conducted in sites/locations with any cultural heritage or artifacts, nor will any activity impinge on intangible cultural heritage. Risks are perceived to be low under this category.

Indigenous peoples

The risks perceived for this standard are low, if any.

Lao PDR has a rich diversity of ethnic communities distributed throughout the country. The country recognises this diversity and has framed necessary legislations (Decree 207) to protect the cultural heritage and practices of ethnic groups. Lao PDR is also a signatory to UNDRIP. Respecting this diversity and in alignment with government policies, project interventions will be initiated after a Free, Prior Informed Consent Implementation (FPIC) Plan, a Stakeholder Engagement Plan (SEP) and a Grievance Redressal Mechanism (GRM) are formulated as required. Due to the low risks perceived, an IP Plan is not required or deemed necessary. A tentative FPIC Implementation Plan Outline is however, provided in the table below.

Labour and working conditions

The risks under this standard are perceived as Moderate. Project interventions will not entertain any activity that contravenes labour conditions, employs child labour or results in discrimination in any manner, particularly of gender. All interventions will strictly adhere to and follow National laws, ILO commitments and IFAD policy guidelines in regard to labour, gender and working conditions. (Lao People's Democratic Republic has ratified 7 out of 10 fundamental ILO conventions³. In addition, it has also ratified 1 Governance convention and 4 Technical conventions. Out of the total 12 Conventions ratified, 11 are in force, No Convention has been denounced; 1 instrument abrogated By decision of the ILC at its 106th Session (2017)).

Recommended mitigation measures:

- i. Sensitisation meetings raising awareness on national guidelines, international commitments and IFAD guidelines in regard to labour, gender and working conditions to be conducted by the Project for all stakeholders, in particular APGs, MSPs, service providers and contractors.
- ii. Strict adherence to national labour guidelines, ensuring fair working conditions, wage parity and safety measures at work and no tolerance for child labour. These conditionalities must prominently feature in bid document and procurement contracts.

Community health and safety

The risks under this standard are presently perceived as Moderate. Risks could arise from the use of hazardous agro-chemicals (pesticides, weedicides) and their unsafe disposal. Risks can also be foreseen of unintended introduction and spread of zoonotic diseases, particularly parasites in case of interventions promoting livestock products. Improper

³ These include C029 - Forced Labour Convention, 1930 (No. 29); C100 - Equal Remuneration Convention, 1951 (No. 100); C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111); C138 - Minimum Age Convention, 1973 (No. 138); C155 - Occupational Safety and Health Convention, 1981 (No. 155); C182 - Worst Forms of Child Labour Convention, 1999 (No. 182); and C187 - Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187).

disposal of animal waste in slaughter houses could also pose risk of contamination and health issues. The risks of water borne diseases and the spread of vector borne diseases (such as malaria and dengue) can potentially increase in cases where irrigation and water harvesting interventions are introduced and results in stagnation. Additionally, improper storage of agricultural produces and use of pest-control chemicals in processing facilities could potentially lead to contamination and product deterioration raising health concerns. The project will also be conscious and sensitive to any mitigation required for OSH risks arising due to the use of agro-chemicals and during infrastructure constructions.

Recommended mitigation measures:

- i. The project must discourage the adoption and use of inorganic agro-chemicals for soil nutrient amendments, pest and weed management. Extreme care and caution must be exercised by the project in ensuring that chemical fertilisers and pesticides are not used, and pro-active steps taken to discourage use of such chemicals.
- ii. The project must actively raise awareness and sensitise the primary stakeholders on Food Safety practices as formulated by the Ministry of Health. Guidelines and SOPs on food safety measures must be prepared if not already available, translated into local languages if required and widely circulated to all stakeholders (APGs, MSPs, SMEs) for wide adoption of practices.
- iii. Regular trainings on the safe use of agro-chemicals must be imparted to farmers and steps taken to ensure adherence to the safe disposal of harmful chemicals (and containers).
- iv. Safety gear should be made available to APG members and SMEs as and where necessary.
- v. Raise awareness among stakeholders on the possibility of transmission of zoonotic diseases (especially parasitic) during animal handling, slaughter and processing.
- vi. Train project technical team on biosafety measures and prevention of spread of zoonotic diseases.
- vii. Develop Standard Operation Procedures to ensure biosafety and food safety. Design and establish a simple but effective biosafety monitoring mechanism.
- viii. Introduce biocontrol measures in water harvesting and storage structures to prevent the built up of disease transmitting vectors (such as mosquitoes).
- ix. Conduct regular monitoring and cleaning exercises to prevent the establishment of disease transmitting vectors in stagnant water bodies.

Physical and economic resettlement

Project interventions will mainly involve the rehabilitation and/or repair of irrigation infrastructure, repair and upgradation of rural roads as well as the establishment of market infrastructures for storage and semi-processing. None of these activities are expected to cause any physical or economic resettlement, and therefore, the risk for this category is perceived to be low. The project will not finance any activities that involve permanent land acquisition of local people nor cause physical relocation.

Recommended mitigation measures:

- i. Consultations with stakeholders during VCIP and PRIP preparation exercises are expected to identify infrastructure needs. Thorough discussions should be conducted on possibilities of physical and/or economic resettlement and mitigation measures discussed.
- ii. All infrastructure sub-projects must obtain a consensus that no physical or economic resettlement will result due to the construction of such infrastructure. This agreement should be arrived at through a participatory process involving all stakeholders.

Financial intermediaries and direct investments

The project will involve collaboration and active partnerships with financial intermediaries such as Banks and Microfinance Institutions. Due diligence exercises will be carried out as a mandatory procedure during the partnership selection process. This will apply to all intermediaries and investments. The risks for this standard can be expected to be low.

Recommended mitigation measures:

- i. Develop simple screening tools and training financial institution staff on risk screening.
- ii. Include compliance requirements in PFI agreements
- iii. Make compliance a loan disbursement condition

Climate change

Lao PDR faces projected warming of 3.6°C by the 2090s against the baseline conditions over 1986–2005. The Climate Change Knowledge Portal (CCKP) suggests that rises in annual maximum and minimum temperatures are expected to be more rapid than that for average temperatures. Monthly minimum temperatures are expected to typically rise 10–20% faster and are likely to amplify pressures on human health, livelihoods and ecosystems⁴. Ensemble models indicate that annual precipitation rates are expected to increase, with larger changes under higher emission pathways. The country's 2nd National Communication to the UNFCCC reports a transition to more intense precipitation periods with the frequency of months experiencing more than 600 mm rainfall increasing over the 20th century⁵. Overall, the CCKP shows a trend of consistent warming and an increase in the intensity of heavy precipitation periods and extreme events for the country. These changes increase vulnerability of the country to various climate-related hazards and the CCKP indicates high risks from floods, cyclones, landslides, water scarcity and prolonged dryspells, extreme heat conditions and wildfires. Lao PDR's overall ranking on the INFORM risk index is somewhat exacerbated by its lack of coping capacity and to a lesser extent the vulnerability of its population.⁶

Although downscaled climate projections are unavailable, a climate change vulnerability assessment of Lao PDR conducted by UNHabitat provides brief assessments at the provincial level⁷. According to the report, floods constitute the main climate hazard in all the four provinces targeted under LEAD – Khammouane, Savanakheth, Xekong and Salavan - with a sizable population in all four provinces vulnerable to this hazard. In

⁴ Climate Change Risk Profile: Laos PDR (2021). The World Bank Group and Asian Development Bank.

⁵ Lao PDR (2013). Second National Communication to the UNFCCC. URL: <https://unfccc.int/sites/default/files/resource/Laonc2.pdf>

⁶ Climate Change Risk Profile: Laos PDR (2021). The World Bank Group and Asian Development Bank.

⁷ UN Habitat: Lao PDR Climate Change Vulnerability Assessment Preliminary Report (2019)

addition, the provinces are also at risk from storms and dry spells. Climate-induced landslides is an additional risk in uplands with some provinces being more vulnerable than others. Adaptive capacities vary across provinces thus affecting the degree of vulnerability and risk the populations are subjected to. For the provinces targeted for LEAD, climate risks are perceived to be moderate. Several districts of the provinces are also at risks of landslides, extreme heat and seasonal dry spells. Adaptive capacities are assessed to be high with DRR plans in place⁸, but capacities at the community level are somewhat inadequate and require strengthening.

Recommended action to enhance adaptive capacities of stakeholders, particularly vulnerable groups:

- i. The project areas are highly susceptible to annual floods and target communities suffer loss of assets due to flood inundations. The project must ensure that all infrastructure constructed for storage etc under both Components are flood resilient (storage spaces/houses built on stilts). Similarly, project supports raised earthen mounds to provide shelter for livestock and flood-affected households and ensure sufficient protection for household/community assets (grains, livestock etc) from floodwaters thus reducing asset loss due to flood waters.
- ii. LEAD should explore partnerships with other development partners to introduce gender sensitive practices for improving access to clean drinking water and sanitation during floods (raise tubewells above floodwater levels; toilets on raised platforms).
- iii. Conduct participatory flood hazard risk mapping and strictly discourage construction of storage/processing infrastructure in high-risk zones.
- iv. In partnership with relevant departments within MAE and in collaboration with development partners, translate the participatory flood hazard risk mapping onto a GIS platform to inform Provincial Adaptation Planning and DRR Action plans.
- v. Participatory Technology Development (PTD) approaches involving Agricultural Research Institutions (at national and provincial levels) and APGs should be supported by LEAD to encourage participatory action research and community-led varietal selection mechanisms. Based on these trials, LEAD should encourage the establishment of Community Seed Banks and link to Seed APGs.
- vi. Improve access to seeds for meeting replanting needs of vulnerable groups subsequent to crop loss post floods or prolonged drought periods
- vii. Access to seeds of stress-tolerant crop varieties for reduction of crop losses due to floods, droughts and pests must be improved in the project areas.
- viii. LEAD should take concrete steps to improve access of vulnerable groups within its stakeholders to existing early warning mechanisms such as Laos Climate Services for Agriculture (LaCSA).
- ix. LEAD should explore means to establish financial and/or non-financial insurance mechanisms for improving adaptive capacities, particularly of vulnerable groups. The possibility of creating opportunities for setting up such insurance mechanism should be explored with other development partners and financial institutions.

9. Environmental, Social and Climate Management Plan Matrix

⁸ UN Habitat: Lao PDR Climate Change Vulnerability Assessment Preliminary Report (2019)

The ESCMP Matrix serves as a practical implementation tool that translates the overarching ESCMP into specific, actionable measures tailored to the types of environmental, social, and climate risks anticipated under the project. The matrix outlines concrete mitigation and enhancement measures, identifies responsible institutions, and defines means of verification and reporting frequency for each safeguard requirement. Its primary purpose is to support effective operationalization of the ESCMP by providing clear, site-level guidance to the implementation partners.

During project implementation, the matrix is to be used as a reference document for the preparation of sub-project-specific ESCMPs, ensuring that key safeguards measures—such as pollution prevention, occupational health and safety, and grievance handling—are consistently addressed. It may be updated to include specific actions related to FPIC implementation plan once this is prepared with full details. It also supports day-to-day monitoring by providing a structured format to track compliance, identify gaps, and inform adaptive management. As a living tool, the matrix may be updated as new risks emerge, activities evolve, or site-specific needs require enhanced mitigation measures. Its use is essential to maintaining alignment with IFAD's SECAP 2021 requirements and requirements by national legislation.

ESCMP Matrix						
Environmental, Social and Climate impacts	Recommended mitigation/enhancement measures	Public consultation activities	Institution responsible for implementation	Means of verification	Verification frequency	Estimated costs
Biodiversity						
Depletion of local aquatic species due to introduction of exotic/alien fish species	Strict monitoring of species introduction, pro-actively restrict introduction of known exotics such as African catfishes	Awareness campaigns Sensitisation of APG/Cooperative members and project staff Participatory screening and monitoring	Provincial and district project staff, concerned line department personnel	Records of species distributed to APGs Periodic harvesting records	Quarterly	Meeting costs
Impact of establishment of new vegetable plots/cash crop plantations on habitat degradation due to removal of arboreal/tree cover	Project team to verify that habitat degradation due to removal of trees will not occur due to establishment of new vegetable/agriculture plots before PRIPs approval and release of funds Agro-forestry to be encouraged as compensatory mechanism LEAD should promote 'No deforestation' policy	Awareness campaigns Sensitisation of APG/Cooperative members and project staff Participatory screening and monitoring of concerned PRIPs	Provincial and district project staff, concerned line department personnel	PRIPs approval records Notes/Reports of PSM&E Physical verification records M&E reports	Six monthly	Meeting costs

Habitat degradation and/or removal of arboreal species resultant of construction of new farm roads	All infrastructure projects will need ESCMPs. Soil/earth spoils as a result of earth cutting must be reutilised as far as possible, or disposed off responsibly strictly avoiding dumping into aquatic bodies	Public consultations (and FPICs where necessary) Participatory development of soil/earth spoil reutilisation/disposal plans/SOPs	Provincial and district project staff, concerned line department personnel	ESCMPs of sub-project Compliance reports	Regular	Sub-project ESCMP studies Consultation meeting costs
Crop depredation and potential increase in human-wildlife conflicts	Consultation with PAPA wildlife officials for development of Wildlife-Human Conflict (WHC) preventive mechanisms	Meetings with PAPA staff Awareness campaigns Sensitisation of APG/Cooperative members and project staff Joint preparation of preventive plans and mechanism	Provincial and district project staff, concerned line department personnel	Meeting records HWC Preventive Plans Wildlife-Human conflict reports/records from project areas adjacent to PAs or fringes of PAs	Six monthly	Meeting costs
Resource efficiency and pollution prevention						
Soil and water contamination resultant from use of agro-chemicals	Organise awareness raising among users Promote agro-ecological approaches to farming adopting organic/IPM practices Organise trainings on safe handling and disposal of hazardous material where required (including animal waste from slaughterhouses) Promote safe handling and disposal of hazardous agro-chemicals adopting National/International standards and methodology Ensure the adoption and use of preventive clothing and equipment	Awareness campaigns, Sensitisation workshops Training camps Participatory monitoring	PMU and concerned Provincial Project Management Units, Relevant Provincial and District Agriculture department officials	Guidelines/PoP in use Trainings conducted Safe disposal protocols and mechanisms established and in operation APGs and target groups aware of preventive and safe disposal measures APGs and target groups adopting	Quarterly	Meeting costs

				such measures Preventive clothing and equipment		
Ethnic Groups (Indigenous Peoples)						
Inadequate inclusion of Ethnic Groups in project activities; adverse inclusion affecting traditional practices and culture	Ensure FPIC procedures are adopted during social mobilisation and project initiation Design and establish an effective Grievance Redressal Mechanism	Project Awareness Consultations FPIC consultations (introductory and FPIC preparations)	PMU and concerned Provincial Project Management Units, District Project Management team, Relevant line department officials at Provincial and District levels	Meeting records FPIC agreements GRM document GRM reports M&E reports	Quarterly	Meeting costs
Labour and working conditions						
Concerns about wage disparities, sexual harassment, child labour	Strict adherence to national labour guidelines, ensuring fair working conditions, wage parity and safety measures at work and no tolerance for child labour. These conditionalities must prominently feature in bid document and procurement contracts.	Awareness raising and sensitisation meetings Stakeholder consultation meetings Regular meetings of APGs/Cooperatives and MSPs	PMU, Provincial and District Project teams, contractors	Bid documents Contracts Monitoring reports	Case by case for all sub-projects	Meeting costs
Unsafe working conditions and lack of safety measures at work during infrastructure construction	Require occupational health and safety plans in contracts Mandate personal protective equipment Conduct worker safety training Equip facilities with hygiene infrastructure Establish accessible grievance mechanisms	Worker orientation sessions; safety briefings; community awareness on labour rights	PMU; Provincial and District authorities; Contractors	Construction site inspection reports; safety training attendance sheets; accident and incident logs; grievance mechanism records	Monthly during construction	Meeting costs
Exploitative conditions for seasonal and informal workers	Promote Labour Code compliance on wages, hours, protections Make labour compliance a financing condition	Worker consultations; enterprise training on labour standards	PMU; Provincial and District team, contractors	Enterprise labour practice assessments; worker interviews; PFI	Quarterly	Meeting costs Training cost

	Promote formal employment with written contracts			screening reports		
Community health and safety						
Soil and water contamination brought about through increased use of agrochemicals	Promote agro-ecological approaches such as Natural farming techniques and the use of botanicals and natural inputs to control weeds and pests Conduct regular training on safe use and disposal of agro-chemicals Provide, where required, protection gear and safety equipment for use of agro-chemicals	Awareness campaigns, Sensitisation workshops Training camps Participatory monitoring	PMU and concerned Provincial Project Management Units, Relevant Provincial and District Agriculture department officials	Guidelines/ PoP in use Trainings conducted Safe disposal protocols and mechanisms established and in operation APGs and target groups aware of preventive and safe disposal measures APGs and target groups adopting such measures Preventive clothing and equipment	Quarterly	Meeting costs Training costs
Zoonotic disease transmission from livestock to humans	Strengthen animal health services Train Community Animal Health Workers on biosecurity Implement disease surveillance systems	Community training on safe livestock handling; awareness campaigns on zoonotic diseases	PMU; Provincial and District teams; Line dept officials, including Public Health Departments	Quarterly zoonotic disease surveillance reports; veterinary service delivery statistics; border quarantine inspection records	Quarterly	Meeting costs Training costs
Water and vector borne diseases due to	Awareness raising among primary stakeholders and project staff	Awareness campaigns, Sensitisation workshops Training camps	PMU, Provincial and district teams, WUGs and	Surveillance records on incidence of vector	Quarterly	Meeting costs Training costs

increase of irrigation channels and water harvesting structures	Introduce biocontrol agents into water bodies for control of vectors	Participatory monitoring	concerned line dept officials	borne diseases Records on introduction of biocontrol agents Participatory monitoring of water channels/tanks for presence of vectors		
Physical and economic resettlement						
Physical and/or economic resettlement needs arise due to project intervention	Stakeholder consultations during VCIP and PRIPs preparation to assess and identify any potential resettlement cases Develop consensus to refine plans to remove/eliminate need for physical and/or economic resettlement	Consultation workshops/meetings	PMU, Provincial and district teams, AGPs, MSPs, WUGs and concerned line dept officials	Stakeholder meeting minutes	Quarterly	Meeting costs
Financial intermediaries and direct investments						
Participating Financial Institutions lacking Environmental and Social Management Systems	Train financial institution staff on risk screening Develop simplified screening tools Include compliance requirements in PFI agreements	Training workshops with PFI staff; consultations on screening tool design	PMU; IFAD	PFI capacity assessment reports; training completion records; screening checklists in loan files; PFI monitoring reports	Before partnerships; annually	Meeting costs Training costs
Sub-borrower environmental and social non-compliance	Require PMU/Provincial and District team to verify compliance Make compliance a loan disbursement condition Conduct periodic enterprise inspections Support PFIs to establish client grievance mechanisms	Enterprise consultations during business planning; awareness on compliance requirements	PMU; Province and District team; PFIs	Enterprise compliance verification reports; loan disbursement documentation; enterprise inspection records	Before each disbursement; quarterly	
Climate Change						

Crop and asset losses due to floods	Incorporate flood resilient designs in storage/market infrastructure (storage structures on stilts; raised beds and mounds) Partner with other development partners to scale flood response practices	Stakeholder consultations and meetings Participatory vulnerability assessments Participatory Response plans Coordination with development partners for scaling flood response practices	PMU, Provincial and District teams	Meeting minutes Stakeholder Response plans AWPB M&E reports	Quarterly	Meeting costs
Lack of access to clean water and sanitation during floods	Promote gender sensitive interventions to improve access to clean water and sanitation (raised tubewells above floodwater levels; toilets above floodwater levels)	Stakeholder consultations and meetings Participatory vulnerability assessments Participatory Response plans Coordination with development partners for scaling flood response practices	PMU, Provincial and District teams	AWPBs M&E reports	Annual	Meeting costs Training costs
Poor access to stress tolerant crop seeds, particularly for reducing vulnerability due to climate stress	Promote seed banks and conservation of seeds at village/ cluster level and encourage regular seed exchange among APGs Promote a Climate Emergency response mechanism that improves access to seeds for poor and disadvantaged households within each village	Stakeholder consultations and meetings Meetings with NAR/Provincial Agricultural Research agencies Participatory vulnerability assessments	PMU, Provincial and District teams	Meeting minutes Number of stress tolerant varieties introduced Seed banks set up	Yearly	Meeting costs Training costs
Inadequate access of vulnerable groups to early warning information	Strengthen institutional mechanism to improve access to early warning information by vulnerable households	Stakeholder consultations and meetings Participatory gap assessment exercises Participatory Response plans Coordination with development partners for scaling flood response practices	PMU, Provincial and District teams	Meeting minutes Gap assessment reports Response plans Coordination meeting minutes Collaborative interventions operationalised	Annual	Meeting costs Training costs
Poor access and	Assess financial/non-financial crop/asset	Stakeholder consultations	PMU, IFAD	Meeting minutes	Annual	Meeting costs

coverage of insurance mechanisms for vulnerable households	insurance schemes coverage of vulnerable households Initiate discussions with development partners for the joint piloting of crop and asset insurance mechanism for increasing climate resilience	Rapid appraisal studies Consultation meetings with development partners		Appraisal reports		

5. Procedure for Subprojects Screening and Management

In the context of this project, a sub-project is any concrete activity or group of activities carried out under Components 1 and 2 within a defined geographic area—whether a community, cluster or project site. Typical examples include construction or upgrading of irrigation and market facilities, installation of solar-powered water systems, rural farm roads, storage and processing facilities, slaughterhouses, or targeted value-chain investments such as processing equipment, and will depend on the project.

The adequate identification of sub-projects as soon as project activities and sites become known, ensures that environmental and social (E&S) risks are assessed at the scale where impacts actually occur, and that appropriate mitigation measures are designed and applied consistently. Because sub-projects are usually localized and managed at the local level (cluster, district or provincial), involving construction, financing, technical assistance or farmer training, treating them as individual units of analysis helps to:

- Capture site-specific risks (e.g. soil erosion, water use, community health) rather than relying on generic, project-wide assumptions.
- Tailor mitigation measures to local conditions, regulatory requirements and stakeholder concerns.
- Track and report performance more accurately, since each sub-project can be monitored against its own E&S management plan.

The objective of structuring LEAD around clearly defined sub-projects, is to make the risk-management process more precise and transparent, ensuring all interventions are implemented in compliance with national legislation and SECAP requirements.

Annex 1 in this document provides a practical checklist for screening sub-projects for potential SECAP risks. The checklist is also available in the Project Implementation Manual (PIM). Initial E&S screening for each sub-project should use the proposed checklist and identify potential risks. The objective of the screening is to:

- i. identify relevant environmental, social and climate risks applicable in the context of the sub-project, as well as inherent risks connected to the project location.
- ii. identify the need for specific management plans to be developed (biodiversity management plan, indigenous peoples plan, etc)
- iii. identify relevant mitigation measures to be implemented and monitored during project implementation.

In identifying project impacts, the team will apply a mitigation hierarchy to anticipate – and whenever possible avoid – adverse impacts. The mitigation hierarchy is applied by:

- i. anticipating and avoiding risks and impacts;
- ii. where avoidance is not possible, minimizing or reducing risks and impacts;
- iii. once risks and impacts have been minimized or reduced, mitigating them; and
- iv. where residual adverse impacts remain, compensating for or offsetting them, whenever technically and financially feasible.

Avoidance of significant adverse impacts may require a redesign or cessation of some activities. A precautionary approach should be used when addressing potential adverse impacts on biodiversity, ecosystems and communities. When serious threats exist, a lack of scientific certainty should not be a reason to postpone the adoption of preventive measures. The grievance Redress Mechanism and the Stakeholder Engagement Plan will also be continuously implemented and adapted to the local conditions and needs of sub-projects.

The implementation of environmental, social, and climate risk management measures at sub-project level follows a structured sequence: (1) Screening, (2) ESCMP Preparation and Clearance, and (3) Implementation, Monitoring, and reporting.

The information below regarding the activities and responsibilities are proposed with the available information at this stage. It will be the PMU's responsibility to review and update the following sections, to ensure adequate responsibilities are allocated in line with project implementation arrangements and local context needs:

5.1 Screening for Sub-project

Once infrastructure subprojects are identified, the District team, will conduct sub-project level screening consulting with beneficiaries and related local stakeholders to identify E&S risks and potential impacts associated with subprojects activities.

The District team should:

- Lead the sub-project screening process using the Screening Template (provided at Annex 1). As part of screening, the team will conduct two step-screening:
 - Step 1 - Conduct a screening against IFAD's exclusion list. This aims to ensure only eligible activities will be financed in the context of the project
 - Step 2 – Conduct screening against IFAD's SECAP 2021, using the screening tool in Annex 1.
- Determine sub-project risk ratings based on the the results obtained from Step 2 and in consultation with relevant project stakeholders.
- If the subproject risk rating is Moderate or Low, the subproject is eligible for financing. Subproject risk rated Substantial or High risk is ineligible for financing.

5.2 Preparation of Sub-Project ESCMP

Once a civil work subproject is confirmed (based on screening results as described in Section 5.1 above), an ESCMP will be prepared. An ESCMP need to be prepared in accordance with the outline provided in Annex 2. The level of details in each section of the ESCMP needs to be proportionate to the scope, scale and nature of the activities proposed in the subproject. It is important that activiites proposed in the subproject needs to be screened vis-a-vis the environmental, social and climate risk that are mentioned under Chapter 4 (Environmental, Social and Climate Risks and Impacts & Mitigation Measures).

Where necessary (based on the nature, scope and scale of risks and impacts associated with subproject activities, mitigation measures needs to be elaborated.

DMU will oversee or directly prepare site-specific ESCMPs (a proposed template for sub-project ESCMP is available in annex 2) for the respective district, identifying implementation arrangements at local level, setting clear roles and responsibilities, monitoring indicators and costs, and the DMU team member responsible for SECAP will facilitate disclosure and community feedback on draft ESCMPs at provincial and local levels and share evidence and reports on such activities to PMU. At the PMU, the SECAP Officer will keep records of compliance and report the same in the M&E reports. In addition, stakeholder engagement activities and local arrangements for operationalizing the grievance redress mechanism will be identified and implemented until closure of activities.

Once appropriate mitigation measures have been discussed and agreed upon, those that can be or are to be undertaken by the contractor (especially in the context of labour conditions, community health and safety and pollution abatement) should be clearly defined and included as binding clause(s) in the contract awarded to the contractor for execution of the sub-project. Non-compliance of these clauses should be penalised, being regarded as a breach of contract attracting appropriate penalties and action. All project activities are expected to be in line with national requirements and materially consistent with IFAD's SECAP 2021 (version 2.0).

5.3 Review and Approval of Sub-project ESCMPs

As part of capacity building plan for E&S staff of PMU, PMU will share the first subproject ESCMP of each type of infrastructure (e.g. farm road, irrigation canal, water harvesting facilities, installation of drip irrigation) with IFAD for IFAD to provide hands-on technical support and quality assurance review before the subproject ESCMPs are approved by PMU for implementation.

5.4 Disclosure of Sub-project ESCMPs

Once cleared by IFAD and PMU, all sub-project ESCMPs will be disclosed as followed:

- Full text (in English) on the website of IFAD and PMU of MAE
- Executive Summary (in Lao) on the website of PMU of MAE (national level) and disclosed in hard copies at Village Hall where the subprojects is located.

Where subprojects are planned to be carried in rural areas that are home to ethnic groups, ESCMP must ensure meaningful consultation with ethnic groups are conducted and FPIC is obtained and included in the site-specific ESCMP (See FPIC Implementation Plan for guidance on how to conduct meaningful consultation and obtain FPIC from ethnic groups before commencing activities proposed in the infrastructure subproject.

5.5 Monitoring and Reporting for Sub-projects

The sub-project specific ESCMPs and associated management plans will be consistently monitored through project implementation to ensure that mitigation measures are being effectively implemented and that risks are being managed as required by IFAD's SECAP and national legislation.

Monitoring occurs at multiple levels—by the implementing entities, technical partners, and oversight agencies—and includes both internal monitoring and external verification through site visits and reporting.

Each site-specific ESCMP must include:

- Monitoring indicators specific to identified risks (e.g., pollution levels, number of OHS incidents, waste management practices);
- Verification methods (e.g., site observations, community feedback, documentary review);
- Means of verification (e.g., photo evidence, inspection reports, checklists);
- Monitoring frequency (e.g., monthly, quarterly);
- Reporting formats aligned with IFAD's requirements.

Monitoring results are used not only for compliance verification but also to inform adaptive management. Based on the findings from monitoring, the PMU may propose updates to ESCMPs, trigger corrective actions, or revise implementation strategies to address emerging risks. All sub-project ESCMPs will be treated as living documents and updated as necessary in response to monitoring outcomes, grievances received, or contextual changes.

Annex 2 includes a monitoring template. During early implementation, roles and responsibilities for specific monitoring and reporting requirements will be reviewed and updated as necessary. The PMU has the overall responsibility to ensure the project is implemented in compliance with the requirements of national legislation and IFAD's SECAP requirements, as outlined in the ESCMP and ensures that each site-specific ESCMP includes appropriate monitoring indicators, verification methods, and reporting formats.

Primary responsibility of implementation will be under the PMU, and includes:

- Ensure compliance with national legislation requirements of the project
- Prepare, implement, and monitor environmental and social management plans that are developed in the context of the project, including finalization/updating of this Environmental, Social and Climate Management Plan, the Stakeholder Engagement Plan, the Grievance Redress Mechanism and any other SECAP document.
- Undertake site visits and on-ground review, check and document compliance with site-specific measures as presented in site-specific ESCMPs.
- Provide guidance to project staff and other stakeholders on the implementation and documentation of compliance related to environmental mitigation and monitoring measures, as presented in site-specific ESCMPs.
- Check that all documents necessary to ensure full compliance with Environmental & Social Safeguard documents, as per national regulation and IFAD's SECAP requirements are in place and regularly updated.
- Ensure that project activities, being developed as a part of the Project, are designed to include avoidance of potential social and environmental risks, as recommended in the ESCMPs.
- Coordinate the implementation of SEP, and ensure the GRM is operational in all project locations.
- Ensure the complaints logbook is updated at least quarterly, and ensure all complaints/grievances received are timely addressed.
- Coordinate the incident reporting communications. The PMU also ensures that serious incidents are reported to IFAD within 48 hours, in line with SECAP requirements.

The PMU is responsible for consolidating data received from district level, conducting periodic field visits, and preparing annual environmental and social safeguards reports for submission to IFAD. An indicative template is included in Annex 5.

The SECAP Officer in the PMU plays a frontline role in sub-project monitoring. S/he is responsible for conducting regular field-level monitoring of safeguards implementation, particularly for infrastructure works and value chain activities under their jurisdiction and will work closely with relevant staff in planning and implementation of the subprojects located within their Districts. The designated SECAP officer at the Provincial level, together

with the concerned Technical experts at the District level will also supervise concerned project team members at the village level and are responsible for:

- Executing and monitoring the civil works in the respective districts/villages
- Coordinating effectively with all project stakeholders, contractors, local authorities, provincial departments and project communities;
- Supporting district-level project officers in monitoring and evaluating progress and performance of consultants and contractors;
- Supporting trainings on E&S thematic relevant to the project, including COVID-19, labour, gender, SEA/SH, VAC, use of agro-chemicals, etc.
- Supporting PMU to disseminate project information and conduct consultation activities, as well as ensuring effective grievance redress resolution within their district;
- Liaising with village authorities to encourage vulnerable groups to engage with the project;

6. Implementation Arrangements

6.1 Implementation agencies

- Ministry of Agriculture and Environment

The Ministry of Agriculture and Environment (MAE) will be the lead implementing agency – responsible for overall project implementation. A Central Project Management Unit (PMU) will be established within MAE to lead planning, technical support, fiduciary management, and coordination with executing and implementing partners. A National Project Coordinator (NPC) will be appointed to work full-time for the Project and will have no additional responsibilities within any other ministry department. The major responsibilities of the NPC will be to ensure that the involved central, provincial, and district agencies and villages carry out implementation in line with the project approach, operating schedules, and procedures.

The PMU, based in Vientiane, will be staffed by both seconded and recruited key project management staff. In addition to the Project Coordinator, the PMU will have an effective staffing structure with the following key technical and administrative specialists: (i) Deputy Project Coordinator; (ii) Agriculture Officer; (iii) Marketing and Value Chain Officer; (iv) Monitoring, Evaluation and Knowledge Management Officer; (v) Rural Finance Officer/Enterprise Development Officer; (vi) Procurement Officer; (vii) Procurement Assistant; (viii) SECAP Officer and Gender and Social Inclusion Officer; (viii) Finance Officer; (ix) Finance Assistant; (x) Accountant. The PMU professionals will either be seconded staff from MoAL, or experienced and qualified individuals recruited from the market. The Deputy Project Coordinator will be placed in Savannakhet to provide liaison between the PMU and the target provinces with key technical specialists.

Provincial and District Coordination Units (PCU and DCU) will be based within Provincial and District DAE offices. Technical Specialists or Technical Assistance (TA) will be located in provinces or districts along with key local project staff to support planning, implementation, management and reporting, while ensuring cost-efficiency.

The project will collaborate with a core group of co-implementing partners including the Ministry of Public Works and Transport (MPWT), the Ministry of Technology and Communication (MTC), the Ministry of Labour and Social Welfare (MLSW), the Ministry of Information, the Ministry of Health (MoH) and the Ministry of Culture and Tourism (MICT),

as well as agencies such as the National Agriculture and Forestry Research Institute (NAFRI), the Lao Farmers' Association and the Lao Women's Union.

- Ministry of Industry and Commerce (MOIC)

Ministry of Industry and Commerce (MOIC) will serve as co-implementing agency specifically for Component 1 focusing on value chain development, trade facilitation, and private sector engagement. This dual-ministry approach builds on lessons from PICSA and AFN-II, ensuring that agricultural production and climate resilience are led by MAE, while market integration and enterprise development leverage MOIC's comparative strengths.

- Project Steering Committees

Project Steering Committees will be established at national, provincial, and district levels, in line with the Government's Sam Sang decentralisation framework. The National Project Steering Committee (NPSC) will provide strategic guidance, approve annual workplans and budgets, and ensure alignment with national policies and priorities. The Provincial Project Steering Committee (PPSC) will endorse provincial plans and facilitate cross-sector coordination. The District Project Steering Committee (DPSC), anchored within the District Socio-Economic Development Committee, will review and approve quarterly plans and reports, monitor progress, and provide technical guidance.

6.2 Capacity Building

The implementation of this ESCMP, as well as the SEP, the GRM and any other management plan will involve responsibilities from various project staff at PMU, District and village levels, it is important that all involved stakeholders have a clear understanding of their respective roles and responsibilities conducting such activities, and understanding of what information needs to be shared with whom. The management of E&S risks of the project is a continuous and team effort, and capacity building is crucial to ensure shared understanding.

- Once the various roles and responsibilities around risk management have been reviewed and updated, the SECAP Officer at PMU will conduct an overall capacity building needs assessment to identify what are the knowledge gaps around the topic and how to ensure the staff with these responsibilities has access to capacity building to support them in their functions. The capacity building will be continuous, with an on-boarding training, and refreshers on certain topics that are considered more sensitive. In particular, the program will: Assist the PMU in overseeing the implementation of the ESCMP, including supervision and evaluation of the work to be undertaken with respect to mitigation measures and monitoring requirements.
- Provide training to PMU/government staff to strengthen awareness and technical expertise in environmental and social aspects.
- Train PMU/government staff in appropriate project inspection, monitoring, use of monitoring equipment and data collection techniques.
- Assist consultants in coordinating and consulting with other government agencies, local communities, NGOs and other stakeholders concerned with the environmental and social aspects of the project.

7. Grievance Redress Mechanism

IFAD requires an easily accessible grievance mechanism at project-level in order to receive and resolve concerns and complaints of people who may be adversely affected or potentially harmed by IFAD-supported projects that fail to meet the SECAP Standards and related policies. Furthermore, IFAD requires that project-affected people are informed about the existence and functioning of this mechanism in any easily understandable form and language, and to integrate it into the overall community engagement strategy. The grievance redress mechanism should incorporate existing formal and informal grievance mechanisms, strengthened or supplemented as needed for each specific project, and in proportion to the expected risks and impacts of the project. Project-affected people may use the grievance mechanism without retribution or reprisal, and the grievance mechanism should not impede access to other judicial or administrative remedies available under national law or through existing arbitration procedures or other accountability mechanisms.

The Project will establish a Grievance Redress Mechanism (GRM) designed to seek/generate feedback from and to project stakeholders and address/ respond to grievances, problems, issues or complaints related to project activities and project environmental and social performance. The Project will ensure through the GRM that all project stakeholders will be aware of their rights to access and/or will have access to the GRM at all project management levels, which will be provided in a transparent manner free of costs and without fear of reprisal or retribution on the part of aggrieved parties. In addition, the Project's GRM will help ensure that the rights and interests of project stakeholders are protected from unforeseen lapses in said project performance and that all concerns arising therefrom in all project phases will be effectively addressed. To achieve these ends, the Project will regularly engage project stakeholders and provide them information on the processes and means of raising and addressing grievances through the GRM.

IFAD Complaints Procedure

IFAD Complaints Procedure also place mechanism to allow individuals and communities to contact IFAD directly if stakeholders or non-stakeholders believe that they are or might be adversely affected by an IFAD-funded project or program not complying with IFAD's Social and Environmental Policies and mandatory aspects of SECAP. They may submit a request to SECAPcomplaints@ifad.org and request that an impartial review be carried out by IFAD's Office of the Vice-President.

Monitoring and Reporting

Meetings with stakeholders shall be documented, highlighting agreements and ways forward which will be monitored throughout project implementation.

Purpose and Principles

The Grievance Redress Mechanism (GRM) provides stakeholders with systematic channels to raise concerns, report problems, and seek solutions throughout the project lifecycle. An accessible, transparent, and responsive GRM is essential for building stakeholder trust, preventing conflict escalation, and enabling the project to address issues before they result in adverse impacts.

The GRM is designed according to the following principles:

Principle	Implementation Approach
Accessibility	Multiple entry points at village, district, and project levels ensuring all stakeholders can file grievances regardless of location, literacy level, or social status
Transparency	Clear procedures and timelines for grievance handling with regular communication to complainants regarding case progress
Confidentiality	Protection of complainant identity when requested, with particular safeguards for vulnerable groups
No Cost	Grievance filing is free of charge, removing financial barriers to access
Non-Retaliation	Explicit protections against retaliation for filing grievances, with enhanced safeguards for vulnerable groups
Cultural Sensitivity	Procedures adapted to local contexts, languages, and cultural norms
Gender Responsiveness	Dedicated channels for women to raise gender-sensitive concerns
Right to Legal Remedies	GRM does not prevent or delay access to judicial or administrative remedies available under national law

The PMU, keeping the above in perspective, shall provide appropriate channels for submission of grievances, which may include the following: (i) Grievance Drop Box: This provides a means for anonymous complainants to raise concerns without revealing their identities. Labelling the grievance box to a more culturally-sensitive term will be encouraged. (ii) Through the Project GRM social media platform (iii) An official physical address for Grievance Desk with Contact Persons/GRM Focal persons at every grievance level will be established and publicly disclosed, where complainants may send complaints through letters via personal, postal or courier delivery. (iv) A hotline number or call centre at each level that can be publicly accessed via voice calls or SMS.

Note – This list is not exhaustive and other channels may be considered instead, as appropriate with due regard for language and accessibility. The overall responsibility for operationalizing the GRM will rest with PMO and the GRM will be reviewed and updated during early implementation.

Scope of Grievances

The GRM accepts grievances related to any aspect of project implementation, including but not limited to:

Grievance Category	Examples of Issues
Social Issues	Exclusion from benefits, discrimination, labour rights violations, inadequate consultation, insufficient compensation, community tensions

Grievance Category	Examples of Issues
Environmental Issues	Environmental damage, pollution, biodiversity impacts, water contamination, improper waste management, natural resource degradation
Economic Issues	Inequitable benefit distribution, problems with financing packages, market access barriers, business partnership disputes, unfair pricing
Infrastructure	Poor construction quality, safety hazards, inadequate maintenance, accessibility problems, site selection disputes
Service Delivery	Poor quality services, inappropriate service provider conduct, delays in service provision, inadequate technical assistance
Safeguards Compliance	Violations of environmental or social safeguards, inadequate mitigation measures, non-compliance with ESCMP requirements
Governance	Corruption, fraud, misuse of funds, lack of transparency, conflicts of interest
Gender-Based Violence and Sexual Exploitation	Any form of gender-based violence, sexual harassment, sexual exploitation and abuse related to project activities

Grievance Entry Points

Stakeholders may file grievances through multiple channels to ensure accessibility:

Village-Level Entry Points

- Community level project nodal (verbal or written complaints during village visits or meetings)
- Village Grievance Committee (or equivalent)
- Village Organization leaders
- APG representatives
- Suggestion boxes at village meeting points

District-Level Entry Points

- District Project Offices
- District grievance focal points

Project-Level Entry Points

- Project Management Unit grievance desk (in-person, telephone, email)
- Project website grievance submission form
- Project hotline (toll-free number)

- Written correspondence to PMU address

Anonymous Reporting Channels

- Anonymous suggestion boxes
- Anonymous online submission forms
- Third-party reporting through trusted community organizations or civil society organizations

Sensitive Issues For sensitive issues including gender-based violence, sexual exploitation and abuse, child protection concerns, or cases involving potential retaliation, complainants may:

- Contact female Community Facilitators or female staff members
- Use confidential reporting channels with enhanced protection protocols
- Seek support from civil society organizations specializing in protection issues

Grievance Filing Methods

Grievances may be submitted through the following methods:

- **Verbal Submission:** Through Community Facilitators, Village Organization meetings, grievance focal points, or telephone hotline
- **Written Submission:** Through complaint forms, letters, email, or online submissions
- **Anonymous Submission:** Through suggestion boxes or anonymous online forms

For stakeholders with limited literacy, Community Facilitators and grievance focal points will provide assistance in documenting complaints while maintaining complainant intent and content accuracy.

Grievance Documentation and Tracking

All grievances will be documented in Grievance Registers at village, district, and project levels with the following information:

Information Field	Description
Unique Grievance ID	Sequential numbering system ensuring tracking across levels
Date Received	Date grievance was initially submitted
Entry Point	Channel through which grievance was submitted
Complainant Information	Name and contact information (if provided; noted as "anonymous" if requested)
Complainant Demographics	Gender, age group, vulnerable group status (if disclosed and relevant)
Grievance Category	Primary category (social, environmental, economic, infrastructure, service delivery, safeguards, governance)

Information Field	Description
Grievance Description	Detailed description of issue, concern, or complaint
Location	Village, district where issue occurred
Project Component	Relevant project component or activity
Resolution Level	Level at which grievance is being handled (village, district, provincial, project)
Actions Taken	Summary of investigation and resolution actions
Resolution Outcome	Description of final resolution or decision
Date Closed	Date case was closed
Complainant Satisfaction	Complainant feedback on resolution (if obtained)
Lessons Learned	Identified issues for systemic improvement

Keeping the Plan outlined in the preceding sections, GRM for the project may be organised as described below. It is to be noted that the description provided below is indicative and will need to be tailored to meet conditions and realities prevalent in the field and the country. Modifications and refinement should be made by the SECAP Officer in consultation with all stakeholders as and when the Project team is in place.

Grievance Redressal Mechanism for Tier 1 (APG/MSP/Village level)

At the village or Cluster level, the project proposes to set up two different approaches to collect and address grievances at local level, based on the components:

For Component 1 Inclusive Value chain Development, Multistakeholder Platforms (MSPs) will be established as part of the project activities. MSPs will establish a Grievance Redressal Cell (MSP-GRC) with the aim of receiving grievances, and designate a responsible person as the Grievance Redressal Focal Point (MSP-GRF).

Grievances related to inclusion, access to project benefits, aggregation operations, infrastructure access, user fees, service quality, and market transaction disputes will probably feature at this level and are expected to be addressed at the concerned Management Committee level.

For Component 2 Climate resilient technologies and diversification of farming systems, the project will establish the Agriculture Production Groups (APGs) for production, storage and market related activities. Each APG will establish a Grievance Redressal Cell (APG-GRC) and nominate a Grievance Redressal Focal Point (APG-GRF) responsible for handling of grievances.

Step 1. Grievance Intake. The Grievance Redress Focal Point of the different Committees will be responsible for receiving and recording grievances and details of the complainant, including the date of reception and other relevant information (template for recording grievances is available in annex 3). Grievances by a complainant may also be submitted to the Committee office in writing. In case a complainant prefers to maintain

anonymity, the Focal Point will record the grievance, keeping sensitive information reserved or complainant will be contacted and asked if there is a need for confidentiality. In the context of meeting(s) convened at communities/villages in the context of stakeholder engagement and project implementation activities, time should be specifically dedicated to inform about the existence and functioning of the grievance redress mechanism and when possible, the grievance redress focal points should attend the meetings. Any grievances recorded in the context of a village meeting will be communicated by the Village level project functionary with the corresponding grievance redress focal point to the designated SECAP focal point at the DMU. This report should also point out any grievance that could not be resolved at the APG/MSP/village level, thus requiring action at the district level. Details of the grievance and all related information should then be forwarded to the designated SECAP focal point for placing the same to the District Grievance Redressal Committee for resolution.

Step 2. Verification and Assessment. Once a grievance is received, the Focal Point calls for a meeting of the Committee, to assess the eligibility and severity of the grievance. The APG/MSP Executive will decide whether a personal hearing is necessary to gather additional information, or if the grievance can be redressed, needs to be upscaled or dismissed if found ineligible.

Step 3. Resolution and Communication. Following the APG/MSP meeting, the Focal Point will be responsible for recording the information in the logbook and informing the complainant of the decision by the Committee. If the grievance can be resolved by the APG/MSP Committee directly, the necessary action is initiated. Communication of the decision by the respective committee to the complainant should not exceed three weeks from the day of receipt and registration of the grievance.

In case a grievance needs resolution at a higher level, the APG/MSP-GRF will forward the information the District Grievance Redressal Committee at the District Project Management Project Unit (DPIU).

The APG/MSP-GRFs will maintain a Grievance Register to record all grievances received, with details of the complainant and date of receipt, accept in cases where the complainant insists on anonymity. The APG/MSP committees will examine all grievances received and take appropriate decisions, advising a personal hearing of both parties if necessary, or immediately deciding on the redressal to be provided or recommending the dismissal of a grievance if found irrelevant or superficial. The APG/MSP-GRF will record the decisions against each grievance, particularly of those dismissed, recording the reasons thereof, in the Grievance Register and communicate to the complainant not later than three weeks from the date of receipt of the grievance.

The APG/MSP-GRF will maintain a logbook with all information, including resolved grievances, stakeholders involved and dates. This information will be reported regularly to the PMU fortnightly put up all grievances and related information recorded to the APG/MSP Executive Committee for hearing and redressal.

Grievance Redressal Mechanism for Tier 2 (District levels)

For grievances that cannot be addressed at APG/MSP level, the District Project Management Unit (DPMU) will set up a District level Grievance Redressal Committee. The Committee will comprise of the designated Agriculture, Business Development, SECAP officer and include a representative each from APG and MSP (on rotation basis annually). The Committee should be chaired by the District Manager with designated SECAP focal as convenor.

The Convenor, after receiving the communication with the grievance from the APG/MSP GRF(s), should call for a meeting of the District Grievance Redressal Committee (DGRC) within 48 hours to address the issue. The designated SECAP nodal will also include any grievances received about DPMU at the DGRC meeting.

DGRC meetings will be chaired by the District Manager and the committee will examine each upscaled grievance and suggest redressal action as appropriate. If a meeting with the

complainant is required, hearing is organized within 7 days to discuss with the complainant. To avoid inconvenience to the aggrieved parties, hearings can be conducted at the Cluster/Block level at regular intervals. All decisions taken in regard to the grievances registered must be recorded in the DGRC meeting minutes, including grievances considered not eligible. The reasons for dismissal of the grievance must be clearly recorded in the minutes. Decisions of the DGRC must be communicated to the complainants not later than two weeks from the date when the DGRC meeting was held. In case any grievance cannot be resolved at the DGRC level, or is against the DPIU management, the same should be forwarded for resolution to the PIU.

Grievance Mechanism Tier 3 (Provincial level)

In case the grievance cannot be resolved at the district level (or District officers are the subject of the grievance), the grievance should be communicated immediately to the PMU (Provincial Management Unit) level where the DPC will chair a Grievance Redressal Committee with the designated SECAP focal as convenor and Gender and Capacity Building focal as member. Representatives from APGs/Cooperatives, MSPs, rural enterprise association and the Women's commission should also be included to the Provincial level Grievance Redressal body on a rotation basis for tenures of two years. As a rule, receipt of the grievance registration at the district level should be communicated immediately to the individual (if the complaint is not anonymous) within a week. Decisions taken at the District GRM meeting should be conveyed to the aggrieved party within a week from the meeting.

The Grievance Redressal Mechanism should have provision for appeals in case redressal decisions are not found satisfactory or contested. As a rule, the next highest GR Committee should be the appellate body, and appeals made to such appellate bodies in writing. Contact numbers of APG-GRF, MSP-GRF, designated District SECAP focal, as well as District Manager, DPMU should be prominently displayed in the respective offices and widely circulated in print media so that any stakeholder who wishes to register a grievance can contact the focals to do so.

Grievance Mechanism Tier 4 (National level)

For all grievances that remain unresolved at the Provincial level and those involving grievances against project team members at Provincial level, grievances will be heard and decided above by the PMU. The NPMC will set up a Grievance Committee consisting of him/herself as Chair, the SECAP Officer as Convenor and members drawn from Lao Women's Commission, Lao Farmers Union, representative of APG/Cooperative and MSP as members. The National Grievance Committee will hear and dispose of the pending cases within a week of receiving the grievance.

8. Costs and budget

The implementation of the Environmental, Social, and Climate Management Plan (ESCMP) under LEAD will require dedicated financial resources to ensure that all mitigation, monitoring, and stakeholder engagement activities are effectively carried out. To this end, the ESCMP includes preliminary cost estimates for key safeguard activities, including training, monitoring, community engagement, grievance redress, and the implementation of specific mitigation measures. These indicative costs, reflected in the ESCMP matrix (please refer to Section 9 of this document) and associated annexes, serve as a baseline for planning and allocation.

During implementation, the ESCMP should be revised once construction and operation activities are well defined. Information should also be provided on responsibilities for

reporting, work plan, procurement plan, cost estimation and corrective action mechanisms.

During implementation, the detailed costing of ESCMP activities will be refined and finalized as part of the sub-project-specific planning process. Site-specific ESCMPs will include tailored cost estimates for environmental and social mitigation and monitoring measures. These costs will be integrated into the overall budget of each sub-project and clearly reflected in the procurement and implementation plans. The PMO, in close coordination with the Department of Agriculture, Technical Service Providers (TSPs), and Financial Intermediaries (FIs), will be responsible for ensuring that adequate funds are allocated at the time of sub-project appraisal and that these allocations are reflected in sub-project financing agreements.

SI	Position	Unit	Unit cost (in USD)	Total cost (USD '000)
PMU				
1.	SECAP Officer	1		
2.	SECAP Service Provider			

To ensure the sustainability and adequacy of financing for environmental and social safeguards, ESCMP-related costs will be reviewed and updated on an annual basis through the Annual Work Plan and Budget (AWPB) exercise. The PMO will coordinate this process and ensure that updates to ESCMP implementation needs—such as sub-project ESCMP requirements (study, execution, monitoring), additional training, new safeguard risks, or emerging mitigation requirements—are captured in the planning and budgeting cycle. Adjustments to the budget will be made based on lessons learned, monitoring outcomes, and evolving risks.

This integrated approach ensures that ESCMP implementation remains financially viable, responsive to on-the-ground realities, and aligned with IFAD's SECAP 2021. It also reinforces the principle that environmental and social management is an integral component of project operations, rather than an add-on. By embedding ESCMP costs within the annual planning and budget process, the project safeguards both compliance and effectiveness across all levels of implementation.

Annexes

Annex 1. Screening for Infrastructure related Sub-projects

Any infrastructure-related subprojects, before consideration for engineering design/implementation, will be screened against a) IFAD Exclusion List, and b) E&S Risk Screening Checklist. The screening will involve two key steps below:

Step 1 - Exclusion List for Subproject Selection

Proposed infrastructure-related subprojects will be screened vis-a-vis the Exclusion List (below). Any sub-project that meets one or more of the following screening criteria will not be eligible for financing consideration under the project and will be excluded:

Impact on Land and Resettlement

- Infrastructure schemes that require permanent land acquisition of local people, physical resettlement.
- Require permanent acquisition of land that the IPs are in the process of requesting government's recognition as IP's collectively owned land.
- Affect land that has disputed ownership, legacy issues, tenure or user rights

Impacts on Ethnic Groups

- Activities that would likely create adverse impacts on ethnic groups within the village and/or in neighboring villages, or activities that are unacceptable to the affected ethnic groups living in an ethnic homogenous village or a village of mixed ethnic composition.
- Resources access restriction (e.g. restricted access to farming land) that could not be mitigated and will result in adverse impacts on the livelihoods of ethnic groups and disadvantage peoples.

Impacts on Cultural Heritage

- Cause damage or loss to cultural property, including sites having archeological (prehistoric), paleontological, historical, religious, cultural and unique natural values.

Impacts on Biodiversity

- Located in core and/or conservation zones (of protected area) as classified by the Government.
- Subprojects that could potentially result in significant adverse impacts on critical habitat qualifying species/habitats (e.g., those listed by IUCN as Endangered, Critically Endangered) where mitigation cannot result in No Net Loss / Net Gain of biodiversity (residual impacts cannot be offset).
- Introduction of non-native species, unless these are already present in the vicinity or known from similar settings to be non-invasive.
- Activities that increase erosion/land slide risks.

Scope of environmental impacts

- Interventions with significant adverse E&S risks and impacts that cannot be mitigated, or specific mitigation measures that require complex and/or unproven mitigation, compensatory measures or technology, or sophisticated social analysis and implementation.
- Sub-activities that require full EIA will not be financed.

Purchase

- *Agri-chemical*. Purchase of pesticides, insecticides, herbicides and other agro-inputs banned by governments. However, if pest invasion occurs, the use of small

amounts of eligible and registered pesticides in Laos will be allowed if supplemented by additional training of farmers to ensure pesticide safe uses in line with IFAD policies and procedures. Highly Hazardous Pesticides (HHP) will not be used by the project.

- Destructive farming gear and other investments detrimental to the environment.

Introduction of farming technologies

- Introduction of non-native species, unless these are already present in the vicinity or known from similar settings to be non-invasive.
- Significant conversion or degradation of natural habitat or where the conservation and/or environmental gains do not clearly outweigh any potential losses.

Illegal Trading and Production

- Production or trade in any product or activity deemed illegal under national legislation or regulations or international conventions and agreements, or subject to international bans.
- Trade in any products with businesses engaged in exploitative environmental or social behavior.

Labor & Working Condition

- Labor and working conditions involving harmful, exploitative, involuntary or compulsory forms of labor, forced labor, or significant occupational health and safety issues

Step 2 – E&S Risk Screening Checklist (to inform scope of E&S risks assessment and implementation measures, and determine the risk level of proposed subproject).

It is noted that only subproject(s) that pass the above Exclusion List is screened for Step 2. It is also noted that sub-projects that are assessed to be substantial, or high-risk - as per IFAD's SECAP, is not eligible for financing under the Project.

SECTION A: General Information	
Date:	
Name:	
Sub-project:	
Sub-project location:	
Proposed sub-project duration:	
Sub-project Description. Briefly describe the sub-project activities, particularly as they interact with the environment and social context	
Categorize sub-project activities into high, substantial, moderate, and low risk activities.	

Include a map of the sub-project site and activities.

SECTION B: Potential Environmental/Social Risks Impacts of Activities

Applicable Impacts/Risks/activities	Y	N	Unknown	Comments
Is a full Environmental and/or Social Impact Assessment required for the sub-project based on national legislation of Lao PDR?				Ensure compliance with national regulations (permits, approvals, etc as relevant) is obtained as early as possible.
Have there been any complaints raised by local affected peoples or groups or NGOs regarding conditions of the sub-project area or, if relevant, facility to be used? <i>If so, will project financing be used to remedy these complaints?</i>				Ensure the SEP and GRM include a focus to consistently address grievances
Is there a risk that sub-project benefits may not reach truly vulnerable populations?				Ensure this is identified and addressed through the SEP and GRM
Is there a risk that the selection of the activity location or beneficiaries will lead to conflict?				Ensure this is identified and addressed through the SEP and GRM
Do activities include any risks of child labour?				Site specific ESCMP will identify specific activities to be performed by children under 18 that will not represent harmful conditions.
Will works financed include construction, reconstruction, or demolition works?				Site specific ESCMP includes provisions for works in relation to waste, OHS, labour and working conditions and community health and safety
Does the implementing agency or subcontractor have valid operating permits, licenses, approvals, etc.? If not, please explain. Permits to screen for include: construction permits, operational/use permits, waste management permits, environmental permits, land permits, water management permits...				Ensure compliance with all legal requirements are clarified and obtained as early as possible.
Does the activity include primary agricultural activities?				
Is there a risk that the operation and maintenance of sub-project facilities cause OHS issues?				Ensure relevant OHS and community health and safety management procedures are included in the site specific ESCMP and consistently enforced.
Is there a risk of lacking OHS for workers at the construction site?				Ensure relevant OHS and community health and safety management procedures are included in the site specific ESCMP and consistently enforced.

Will the activity result in the production of solid waste? (directly by the sub-project or by workforce)				Site specific ESCMPs will include all relevant waste management measures to ensure adequate practices in line with local legislation
Will the activity result in the production of toxic or hazardous/biohazardous waste? (e.g. used oils, inflammable products, pesticides, solvents, industrial chemicals, ozone depleting substances, animal remains, blood from slaughter, etc.)				
Will the activity result in the generation of dust and noise?				Site specific ESCMPs include provisions to address this risk
Will the activity result in soil erosion?				Site specific ESCMPs include provisions to address this risk
Will the activity produce effluents (wastewater)?				Site specific ESCMPs include provisions to address this risk
Will the activity result in increased levels of vibration from construction machinery?				Site specific ESCMPs include provisions to address this risk
Will the activity disturb any fauna and flora?				Site specific ESCMPs include provisions to address this risk
Can the sub-project affect the surface or groundwater in quantity or quality? (e.g. discharges, leaking, leaching, boreholes, etc.)				Site specific ESCMPs include provisions to address this risk
Will the sub-project activities require use of chemicals (e.g. fertilizers, pesticides, paints, etc.), and/or might they prompt others to increase their use of chemicals?				Site specific ESCMPs include provisions to address this risk
Is there any risk of accidental spill or leakage of material?				Site specific ESCMPs include provisions to address this risk
Is there a risk of increased GBV/SEA cases due to project activities?				GRM will include specific provisions for GBV/SEAH
Is there a risk of spread of communal diseases due to project activities?				Site specific ESCMPs include measures for community health and safety, including communicable and non-communicable diseases.
Will the activity expose community members to physical hazards on the sub-project site?				Site specific ESCMPs include provisions to address this risk
Will the activity pose traffic and road safety hazards?				Site specific ESCMPs include provisions to address this risk
Is there a possibility that the activity contaminates open wells, potable water sources, and/or water used for agricultural activities?				Site specific ESCMPs include provisions to address this risk

Will the proposed activity/sub-project require acquisition of land, e.g.: • Encroachment on private property • Relocation of project affected persons • Loss of private lands or assets • Impacts on livelihood incomes This includes displacement of a population, either physically or economically (e.g. relocation for construction purposes, temporary or permanent; activities which may lead to loss of income, assets or means of livelihoods).				Activity non eligible under this project
Will the proposed activity require land donations?				Site specific ESCMPs include provisions for this, as well as SEP and GRM to identify and manage any potential risk of conflict.
Will the activity impact sensitive and/or protected areas?				Activity non eligible under this project
Is there a risk that the sub-project will cause (i) changes to landscapes and habitat; (ii) habitat fragmentation; (iii) blockages to migration routes; (iv) increased water consumption; and/or (v) contamination of natural habitats?				Activity non eligible under this project
Is there a risk that the activity causes loss of precious ecological assets?				Activity non eligible under this project
Is there a risk that the activity fails to incorporate measures to allow meaningful, effective and informed consultation of stakeholders, such as community engagement activities?				The SEP and GRM of the project will include provisions to ensure these risks are assessed and identified as early as possible, and addressed through relevant activities, depending on the sub-project specific needs.
Are women likely to participate in decision-making processes regarding the activity?				
Is there a risk that exclusion of beneficiaries will lead to grievances?				
Is there a risk that the activity will have poor access to beneficiaries?				

How to determine a project is Moderate Risk or Low Risk

Moderate Risk

A subproject should be classified as Moderate Risk when potential adverse risks and impacts on human populations or the environment are not likely to be significant. This may be because the subproject is not complex or large, does not involve activities with high potential for harming people or the environment, and is located away from environmentally or socially sensitive areas.

The potential risks and impacts should be:

- Predictable, expected to be temporary or reversible, easily mitigated in a predictable manner
- Site-specific, without the likelihood of impacts beyond the subproject lifecycle
- Low in magnitude of impact
- Low probability of serious adverse effects to human health or the environment (e.g. they do not involve the use or disposal of toxic materials, or routine safety precautions are expected to be sufficient to prevent accidents)

Additionally, a subproject is classified as Moderate Risk when it finances one:

- Construction of small-scale irrigation schemes rehabilitation/development (below 300 hectares per scheme),
- New construction, rehabilitation or upgrade of rural roads (AADT below 400)

Annex 2. Environmental, Social and Climate Management Plan for Subproject

Following sub-project screening, an ESCMP is prepared with the relevant mitigation measures that will be monitored according to the activities of the sub-project. The template supports operational consistency across sub-projects and ensures that mitigation, monitoring, and stakeholder engagement measures are tailored to specific contexts and activities. It complements the overarching ESCMP by applying its principles and procedures at the sub-project level.

Each sub-project identified as requiring an ESCMP—based on risk screening—must use this template to prepare a site-specific plan before implementation begins. The plan must be:

The following is a sample Table of Contents for a site-specific ESCMP, which consists of:

1. Subproject Overview
 - Sub-project title and code
 - Location (province, commune, village)
 - Objectives and summary of activities
 - Implementing agency and partners
2. Environmental and Social Baseline Conditions
 - Physical environment
 - Biological environment
 - Socio-economic and cultural environment
3. Description of Environmental, Social, and Climate Risks
 - Identified risks and potential impacts (e.g., waste, pollution, land, labor, IPs, biodiversity) Environmental and social risks and impacts identified with the involved subproject. Potential subproject impacts should cover direct, indirect impacts. Where relevant, include cumulative impact assessment;
 - Risk justification and context-specific factors
 - Brief summary of applicable legal frameworks (National legislation laws and requirements, and applicable IFAD SECAP requirements Environmental) including gap filling measures.
4. Mitigation Measures
 - Specific actions to avoid, minimize or mitigate each identified risk.
 - Timeline for implementation
 - Responsible entity for each measure
5. Monitoring Plan
 - Monitoring indicators for each safeguard area
 - Means and frequency of verification
 - Roles and responsibilities (PMO, PDoC, TSP, FI)
 - Reporting formats and timelines
6. Stakeholder Engagement and Information Disclosure
 - Summary of engagement activities conducted
 - Key stakeholders consulted and feedback received
 - Actions taken in response to stakeholder input
 - Future engagement and consultation plan

7. Grievance Redress Mechanism
 - Local-level access points for GRM
 - Roles and responsibilities for complaint handling
 - Integration of feedback into project planning
8. Implementation arrangements
 - PMU's Roles and Responsibilities
 - Roles and Responsibilities of other stakeholders (including contractors, local authorities)
9. Budget for Environmental and Social Measures
 - Cost estimates for mitigation, training, GRM, and monitoring
 - Funding source and budget line

Annexes

- Summary of Stakeholder Consultation during SubProject preparatoin
- Guidance for Establishing Project Grievance Logbook
- Risk screening results (as per Section 5.1)
- Site photos, maps, and design diagrams (as relevant)

Annex 3. Sample Table for subproject ESMP Monitoring

IDENTIFIED ENVIRONMENTAL, SOCIAL AND CLIMATE RISKS AND IMPACTS	MITIGATION MEASURES	MONITORING INDICATOR	COSTS	RESPONSIBLE	FREQUENCY / TIMING	STATUS AND COMMENTS

Annex 4. Sample Grievance Receipt and Response Forms

The proposed sample grievance receipt form serves as a tool for documenting complaints and concerns raised by stakeholders during the implementation of the AIMS Additional Financing (AF) project. This form is a core component of the project's Grievance Redress Mechanism (GRM) and supports the project's commitment to transparency, accountability, and inclusive engagement, as set out in the Stakeholder Engagement Plan (SEP) and IFAD's SECAP 2021.

The form is designed to:

- Enable affected persons or other stakeholders to formally record grievances related to project activities, impacts, or stakeholder interactions;
- Ensure that complaints are registered systematically, acknowledged promptly, and resolved fairly;
- Provide a written record of grievances, including follow-up actions and outcomes;
- Support project teams in identifying systemic issues or recurring risks requiring corrective action;
- Facilitate reporting to IFAD on the performance and responsiveness of the GRM.

The grievance receipt form is to be used by project personnel, as indicated in the ESCMP:

The form should be accessible to all stakeholders. Where needed, oral grievances may be transcribed by staff on behalf of the complainant, ensuring inclusivity for illiterate or differently abled individuals.

The grievance receipt form must be completed:

- Upon receiving a complaint through any project channel (e.g., consultation meeting, office visit, hotline, or field activity);
- During or after stakeholder engagement sessions where issues are raised;
- As part of routine implementation, particularly in high-risk sub-projects or locations with vulnerable populations.

Once completed, the form should be submitted to the designated GRM focal point, who is responsible for ensuring proper registration, tracking, and follow-up. The PIU safeguards team consolidates this data quarterly and includes summaries in reporting to IFAD.

By using this form consistently and transparently, the project ensures that all grievances are handled in a timely, culturally appropriate, and fair manner, contributing to conflict prevention and improved stakeholder trust.

Sample of Grievances Form

RECEIPT FORM #		
Indicate Name of the Executing Unit:		
Indicate Project Name:		
REGISTRATION OF THE GRIEVANCE		
Date and time received		
Place received		
Party receiving it	Name	
	Position	

Means of reception	a) Verbal		
	b) Telephone		
	a) Written	Letter (Registration N°. assigned)	
		E-mail:	
	d) Office providing Permanent Attention		
e) [Indicate other means]			
I. PERSONAL DATA			
Does the person want to identify itself? Otherwise		Yes	No
Name and surnames			
Address		District	
Tel. #		E-mail	
[Add other information]			
II. INFORMATION ABOUT THE CASE			
2.1 Type of case			
a. Grievance		c. Query	
b. Claim		d. Other	
2.2 Subject of the case	2.3 Details of the grievance		
a. [Indicate topic. For example: "Environmental aspects of the Project"]			
b. [Indicate topic]			
2.4. Request concerning the grievance (indicate)	(indicate)		
2.5 Documentation provided by the complainant (reports, photographs, among others) (indicate)	(indicate)		
III. ADDITIONAL REMARKS			
Name of the person responsible for case		Name of the party presenting grievance	
Position	Signature	Position	Signature
The information contained in this form has been provided voluntarily and authorized by the above signer. The institution guarantees the confidentiality of the information registered and its use for the corresponding purposes.			
Note: A copy of this form is given to the person who filed the complaint.			

Sample Reply Format to the Complainant

REPLY FORM TO GRIEVANCE #			
Executing Unit:			
Project Name:			
Date of Reply:			
I. PERSONAL DATA			
Name			
Address		Bgy/Mun	
II. REPLY TO GRIEVANCE FILED			
<u>SITUATION 1 - ACCEPTED:</u> We inform you that your grievance has been ACCEPTED, considering that (explain the reasons for the answer). Therefore, in order to act on what was filed, [Executing Unit] will carry out the following actions (indicate the actions): <u>SITUATION 2 - DECLINED:</u> We inform that, considering (explain the reasons / support for the answer), your claim has been DECLINED.			
Name of the person responsible for case		Name of the complainant who filed the grievance	
Position		Position	
Signature		Signature	

CASE CLOSURE FORM #			
Indicate Name of the Executing Unit:			
Indicate Project Name:			
Delivery Date:			
I. PERSONAL DATA			
Name and surnames			
Address		District	
II. GENERAL DESCRIPTION OF THE CASE			
IV. SUMMARY OF MEASURES IMPLEMENTED			
1.			

2.			
3.			
4.			
5.			
Name of the person responsible for case		Name of the complainant who filed the grievance	
Position		Position	
Signature		Signature	

Annex 5. Sample Grievance Record Matrix

The Grievance Record Matrix is a project-level tracking tool established to operationalize the Grievance Redress Mechanism (GRM) under the FOCUS 2.0 project. This matrix supports the systematic documentation, monitoring, and resolution of all complaints and feedback received from stakeholders, and is essential to ensure transparency, accountability, and continuous improvement in project delivery.

This matrix forms part of the project's broader commitment to stakeholder engagement, as articulated in the Stakeholder Engagement Plan (SEP), and aligns with IFAD's SECAP 2021 requirements and national good practices.

The matrix enables project teams to:

- Maintain a centralized and transparent log of grievances received across provinces and implementation levels;
- Monitor the timeliness and effectiveness of responses and resolutions;
- Identify and address systemic issues or recurring concerns;
- Report grievance trends and resolution status to IFAD and national oversight bodies;
- Ensure that affected persons, particularly vulnerable groups, have access to a functioning, culturally appropriate, and timely complaints process.

The Grievance Record Matrix is maintained by the PIU safeguards focal point, with inputs collected from the CMCC- GRF, FMCC-GRF, CLF, and District level Grievance Redress Focal Points.

The PMO ensures data consistency across provinces and prepares consolidated summaries for inclusion in quarterly and semi-annual safeguard reporting to IFAD.

The matrix is updated on a quarterly basis and entries must be supported by accompanying documentation (e.g., grievance form, photos, meeting records), and unresolved or serious complaints must be flagged to the PMO for escalation.

The Grievance Record Matrix is a central tool for the implementation of both the ESCMP and SEP, ensuring that stakeholder feedback directly informs adaptive project management and risk mitigation. It also facilitates incident reporting, as the PIU is required to notify IFAD of serious issues within 48 hours, including SEA/SH allegations, fatalities, and community-level disruptions, as outlined in the ESCMP incident protocols.

Regular analysis of the matrix will help the PIU identify trends and inform capacity building, engagement strategies, and safeguards adjustments as needed.

Case No	Information on the Complainant						Info on grievances		Forwarded			Case closure			
	Date registered	Name	TEL #	E-mail	Address	Anonymous? (Y/N)	Issue	Request	Area forwarded to	Date of forwarding	Date of reply from the area	Issuance of Reply to complainant	Closure date	Days for processing	Amount executed for case processing
1															
2															

3															
4															
5															
6															
7															
8															
9															
10															

Annex 6. Annual SECAP Progress Report

1. General information

- Acronyms
- Project name:
- Project ID:
- Country:

2. Implementation of Environmental and Social Safeguards

1. SECAP Documents Reviewed and /or Prepared

List of key documents reviewed (e.g., ESCMP) and prepared (e.g., site specific ESCMP) against the required

SECAP document required	Status (under preparation, under revision, finalized)	Date of finalization	Main lead for the preparation of the document (e.g E&S specialist, consultant, M&E specialist, ect)

2. Implementation of management plans

Detail the progress in the implementation of the mitigation measures in the ESCMP and the management plans with the achievements on the indicators

Project interventions/Sub-project	Location (site)	Environmental and social risks	Mitigation measures	SECAP Documents	Period of implementation (mm/yy-mm/yy)	Status of the implementation of the mitigation measures (not started; on-going; completed)	Indicator

3. Environmental, Health and Safety permits and licenses (*If applicable*)

List of the environmental permits and licences obtained if applicable

EHS Permit / License	Reason for permit / license	Issuer of permit / license	Issue date	Expiry date	Compliance status (Compliant-C-/Non Compliant-NC-)	Observation

3. Environmental and Social Safeguards Compliance Monitoring

1. Updates on the corrective actions taken (*from supervision missions*)

Overview of compliance with environmental requirements, highlighting any corrective measures taken. (e.g., biodiversity, pollution control, resource management, displacement, community health and safety, indigenous peoples' rights, etc.).

Project interventions/Sub-project	Location (site)	E&S issues	Corrective action	Person/entity responsible	Current status of corrective action (not started; on-going; completed)	Evidence of the status (if any)

2. Updates on the corrective actions taken (*from previous periods*)

Overview of compliance with environmental requirements, highlighting any corrective measures taken. (e.g., biodiversity, pollution control, resource management, displacement, community health and safety, indigenous peoples' rights, etc.).

Project interventions/Sub-project	Location (site)	E&S issues	Corrective action	Person/entity responsible	Current status of corrective action (not started; on-going; completed)	Evidence of the status (if any)

3. Compliance monitoring (*during the reporting period*)

Summary of fieldwork conducted, including site visits and inspections, with a focus on environmental compliance during the reporting period.

Overview of compliance with environmental requirements, highlighting any non-conformances and recommendation for corrective measures taken. (e.g., biodiversity, pollution control, resource management, displacement, community health and safety, indigenous peoples' rights, etc.).

Project interventions/Sub-project	Location (site)	Environmental and social issue identified (SECAP standards)	Monitoring Findings	Recommendations for corrective action	Timeline for the implementation of the corrective action	Person/entity responsible

4. Environmental and Social incidents

Please describe any incidents from the previous reporting period if the status is still active.

Incident	Date	Summary details	Action taken	Current Status (Active, Closed)

5. Grievance Redress Mechanism (GRM)

Assess the operationalization of the GRM, critical for addressing community concerns. Summary of grievances raised and how they were addressed, including issues related to employment practices and compensation claims.

Details of Complaint or Grievance	Complainant (employee, community member, etc.):	Date Received	Action taken	Current Status (Active, Closed)

6. Cross-Cutting Issues

Discuss issues that span across environmental, social, and climate safeguards, such as stakeholder engagement, capacity building, and gender equality

- o Analysis of stakeholder engagement processes and their effectiveness.
- o Assessment of capacity-building initiatives for implementing safeguards.
- o Gender equality considerations and how they have been integrated across safeguards.
- o Challenges in addressing cross-cutting issues and proposed strategies.

7. Challenges and Lessons Learned

Reflect on the challenges encountered during the reporting period and identify key lessons learned.

8. Recommendations and Next Steps

Provide actionable recommendations based on the findings of the monitoring report.

- o Specific recommendations for improving the implementation of environmental, social, and climate safeguards.
- o Proposed actions (priority and timeline) for the next monitoring period.
- o Timeline and responsibility for implementing the recommended actions.

9. Appendices

Provide additional data, detailed case studies, or supplementary information that supports the main content of the report.

- o Detailed tables, graphs, or charts with monitoring data.
- o Full case studies or project reports.

Any other relevant documentation

Annex 7. Stakeholder Engagement Plan

INTRODUCTION

The Stakeholder Engagement Plan (SEP) outlines the differentiated measures that IFAD and its implementing partners in the project will implement to ensure the effective participation of key project stakeholders, including both men and women and those identified as disadvantaged or vulnerable stakeholders. The SEP aims to catalyse and organize stakeholder engagement and ensure that it effectively takes place in line with IFAD's Social Environmental and Climate Assessment Procedures (SECAP). It aims to ensure that IFAD and its implementing partners provide timely, relevant, understandable, and accessible information and consult with all relevant stakeholders in a culturally sensitive manner. The SEP's level of detail is informed by the scale and scope of the project, numbers of stakeholders involved, and potential risks and impacts.

OBJECTIVE

For the objective of this SEP, project stakeholders are defined as individuals, groups or other entities who are impacted or likely to be impacted directly or indirectly, positively or adversely, by the project. They include individuals or groups whose interests in the project, may affect and influence the project outcomes in any way. Cooperation and negotiation with the stakeholders throughout the project often require the identification of persons within the groups who act as legitimate representatives of their respective stakeholder group. These are individuals who have been entrusted by their fellow group members with advocating on behalf of the group in engaging with the Project.

STAKEHOLDER IDENTIFICATION

Primary stakeholders

Small holder farmers, Agriculture Production Groups, Micro and Small rural enterprises, vulnerable groups (women, youth, disabled and ethnic groups), government sectors at all levels (national, provincial and district), NPCO and project technical staff, suppliers, private sector.

Secondary stakeholders

Other government agencies, private sector entities/MSMES, Banks and Financial Institutions, Research Institutions, collaborating CSOs and other development partners, media.

Stakeholder Engagement Plan

The project has many executing and implementing agencies with roles and responsibilities in supporting project implementation and management. They do this through existing project working arrangements at different levels, namely regular technical meetings at district level and quarterly, semi-annual, and annual meetings at central, provincial and district levels. The table below shows stakeholders based on their roles and responsibilities.

Stakeholder	Topics of engagement	Responsible party	Form and frequency of engagement
Ministry of Agriculture and Environment (MAE)	Overall execution and coordination of and technical support to project in partnership with the implementing and executing agencies	Department of Planning and Cooperation, MAF	Project coordination meetings - PSC and technical meetings
Ministry of Industry and Commerce (MOIC)	Technical support to and coordination to project implementation (value chain, market linkages, etc.) in partnership with executing and implementing agencies	Provincial and District Industry and Commerce Offices	Project coordination meetings and MSP
Ministry of Finance (MOF)	Execution and coordination of project implementation (account management, fund replenishment, fund flow, etc.) in partnership with MAF	Department of Public Debt Management, MOF	Project coordination meetings
National Agriculture Research Institutions	Leading technical action research, access to stress-tolerant crop varieties; introduction of technical innovations	NAFRI	Regular meetings
Laos Chamber of Commerce and Industries	Formation of MSPs, facilitating development of VCIPs	LCCI and its provincial and district branches	Regular meetings, consultations and workshops

Provincial Government Agencies	Endorse provincial plans and facilitate cross-sector coordination, hold periodic Performance Review meetings	PSC, PAFO, PIOC	Project coordination and Review meetings
District Agencies	Will review and approve quarterly plans and reports, monitor progress, and provide technical guidance	DSC, DAFO, DICO	Project coordination and implementation meetings
Agriculture Production Groups (APGs) & Water User Groups	Primary project stakeholders; responsible for preparing and implementation of PRIPs; identification of irrigation infrastructure needs and maintenance	APG & WUG members	Regular Implementation and performance monitoring meetings
Multistakeholder Platforms	Primary project stakeholders; responsible for preparation and implementation of VCIPs	MSP members	Regular Implementation and performance monitoring meetings

Monitoring and Evaluation of Stakeholder Engagement Activities

The SEP also clearly lays out a monitoring mechanism to ensure effective implementation of the activities and to enable the project to take corrective measures if required. The stakeholder engagement process will be monitored through the review of engagement activities in the field, particularly those meeting the SECAP standard. Each Project Coordination Unit at provincial and district levels will prepare also a half-yearly SEP Implementation Report and submit it to the National Project Coordination Office. Once approved, the report will be disseminated to the stakeholders through periodic consultations and the project website. Overall performance will be reviewed on an ongoing basis to determine the effectiveness of the SEP, including the methods of engagement being used and outcomes. The performance indicators listed in the table below will be used to measure progress and implementation of the SEP components.

Performance indicators to be used in stakeholder engagement monitoring

Objectives	Performance Indicators
Provision of information in a timely, accurate, and culturally appropriate manner	• Means used to inform stakeholders about the meetings • Advance notice (time) to stakeholders • Advance agenda given to stakeholders • Number of meetings, consultations over specified period • Type and form of project information provided. Avenues and languages used to provide information to stakeholders • Number of engagements (meetings, workshops, consultations) etc., with stakeholders/year
Stakeholder comments, concerns, and feedback are received and incorporated into project activities as appropriate	• Number of grievances received over a specified period • Nature of participation in stakeholder consultation meetings (gender, age, ethnic groups, other vulnerable groups) • Free Prior and Informed Consents received including minutes of meetings over a specified period • Number and name of stakeholder groups involved in project design, preparation, and implementation
Informed participation by vulnerable groups	• Number and type of engagement with the vulnerable groups • Attendance rates • Forms and type of engagement strategies adapted • Number and type of grievances and redress mechanisms adapted • Vulnerable groups are clear on the process and means by which grievances can be raised and addressed
Stakeholder engagement is transparent, inclusive, and appropriate	• Programme information disclosed to all stakeholders as requested and according to disclosure mechanism • Representation and percent of resources and loans allocated to vulnerable groups in project activities including women and youth • Information sharing avenues program

Reporting effective implementation of community engagement is vital for building trust with respect to stakeholders. Reporting is crucial in convincing stakeholders that the project is serious about the complaints lodged by local community and that the responses put in place by the project indeed work. In addition, double checking information, testing the stakeholder's reaction to the proposed mitigation measures, obtaining further feedback to refine the measures before implementation, and getting buy-in from key stakeholders for implementation plans are other major advantages of the reporting-back system. The process of reporting to the stakeholders will be conducted through frequently updated FAQs to address new concerns that come to light through stakeholder feedback during planning, pre-construction, construction, and operations with the PCO at central and local levels.

Updated concerns, decisions and responses will be reported and disclosed to stakeholders in a timely and accurate manner.

To cope with risks and impacts, key stakeholders and areas at different levels are identified including concerns, methods, and a procedure for external communications. This includes

methods to receive, register, screen, assess, track, respond to, and act upon external inquiries and complaints from the public and other related partners regarding project operations.

External Communication Procedures

Stakeholders	Concern	Engagement methods	Information to disclose and report back	Most valuable information to obtain
Small holder farmers (men, women, youth)	-Elite capture -Participation in project activities -Accrual of project benefits -Social and climate related risks -How to address grievances -Weak village-based infrastructure maintenance	- Village planning meetings - PRAs, - Organise groups - farmer groups (APGs, cooperatives, MSPs, Business network) - Regular project meetings - Infrastructure community groups (WUGs, roads, irrigation etc.)	Feedback redress mechanism, Project social inclusion and targeting plan, PRIPs and VCIPs	PRIPs, VCIPs, Livelihood Investment Plans, Farmer groups engaged and their composition and leadership (men, women, youth, IPs), Project progress reports, Minutes of meetings, Cases reported and addressed through the GRM Infrastructure plans
Indigenous people / ethnic groups (women, youth)	-Exclusion from project activities (gender, age) --Social, environment and climate related risks- land - Cultural sensitivity	- PRAs (gender and youth sensitive) - FPIC	PRIPs, LIPs, VCIPs and other project intervention information	PRA reports, FPIC reports
National Project technical staff (NPCO)	-Clear reporting lines -Clear roles and responsibilities and performance indicators	- Job description and performance indicators, - Reporting structure/ Organogram,	Reporting structure/ Organogram	Meeting minutes, AWPB

Stakeholders	Concern	Engagement methods	Information to disclose and report back	Most valuable information to obtain
		PMU staff planning and monitoring meetings		
District level staff	-Poor coordination of project activities beneficiaries- hard to reach -Access to project logistics and resources --Skills and capacities to engage the communities	District level coordination mechanism and linkages with provinces, Planning meetings and skills development meetings Linkage with community level resource persons- FNS facilitators, lead farmers, Capacity building plan	Project operational plan, Progress report	Minutes of meetings and MSPs, Outreach reports, Progress reports, Capacity building reports, AWPB
Provincial level technical staff	-Poor coordination of project activities -Beneficiaries - hard to reach -Access to project logistics and resources -Skills and capacities to engage the communities	Provincial level coordination mechanism and linkages with districts Planning meetings and skills development	Project operational plan, Progress report	Minutes of meetings and MSPs, Outreach reports, Progress reports, Capacity building reports, AWPB
Development partners and other government ministries	--Weak coordination/ convergence with other projects in same project areas leading to duplication	Sector working groups Joint planning at district and village level Project coordination meetings	Operational plans and reports	Minutes, Planning reports (national, provincial, district and village levels)
Private Sectors	-Few agro-enterprises in rural project areas with entrepreneurial capacity. -Limited understanding of the project and	Multi-stakeholder platform at district and provincial levels, Project sensitisation meetings/workshop	Technical VC guidelines, Call for proposals and sensitisation workshop reports	Technical manuals, technical training and guidance

Stakeholders	Concern	Engagement methods	Information to disclose and report back	Most valuable information to obtain
	means of engagement			
Mass media (TV, Radio, etc.,)	Less timely information sharing and update by project-on-project achievements to mass media to increase project visibility	Join regular supervision missions, annual and semi-annual meetings, Regular update of physical achievements, best practices and lessons learnt to related mass media	Case studies (Videos), Social media reports	Media reports

Participation and provision of feedback from the target group of the project

The purpose of the feedback mechanisms is to implement participatory systems that allow the target groups and their organizations to participate in a meaningful and continuous way in the planning, monitoring, implementation, and evaluation of the Program's interventions. The objective is to improve the capacity of the executing teams to respond to the needs of the target group, thus contributing to their empowerment and accountability.

Previous documented experiences with respect to the implementation of feedback mechanisms in the field of rural and agricultural development programs in Laos have not properly been identified. Still, in general the country's political environment promotes a participatory culture oriented towards fostering active citizenship. Civil society organizations in rural areas include peasant and indigenous organizations also linked to social and agro-ecological networks and movements. These work to improve spaces for citizen participation and awareness raising on public policies. In general, IFAD funded projects, and those financed by other development partners working in the poorest areas of the country, have a proven capacity to implement projects according to inclusive and participatory methodologies. The most successful experiences are related to participatory planning and promoting spaces for listening and dialogue, such as forums and multi-stakeholder round tables, especially at the municipal level. A more detailed analysis of capacities, roles, and responsibilities in the different stages of the feedback process will be carried out at the beginning of the Project.

The feedback loop includes the following phases:

Design: The starting point was the definition of the system, carried out in consultation with the target group and other key actors. The Free, Prior and Informed Consultation process with indigenous peoples is also a fundamental stage in this consultation phase. In general, the feedback system will include mechanisms that seek open and unsolicited comments and suggestions (through suggestion boxes, small surveys) and feedback mechanisms on specific indicators that are related to project activities.

Data collection: Data collection methods should be context appropriate and culturally sensitive. These may include semi-structured interviews, focus groups with specific actors (women, youth, or indigenous peoples), or the use of digital media through WhatsApp. Social inclusion measures will be considered to ensure broad coverage in line with the definition of the project target groups.

Analysis and elaboration of data: in this phase the data received is analysed and systematized, breaking it down by gender, age, poverty, geographical area, etc. and doing comparisons. This analysis will make it possible to identify the main trends in terms of challenges and bottlenecks among the different project areas and target groups.

Inclusive dialogue: This dialogue is a participatory event in which the results of the survey are presented, including an analysis of the main challenges and problems identified. Dialogues will generate concrete solutions and corrective measures agreed upon by all users.

Agreed action and cycle closure: this is the moment in which the project acts on the agreed corrective measures. The actions taken will be disseminated through technical personnel, institutions, and local media. Programme adaptation through corrective measures will also be documented through the project's knowledge management system and during supervision missions.

Feedback mechanisms will be accompanied by social inclusion measures. These include the following:

- Creation and use of differentiated feedback spaces for women and men, (groups of women producers, organized groups of young people, etc.)
- Use of specific feedback instruments that will be agreed with the different target groups. Respect for the Indigenous Peoples and Communities, prior and informed consultation will be applied.
- Those responsible for feedback activities will receive training on issues of social inclusion, gender issues and conflict management. Technical assistants from the communities themselves will also be privileged.
- Use of specific feedback instruments will be agreed upon with the different target groups. Respect for the Indigenous Peoples and Communities, prior and informed consultation will be applied.
- Those responsible for feedback activities will receive training on issues of social inclusion, gender issues, and conflict management. Technical assistants from the communities themselves will also be given priority.
- The project's information activities include messages on feedback mechanisms, ensuring its reach to the poorest and most vulnerable geographical areas and groups.
- Measures to strengthen the participation of women (indigenous women, young women and heads of households) in dialogue and decision-making mechanisms, such as the strengthening of spaces and organized women's groups, the use of an agro-ecological notebook, training in self-esteem, and leadership and decision-making.

Complaint resolution processes.

In accordance with IFAD's social and environmental policies, an open mechanism will be made available to the target population to address the claims and complaints of individuals, community authorities, or representatives of groups who consider that they have been affected by the project implementation. This implies that said mechanism must

be easily accessible to the population and quickly resolved, ensuring that the claims presented are reviewed in an expeditious manner and the solutions are mutually agreed upon to the satisfaction of the parties involved. The detailed development of the complaints and claims attention mechanism is in Annex 5 of the PDR.

Prevention and Response to Sexual Harassment and Sexual Exploitation and Abuse. The IFAD Policy for the Prevention of and Response to Sexual Harassment and Sexual Exploitation and Abuse-2018 (SEA) applies to recipients of IFAD funds, as well as to third parties contracted with IFAD funds. IFAD ensures that its policy of no tolerance for sexual harassment or SEA is reflected in its operations. At the Project level, the following measures will be applied:

Cases of sexual harassment and/or SEA that arise during the execution of the Project must be registered and have the respective follow-up and resolution through the Complaints and Claims Mechanism (MQR)

The LEAD Project staff in their capacity as recipient and executor of IFAD funds, respectively, must immediately inform IFAD of any allegation or report of sexual harassment and/or SEA received in connection with the execution of the Project.

As long as IFAD receives evidence based on proven and credible acts that Project personnel have engaged in such conduct in connection with the execution of the Project, it may take appropriate measures, including the immediate removal of the persons involved, pending future actions. In these cases, IFAD could request investigation by the national authorities with the purpose of initiating legal proceedings.

All contracts for Project personnel, contractors, service providers, and third parties receiving Project funding must include: i) provisions prohibiting acts of sexual harassment or SEA; ii) provisions to establish the obligation to immediately report to LEAD Project or to IFAD incidents of harassment and/or SEA in connection with the actions and activities established in the contract; iii) provisions to allow contract termination based on proven acts of sexual harassment and/or SEA; and (iv) provisions prohibiting child labour.

Annex 8 – UXO Screening Procedure

The following key activities will be carried as part of UXO screening for infrastructure activities that involve ground clearing and/or earth excavation.

Consultation with relevant stakeholders

- Conduct consultation with local authorities (village and district levels) to screen for risk of UXO presence in the area where water retention ponds, swales, water barriers, and any other physical activities (that would be determined during project inception), and or any physical activities that involve ground digging, land clearing, excavation...)
- Conduct consultation with local communities who live in and near subproject's area of influence, particularly for areas where physical works (e.g., excavation, digging, unearth, compacting...) are planned.
- Risk Crosscheck. The information from local authorities and community is cross-checked with the relevant national authority (e.g., Lao National Regulatory Authority for UXO/Mine Action Sector (NRA).

Validation Meetings

- Engage relevant stakeholders (above) in validation meetings (when engineering design is final and contractors' construction plan is approved by PMU). National authorities should be invited to validation meetings to provide their expertise on UXO risks for locations where physical activities involving ground digging, land clearing, excavation...are carried out for construction of water retention ponds, swales, water barriers.
- If validation meetings confirm that there is an apparent risk of UXO present in the subproject area of influence and a UXO survey need to be conducted, an UXO survey shall be carried by by a professional UXO service - to identify, safely remove, and dispose of the UXO and landmines at government designated location.

Survey and Clearance

- Community Notification. Before a survey commence, potentially affected communities shall be notified about the location, start and end dates, and any necessary precautions.
- Surveys. The procedure for a survey involves scanning and probing the terrain to identify potential unexploded ordnance.
- Marking. Cleared areas are clearly marked, and information is provided on what the markings and signage mean, to delineate between cleared and uncleared areas.
- Clearance. If UXO is found, clearance is conducted according to procedures set forth by the UXO clearance services (which is in accordance with national regulations and practice in UXO screening and removal).
- Documentation. A detailed record of all cleared items, including location and type, shall be maintained and reported.
- An UXO clearance certificate. A UXO clearance certificate shall be obtained from UXO clearance service providers before contractor are approved to commence physical works in the project area.

Precautionary Measures

- **Safety Precautions.** Communities shall be notified in advance of precaution measures that need to be taken. Information shall be provided to community members about the meaning of safety markings and signage.
- **Contractual Requirements.** Mitigation measures, including those for UXO safety, are included in the contracts for construction work, including chance find procedure. Workers are informed for UXO awareness
- If a UXO is found, the general safety advice is to Recognize the danger, Retreat (do not touch), and Report the finding to local authorities – for immediate action.

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Free Prior and Informed Consent or FPIC implementation plan

Mission Dates: 10-21 November 2025
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Asia and the Pacific Division
Programme Management Department

Linking Enterprises, Agriculture and Development for Green Growth Project
(LEAD)

FPIC IMPLEMENTATION PLAN

Version 1
(January 22, 2026)

Definitions

Affected Households (AHs). In the context of involuntary resettlement, AP are those who are physically displaced (relocation, loss of residential land, or loss of shelter) and/or economically affected (loss of land, assets, access to assets, income sources, or means of livelihood) as a result of (i) land acquisition and involuntary resettlement; or (ii) involuntary restrictions on land use or on access to legally designated parks and protected areas. In the case of AHs, it includes all members residing under one roof and operating as a single economic unit who is adversely affected by the project or any of its components. They can also be referred to as Displaced Persons.

Vulnerable/ Disadvantaged groups. Refers to individuals or groups who, due to certain own circumstances such as their age, gender, disabilities, health, economic and ethnic status, and so forth, are more likely affected adversely by the project impacts and/or more limited in their ability to take advantage of project benefits. Disadvantaged individuals/groups are more likely excluded from, or unable to participate fully in the mainstream consultation process and may require specific assistance to promote inclusion.

In this project, disadvantaged individuals/ groups are defined as those who have the following characteristics: i) from an ethnic group, (ii) female headed household with dependents, (iii) landless/ limited productive land, (iv) frequent lack of male labor at home (e.g. migrant workers); (v) jobless, or limited economic opportunities; (vi) family member(s) with chronic illness, or disabilities; (vii) elderlies who live on their own; (viii) people living in an especially difficult circumstance, and (ix) people don't meet above criteria but are concurred by local community as vulnerable to poverty and need project's support to reduce their vulnerability. It is noted that disadvantaged individuals are usually from a poor, or a near-poor household.

Indigenous Peoples. "Indigenous Peoples" is defined by IFAD as follows:

- Priority in time, with respect to occupation and use of a specific territory;
- The voluntary perpetuation of cultural distinctiveness, which may include aspects of language, social organization, religion and spiritual values, modes of production, laws and institutions;
- Self-identification, as well as recognition by other groups, or by state authorities, as a distinct collectivity; and
- An experience of subjugation, marginalization, dispossession, exclusion or discrimination.

Information Disclosure. The process of disseminating project information to stakeholders to allow them to understand the risks and impacts of the project, and potential opportunities. Documentation of the consultation process undertaken during project preparation along with FPIC implementation plans, IPP and indigenous peoples planning frameworks should be accessible and disclosed in a timely manner, in a place accessible to indigenous stakeholders and in a form and language understandable to them.

Meaningful consultation. Two-way process that starts early and be carried out on a continual basis throughout the project cycle to adequately inform the affected persons of the project's potential adverse displacement impacts and proposed mitigation measures including resettlement options: a) Information on the nature and scope of the project; b) The scope of and reason for land acquisition and/or access restrictions, c) Resettlement objectives and entitlement matrix and resettlement options, d) The right of the displaced to participate in resettlement planning and implementation, e) An accessible grievance mechanism. Meaningful consultation also ensure that a) affected persons have

the opportunity to influence resettlement plans, b) there is no coercion or intimidation and that affected persons can freely express their views early on and during implementation, c) gender-inclusive and tailored to needs of disadvantaged and vulnerable groups; and d) affected groups are able to monitor the RP.

Stakeholders. Parties interested in, potentially affected by or that influence project implementation. In the context of environmental, social and climate assessments, stakeholders may include: (i) donor agencies and government entities in the donor country; (ii) governments in the country of implementation; (iii) other bilateral multilateral donors; (iv) NGOs; and (v) civil society (adapted from United Nations Development Programme, 2017).

Vulnerable individuals/Households/Group. Group of affected persons who are likely to be more adversely affected by land acquisition than others and who are likely to have limited ability to re-establish their livelihoods or improve their status. Vulnerable persons are categorized as: (i) households living below the poverty rate as established by government's regulation; (ii) elderly people headed households with no means of support; (iii) female headed households with dependents living below the poverty rate; (iv) disabled headed households, (v) landless poor living below the national poverty rate; and (vi) ethnic minorities (who often have traditional land rights but no formal titles).

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1. INTRODUCTION

1.1 Project Overview

1.1.1 Project objectives

The project's goal is to contribute to the reduction of rural poverty and improving the income, food safety and security of smallholder farmers and rural producer households in target provinces by supporting climate-resilient, diversified, and value-added agricultural production, aligned with the national Green Growth Strategy. Its development objective is to promote inclusive agricultural and food value chains for national and export markets and enhance climate resilience.

1.1.2 Project components

The project will be carried out through various activities organized under two project components:

Component 1: Inclusive Value Chains Development

The objective of this component is to develop inclusive and commercially viable value chains by transforming APGs into sustainable market-oriented enterprises. This will be achieved through: (i) facilitating market access based on participatory value chain assessments, via multi-stakeholder platforms and climate-resilient market infrastructure; (ii) strengthening institutional, business, financial and technological capacities of APGs and MSMEs; (iii) investing in farm roads and appropriate agri-food storage and processing facilities that reduce post-harvest losses, facilitate marketing and enhance value addition; and (iv) supporting APG transition from informal groups to registered cooperatives and commercial enterprises. The component will promote entrepreneurship, particularly among women and youth, while deploying digital platforms to create enabling environments for linking smallholder producers to national and export markets. This will be implemented building on complementarities with other development partners in the target regions.

Sub-component 1.1: Market Access Facilitation

The proposed outputs and activities under this sub-component include:

Components and sub-components	Activities
<i>Output 1.1.1 Value Chain Investment Plans developed</i>	Prioritise value chains based on current market dynamics and potential for participation of small-scale farmers and select initially 5-6 commodities per each province Analyse each prioritised value chain and its actors, identifying both structural and dynamic issues, including the major constraints and opportunities to enhance competitiveness and efficiency. Through multistakeholder processes, develop Value Chain Investment Plans (VCIPs) at the provincial level for each commodity using a standard template. The VCIPs will outline targeted interventions including investment priorities, infrastructure needs, capacity building requirements, and engagement strategies among private sector actors. Validate VCIPs through multi-stakeholder consultations at provincial and district levels.
<i>Output 1.1.2 Inclusive Multi-Stakeholder</i>	Map existing platforms, associations, and coordination mechanisms to avoid duplication and identify collaboration opportunities Identify and profile all value chain actors for each prioritized commodity

<i>Platforms established and operational</i>	Facilitate the formation of inclusive commodity-specific Multi-Stakeholders Platforms (MSPs) bringing together producers (including women and youth), traders, aggregators, input suppliers, service providers, research institutions, financial institutions and government stakeholders (including the Lao Chamber of Commerce and Industry). Establish clear governance structures for MSPs including defined roles and responsibilities, transparent decision-making processes, and mandatory representation quotas for APGs, women, and youth. Build organizational, management and leadership capacities of MSPs through training in facilitation, conflict resolution and strategic planning Organize regular dialogue sessions, joint planning workshops, and coordination meetings (minimum quarterly) to identify investment priorities, policy constraints, market opportunities, and collective action opportunities Design/customise a digital platform for value chain transparency and managing MSPs process. Such a system can provide aggregation of data from all value chain actors, providing shared dashboards that improve transparency and support evidence-based decision making. It will also embed MSP coordination tools such as joint action tracking, role-based access, market intelligence sharing and performance monitoring.
<i>Output 1.1.3 Strategic market infrastructure constructed</i>	Conduct infrastructure prioritization (identified under 1.1.1 using participatory consultations with value chain actors via MSPs. Identify infrastructure investments in terms of public and private infrastructure types, including farm roads connecting production areas to markets, aggregation and collection centres, storage and grading facilities, sorting and packaging facilities, processing units, and cold storage - prioritize rehabilitation and upgrading of existing facilities over new construction where feasible Develop infrastructure feasibility studies and detailed technical designs for public investments (roads) incorporating climate-resilient features when feasible and appropriate Sign agreements with public entities defining responsibilities for operation, maintenance, and asset management

Sub-component 1.2: Enterprise Development and Financial Inclusion

The proposed outputs and activities under this sub-component include:

Components and sub components	Activities
<i>Output 1.2.1 Business development skills strengthened</i>	Conduct organizational capacity assessments of APGs and cooperatives to identify specific capacity gaps and training needs Deliver Financial Education and Business Literacy (FEBL) training programs tailored to different literacy levels and organizational maturity stages Strengthen business management skills including financial record-keeping, cash flow management, inventory control, pricing strategies, and profit margin analysis Support development of comprehensive business plans for cooperatives and MSEs including market analysis, production planning, financial projections, risk management strategies, and growth/transition pathways. MSE investments will be primarily dedicated to women and youth.

	Provide technical assistance in developing bankable business proposals for accessing formal credit and investment capital Strengthen quality management capacities including food safety standards, certification requirements and export compliance. Foster consolidation of APGs into larger cooperatives to access economies of scale and de-risking advantages
<i>Output 1.2.2 Cooperatives and MSEs supported to access rural financial services</i>	Work with credit officers within financial institutions to simplify loan application procedures and standardize loan application templates suitable for rural agricultural clients Develop blended finance mechanisms (de-risking tools) combining grants and loans to reduce risk for first-time borrowers and enable transitioning to commercial lending (blocked grant as a fixed deposit for a loan of the same amount or higher) Monitor loan performance, repayment rates, and financial inclusion outcomes disaggregated by gender, age, and poverty level

Subcomponent 1.3: **Policy Engagement and Market Integration**

The proposed outputs and activities under this sub-component include:

Components and sub components	Activities
<i>Output 1.3.1 Strategic policy dialogue and regulatory framework enhanced</i>	Support Government in implementation of the Decree on Groups and Cooperatives as per the developed implementation guidelines - including the establishment of the Cooperative Fund. Develop guidelines for small-scale producers relevant to food standards, safety compliance and export certification Identify other needed support for implementation of regulatory frameworks, including relevant to the National Policy on Plant Production, among others.

Component 2: Climate resilient technologies and diversification in farming systems

The component aims to increase the climate and market shock resilience of farming systems and improve the product quality and productivity of social inclusive APGs linked to value chains selected in component 1. At the same time this component will also support the poorest households in improving their livelihood activities, food security and nutrition. These objectives will be achieved through three subcomponents. This will be implemented building on complementarities with other development partners in the target regions.

Sub-component 2.1: Climate resilience and productivity of APG farming systems

The proposed outputs and activities under this sub-component include:

Components and sub components	Activities
<i>Output 2.1.1 Resilience and improvement plans (PRIP) implemented to enhance adaptive capacity</i>	Conduct assessment of APGs and assess possibilities for demand-driven clustering based on: (i) organizational maturity (informal, registered, cooperative); (ii) production systems; (iii) market engagement (subsistence, semi-commercial, commercial); (iv) geographic location for efficient service delivery (in collaboration with the Lao Farmers Association).

	Facilitate participatory development of market-viable Production Resilience and Improvement Plans (PRIPs) by APG/APG clusters based on climate vulnerability assessments and business opportunities Review and approve PRIPs based on: (i) market viability and financial sustainability; (ii) climate resilience benefits; (iii) APG organizational capacity and commitment. Include prioritisation of investments in off-farm irrigation rehabilitation. Provide blended finance mechanisms (de-risking tools) combining grants and loans to reduce risk (blocked grant as a fixed deposit for a loan of the same amount or higher for multiple loan cycles - ceiling of USD 750 per APG member - ceiling of USD 1000 per Cooperative member). Eligible investments including: green/shade houses; water harvesting and irrigation systems (drip, smart irrigation, canal upgrading); farm tools and equipment; digital solutions for workload reduction; organic inputs production equipment (bio-fertilizers, bio-pesticides); renewable energy systems (solar water pumps, hydroponic units); livestock shelters and equipment; farm-saved seed storage; transportation equipment; post-harvest storage/processing. Provide technical backstopping during PRIP implementation to APGs and ensure proper mentoring: (i) production planning and cash flow management for cropping and livestock cycles; (ii) integrated water and soil management; (iii) integrated pest management; (iv) food safety standards compliance (pesticide residues) and GAP; (iv) nutrition sensitive production; and (v) climate risk assessment and adaptive management for vulnerabilities to climate shocks, pests, diseases, and market fluctuations.
<i>Output 2.1.2 Water resources and other ecosystem services conserved</i>	Rehabilitate and upgrade off-farm irrigation infrastructure including canals, water distribution systems, and drainage networks as identified in the PRIPs Establish or strengthen existing Water User Groups (WUGs) with clear governance structures, O&M responsibilities, and equitable water allocation mechanisms - Ensure women's participation in WUG governance and equitable access to irrigation water Develop O&M plans and build capacity of WUGs for long-term infrastructure sustainability Integrate watershed management approaches including soil conservation, agroforestry, crop-livestock integration.

Sub-component 2.2: Action Research and scaling of successful practices

Components and sub components	Activities
<i>Output 2.2.1 New technologies and farming practices for resilience and improved productivity are tested and scaled up</i>	Systematisation of innovation gaps for climate resilience from PRIPs and VCIPs and mapping of new resilience technologies and diversification practices in Laos and neighbouring countries relevant for addressing these gaps In collaboration with NAFRI and other partners, select 6 priority innovations for testing and scaling such as: integrated rice-aquaculture systems; perennial rice varieties; mushroom production; fish and shrimp seed production; integration of trees and green manure in farming systems; climate-smart agriculture; production of seed and animal stocks; post-harvesting techniques. Implement innovation testing through model APGs and farmers

	Document and assess results including costs, benefits, climate resilience outcomes, gender impacts, and scalability Develop scaling strategy for proven innovations through: (i) training service providers (government extension, private agro-dealers, lead farmers) to promote innovations within APG clusters; (ii) creating farmer-to-farmer e-learning videos; (iii) establishing lead farmer demonstration networks within clusters; (iv) organizing cross-cluster exchange visits.

Sub-component 2.3: Livelihood improvement for vulnerable households

The proposed outputs and activities under this sub-component include:

Components and sub components	Activities
<i>Output 2.3.1 Livelihoods of poor households improved and diversified</i>	Identify and select food insecure households using participatory assessment criteria with validation by village authorities, and community representatives and civil society organisations Deliver small livelihood packages (up to USD 500 ceiling per household with in-kind contribution) for low-barrier value chain activities including: home vegetable gardens with nutrition-focused crop varieties; backyard poultry (5-20 birds) for eggs and meat; piggery; small livestock (rabbits, ducks); aquaculture (fish, frogs); beekeeping; sericulture; natural dye plants; mushroom cultivation; post-harvest processing equipment; solar dryers...- Provide mentoring to participating HH throughout the process to ensure that the provided asset generates its intended income generating outcome. Link vulnerable households to APG clusters and aggregators as suppliers of raw materials (eggs, vegetables...) or service providers (casual labour for sorting, packaging) Connect household production to local markets including school meal programs, health centers, hotels, and restaurants for consistent demand Provide integrated nutrition and livelihood training focusing on: (i) maternal and child nutrition; (ii) dietary diversity and food safety/hygiene practices; (iii) nutrition-sensitive production (vegetables, eggs, poultry); (iv) preservation and processing of nutritious foods Monitor nutrition outcomes (dietary diversity scores, household food security) alongside income generation to ensure dual impact Invest in community water supply that serves multi-functional water demands
<i>Output 2.3.2 Persons with disability are targeted with livelihood support investments</i>	Conduct disability-inclusive needs assessment in target communities to identify persons with disabilities (PWD) and their specific livelihood constraints and opportunities Design tailored livelihood packages (up to USD 1,200 ceiling per household including support to assistive devices) to support access to livelihood improvement activities: home-based activities and production systems, digital marketing, mushroom cultivation, herb processing, handicraft production, mobile phone-based services (e.g., market information relay, social media marketing support for APGs...) Provide mentoring to participating HH throughout the process to ensure that the provided asset generates its intended income generating outcome. Deliver skills training to enhance employability and access to job markets.

	Create awareness among APG clusters on disability inclusion, encouraging PWD participation as members or service providers

1.1.3 Project target groups

The project will target various groups. The number of people directly receiving project services will be 24,674. Out of this, 50% will be women (12,337), 50% will be men (12,337) and 10% will be youth (2,467). The project will benefit 13,708 households with 76,765 household members. Fifty percent of the beneficiaries will be women (38,382) and 10% will be youth (7,676), aged 15-35 years. One person from each household will be a direct beneficiary.

1.2 Purpose of FPIC Implementation Plan

The purpose of the FPIC Implementation Plan is to set forth procedures that PMU shall follow when FPIC is required under the following two scenarios:

- When IFAD-funded projects are likely to have an impact on the land access and use rights of **rural communities**
- When IFAD-funded projects are targeting rural areas that are home to indigenous peoples.

2. FPIC REQUIREMENTS IN IFAD-INFANCED PROJECTS

2.1 Definition of FPIC

According to IFAD (2021), FPIC is defined as follows:

Free implies no coercion, intimidation or manipulation.

- Prior implies that consent has been sought sufficiently in advance of any decision point or commencement of activities and respect is shown to time requirements of indigenous consultation/consensus processes.

Informed implies that information provided covers (at least) the following aspects:

- The nature, size, pace, duration, reversibility and scope of the proposed project/activity;
- The rationale or purpose of the project/activity;
- The geographical areas that will be affected;
- A preliminary assessment of the likely economic, social, cultural and environmental impact, including potential risks and fair and equitable benefit-sharing;
- Personnel likely to be involved in the execution of the proposed project/activity;
- Procedures that the project or activity may entail.

Consent is the expected outcome of the consultation, participation and collective decision-making process by the local communities. It is the mutual agreement reached, documented and recognized by all parties. Consultation and participation are crucial components of a consent process and require time and an effective system for communicating among interest-holders. Consultation should be undertaken in good

faith, and local communities must be able to participate through their own freely chosen representatives and customary or other institutions. In general, communities would first consent to discuss the idea of the project that will affect their land, territories and resources. They would further participate in the consultation process leading to consent by contributing to the design of the project, including its implementation and monitoring mechanisms.

Depending on the nature of the project, consent may be required for:

- The overall project (e.g. the construction of an irrigation system);
- A component and specific activity of a project (e.g. if a project has one component on irrigation and one on microfinance, consent would be needed for the component that affects the land and use rights of the communities).

Consultation is an important feature throughout the entire project cycle. IFAD applies a participatory approach to ensure that local communities are engaged in project design through customized approaches, e.g. by making use of local languages or hiring local and/or indigenous experts as part of the design team. Impact assessments at the beginning of the project design stage can identify important risks and benefits; these assessments need to ensure community participation and to communicate results. Experience also shows that a continuous consultation process is required during implementation, as initial consultations with sample communities are not sufficient. For example, community plans, aspirations and customary practices for resource management are often not available in writing. Moreover, it takes time to generate the trust needed to establish genuine partnerships.

2.2 Scenarios that require FPIC

Free, prior and informed consent (FPIC) is an operational principle empowering local communities to give or withhold their consent to proposed investment and development project that may affect their rights, access to lands, territories and resources, and livelihoods. FPIC is solicited through consultations in good faith with the representative institutions endorsed by communities. It ensures that they participate in decision making processes concerning a given development project (IFAD, 2015).

IFAD requires the application of FPIC in two scenarios:

1. When IFAD-funded projects are likely to have an impact on the land access and use rights of rural **communities**

In projects that affect land access and use rights of communities, IFAD requires the application of the principle of FPIC to local communities in a broad sense. Hence, during project design and in application of the Social, Environmental and Climate Assessment Procedures (SECAP), the local communities that would potentially be affected need to be identified.

2. When IFAD-funded projects are **targeting rural areas that are home to indigenous peoples.**

In areas that are home to indigenous, or ethnic minorities, FPIC is, generally, required.

2.3 Seeking FPIC during Project Cycle

Based on the above two scenarios, during project implementation, FPIC needs to be sought for project activities/subprojects that are relevant to the two scenarios.

In addition, the FPIC implementation plan (this document) needs to be included in the Project Implementation Manual (PIM) to guide application of FPIC for relevant subprojects which will be identified during project implementation.

3. SIMPLIFIED GUIDANCE FOR FPIC IMPLEMENTATION IN LEAD

3.1 KEY STEPS FOR SCREENING OF ETHNIC GROUPS DURING PROJECT IMPLEMENTATION

1. Scope of Screening:

- o The IFAD requires that when the proposed project activities are relevant to two scenarios described above, the project needs to obtain the FPIC of the Ethnic groups(s) affected by the proposed activities – before commencing the activities that affect them.
- o Given the above, once proposed project activities have been firmed up and project's area of influence (e.g., at community level) are confirmed, PMU needs to conduct screening for ETHNIC GROUPS – within project's area of influence, to confirm if there are IPs – as per IFAD definitions, that are present in the project area, and are affected the proposed project activities.

2. Identification of the Ethnic groups (s):

- o To identify Indigenous People – as per IFAD's definition, the following key characteristics could be used:
 - The ETHNIC GROUPS being screened need to **identify themselves** as a **distinct** ETHNIC GROUPS group – they have their own name for their ETHNIC GROUPS group that are different from the mainstream population. They are recognized by other ETHNIC GROUPS groups, or by State authorities, as a distinct collectivity;
 - Their ETHNIC GROUPS community has their **own sociocultural characteristics** (e.g., social norms, customs, traditions, costumes, religious beliefs, production mode, social institutions) that are different from the mainstream population, and these characteristics may be different, to varying extent, with those of other Indigenous People groups;
 - They have their own language (mother tongue) that is different from the national language and they typically use their mother language within their family and their ETHNIC GROUPS community;
 - They are vulnerable/ disadvantaged (e.g., socially and economically);
 - They have **collective attachment** to the land where they are living.

3. Description of sociocultural economic profile of the ETHNIC GROUPS group:

- o **Description of the profile of the identified** ETHNIC GROUPS is important to understand the ETHNIC GROUPS's sociocultural distinctives, and whether and how proposed project activities may potentially affect the ETHNIC GROUPS's sociocultural distinctiveness - such as their current farming practices, use and management of natural resources, tradition, cultural

- practices, etc.s – as these factors are embedded in the ETHNIC GROUPS's social institutions, social norms, gender norms – to name a few.
- o To establish a brief socioeconomic profile for each ETHNIC GROUPS, description should focus on the following aspects: current means of livelihoods, farming practices, use and management of natural resources, cultural tradition, religious practices, and customary, social, and political institutions, and local conflict resolution practices.

3.2 PROCEDURE FOR OBTAINING FPIC

Before conducting FPIC meeting

At project level

When proposed project activities are firmed up during the Inception stage, or the first year of project implementation, it is important that the project team conduct an initial screening of ALL project activities proposed for potential E&S impacts and risks. Attention should be given to activities that potentially cause adverse impacts, and/or E&S risks – to the IPs present in the project area.

- The screening of impacts and risks for all project activities should be based on the most updated ESMP and SEP. For easy use for the team, screening could be done using the template (Inventory of Project Activities Subject to FPIC Process) provided in Annex 1. It is noted this Inventory should be updated from time to time, particularly when the scope, scale and nature of proposed project activities become better known during project implementation.

At subproject/ activity level

- Based on the Inventory of Project Activities Subject to FPIC Process (generated from above), the team may hold initial FPIC meetings with priority given to project activities that potentially cause adverse impacts, and/or E&S risks to the IPs.
- Before a meeting is hold with a purpose of obtaining the FPIC from the ETHNIC GROUPS affected by certain project activities, care need to be taken to ensure the information related to proposed activities are well prepared, and the meeting is planned, arranged, and conducted in a manner that is appropriate culturally to the affected ETHNIC GROUPS groups.
 - **Information to be shared to affected ETHNIC GROUPS:** Information should be well prepared so that the the correct, sufficient information are shared to the right people from which FPIC is solicited. As a good practice, the following information needs to be prepared well in advance of the FPIC meeting:
 - **Project Information Booklet** (project level)(See Annex 3)
 - **Activity Specific Information Guideline & Minutes** (See Annex 2)
- The right ETHNIC GROUPS **households/individuals/representatives** who are are **potentially affected by proposed project activities are invited to the FPIC meeting**

During FPIC meeting

- An FPIC meeting need to be facilitated by project personnel that is well trained on FPIC consultation methods.
- The following key steps need to be followed during FPIC meeting:
 - o Purpose of the FPIC meeting
 - o **Composition** of meeting participants
 - o Project background and **objectives**
 - o Project components, **and key activities under each component**
 - o E&S Risks & Impacts (associated with project activities – directly relevant to the people in the consultation meetings)
 - o Proposed **mitigation measures**
 - o **How these activities will be unfolded** and how are potential affected households (e.g. beneficiaries, or adversely affected people) are informed, and invited to consultation meeting – reiteratively, before project activities are carried out, and during activity implementation.
 - o Project-level Grievance Redress Procedure, and
 - o Other relevant information
 - o What is FPIC of the IFAD means, and why FPIC is obtained from affected IPs before the project commence proposed activities that affect the ETHNIC GROUPS being consulted
- During the meeting, allow sufficient time and encourage participants to ask questions – in their own language (an interpreter needs to be arranged, as needed, before the meeting takes place)
- Document the discussion results using the template (See Annex 2)
- Based on the information disclosed and the feedback from consulted ETHNIC GROUPS, check if IPs are comfortable providing the consent to the activities being consulted. If ETHNIC GROUPS are hesitant to provide FPIC, suggest to have another meeting with them to continue discussion. Note, in particular, that the ETHNIC GROUPS can withdraw their Consent at any time during project implementation (even though they provided Consent before).
- Distribute a Project Information Leaflet (PIB) and Activity-Specific Information Sheet – for them to peruse – as needed, after the meeting.
-

4. FPIC Implementation Plan

The following tentative plan will be carried during project implementation, particularly during project inception stage.

SI	FPIC activity	Readiness Action Plan Activity Description & serial number	Officers responsible	Timeline (Corresponding to RAP timeline)

1.	FPIC sensitisation for Project team members	Training of Project staff	PMU, DPMU SECAP Officer	Within 2 months after project team is in place
2.	FPIC sensitisation of APGs, MSP, Village Committees field partners and other stakeholders	Sensitize all stakeholders, village committees and other important partners on the ground	PPMU, DPMU SECAP Officer, Service Provider	Within 1st quarter subsequent to project initiation
3.	FPIC meeting with all HHs for outlining project interventions and potential SECAP concerns, documenting community concerns/reservations	Select beneficiaries and start FPIC process (#23)	PPMU, DPMU SECAP Officer, Service Provider	Within six months of project initiation
4.	Repeat FPIC during AWPB exercise and incorporate any changes needed (Repeat each year)		PPMU, DPMU SECAP Officer, Service Provider	Annual activity as per AWPB schedule

Annex 1 – Inventory of Project Activities Subject to FPIC Process

	No	Project Activities	Nature, Scope and Scale	Affected groups	Target area	Change Process		E&S Risks & Impacts (Area of Influence)			Consultation Process (Date)		
						Current Practices	Promoted Practices	Direct	Indirect	Cumulative	Round 1	Round 2	Round 3
Comp 1	1												
	2												
	3												
	4												
	5												
	6												
	7												
	8												
	9												

Annex 2 – FPIC Information Sheet and Minutes of FPIC Consultation

Project name:	Consulted Group:	Date of consultation:	Total number of participants:
Project Implementing Partner:	Key topics:	Location of consultation: Province: _____ District: _____ Commune: _____	Key Consultation technique: • <i>Community meeting</i> [] • <i>Focus Group Discussion</i> [] • <i>Rapid Rural Appraisal</i> [] <i>Other (please specify):</i>
Donor:	Consultation Round No:		

RAPPORT BUILDING

- FPIC Facilitator to explain:
 - ✓ Purpose of the FPIC consultation session (explaining also the meaning of Free, Prior, Informed, Consent).
 - ✓ **Composition** of participants
 - ✓ Structure of the consultation session

1. PROJECT OVERVIEW (the same for all FPIC sessions)

- o Purpose of the FPIC consultation session (explaining the meaning of Free, Prior, Informed, Consent and emphasize the activities could only be proceeded if consulted (affected) IPs provide FPIC to the activities described and consulted in the meeting).
- o **Composition** of meeting participants
- o Project background and **objectives**
- o Project components, **and key activities under each component**
- o E&S Risks & Impacts (associated with project activities – directly relevant to the people in the consultation meetings)
- o Proposed **mitigation measures**
- o **How these activities will be unfolded** and how are potential affected households (e.g. beneficiaries, or adversely affected people) are informed, and invited to consultation meeting – reiteratively, before project activities are carried out, and during activity implementation.
- o Project-level Grievance Redress Procedure, and
- o Other relevant information

1. PROJECT ACTIVITIES SUBJECT TO THIS FPIC SESSIONS (changed based on activities to be consulted)

Proposed Activity No.	Why these activities need to be implemented				Potential Adverse Impacts & Risks
	Current practices in the communities	How (methods) these activities will be unfolded	Expected Immediate Results (Outputs) of these activities	Expected Outcomes, focusing on a) economic, b) social, cultural and environmental impacts,	
Act 1.					
Act 2.					
Act 3.					
Act 4.					
Act 5.					

2. DISCUSSION & FEEDBACK FROM CONSULTED STAKEHOLDER

Proposed Activity No.	Positive feedback & How to enhance	Adverse impact & How to avoid, or minimize
Act 1.		
Act 2.		
Act 3.		

Act 4.		
Act 5.		

Other concerns of consulted stakeholder, if any:

3. CHANNELS THAT RECEIVE STAKEHOLDER FEEDBACK

- FPIC Facilitator to explain:
 - ✓ Grievance Redress Focal Point (Name, telephone, email) that is based in project province, or district.
 - ✓ Summary of Grievance Redress Mechanism (Provide a GRM Leaflet when the meeting ends).

4. SUMMARY OF OVERALL FEEDBACK FOR CONSULTED ACTIVITIES

Activity No.	Does consulted people provide CONSENT to commencing above activities?	Is there ANY CONDITIONS that is required for these consent?	Is there ANY OTHER GROUPS, or REPRESENTATIVES that need to be consulted?	If CONSENT has not been given in this session, when will be the next FPIC session be carried out, and WHAT INFORMATION need to be disclosed and discussed in the next session?
Act 1.	Yes/ No (Please provide a reason for Yes/No).			
Act 2.	Yes/ No (Please provide a reason			

	for Yes/No).			
Act 3.	Yes/ No (Please provide a reason for Yes/No).			

Please attach the consultation minutes below.

NAME OF PROJECT/ SUBPROJECT

PUBLIC INFORMATION BOOKLET

1. PROJECT OVERVIEW

- 1.1 Project objectives
- 1.2 Project components
- 1.3 Project locations and duration for project implementation
- 1.4 Other necessary information

2. POTENTIAL PROJECT ACTIVITIES

Describe key project activities (project level)

3. POTENTIAL E&S IMPACTS AND RISKS

Describe briefly key anticipated E&S impacts of risks of activities described under Section 2 (above).

4. PROJECT'S MITIGATION MEASURES AND DEVELOPMENT ENHANCEMENT

- 4.1 Key mitigation measures
- 4.2 Key measures to enhance project development impacts

5. PROJECT-LEVEL GRIEVANCE REDRESS MECHANISM

The project has designed a Grievance Redress Mechanism (GRM) which affected people can easily use to raise concerns, or complaints for project' resolution.

The GRM includes steps and time-limit for each step to ensure complainants are informed of the result at each step of the GRM. Grievances can be made in writing or verbally. All grievance will be acknowledged and decision on complaint resolution will be notified in writing to complainants. During grievance resolution process, dialogues will be hold, where possible, between project's designated personnel and the complainant, to facilitate the resolution process. The project GRM has an appeal process that complainants can use if their complaints are not resolved within a specified time frame,

or decision on resolution is not satisfactory to them. Complainants bear no costs associated with complaint resolution process.

No.	Key Steps in Project–level Grievance Redress Mechanism	Suggestive Duration
1	Grievance receipt Project affected people (PAP) submits his/her grievance in person, via phone call, or via complaint box to the GRM operator and will proceed to data base recording.	1 day
2	Acknowledgment and recording The complainant receives confirmation that his/her grievance has been received. The grievance is entered in the database using a grievance registry form	2 days
3	Assessment Appropriate investigation is decided at the assessment stage. If deemed necessary, the investigation can include a risk assessment.	5 days
4	GRM STEPS Please summarize the key GRM steps (based on GRM designed for the project)	

6. STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE

6.1 Stakeholder engagement

Describe briefly how the project will engaged project stakeholders during project implementation – using information from the project's Stakeholder Engagement Plan

6.2 Information disclose

Describe briefly how project information, particularly information about proposed project activities and associated E&S risks and impacts will be disclosed as part of consultation with potentially affected stakeholder (e.g. local people, ETHNIC GROUPS present in the project's area).

FOR MORE INFORMATION, PLEASE CONTACT THE FOLLOWING FOCAL POINT

Name:

Telephone:

Email:

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Stakeholder Engagement Plan

Mission Dates: 10-21 November 2025
Document Date: 26/05/2026
Project No. 2000005224
Report No. 7515-LA

Asia and the Pacific Division
Programme Management Department

6. Cross-Cutting Issues

Discuss issues that span across environmental, social, and climate safeguards, such as stakeholder engagement, capacity building, and gender equality

- o Analysis of stakeholder engagement processes and their effectiveness.
- o Assessment of capacity-building initiatives for implementing safeguards.
- o Gender equality considerations and how they have been integrated across safeguards.
- o Challenges in addressing cross-cutting issues and proposed strategies.

7. Challenges and Lessons Learned

Reflect on the challenges encountered during the reporting period and identify key lessons learned.

8. Recommendations and Next Steps

Provide actionable recommendations based on the findings of the monitoring report.

- o Specific recommendations for improving the implementation of environmental, social, and climate safeguards.
- o Proposed actions (priority and timeline) for the next monitoring period.
- o Timeline and responsibility for implementing the recommended actions.

9. Appendices

Provide additional data, detailed case studies, or supplementary information that supports the main content of the report.

- o Detailed tables, graphs, or charts with monitoring data.
- o Full case studies or project reports.

Any other relevant documentation

Annex 7. Stakeholder Engagement Plan

INTRODUCTION

The Stakeholder Engagement Plan (SEP) outlines the differentiated measures that IFAD and its implementing partners in the project will implement to ensure the effective participation of key project stakeholders, including both men and women and those identified as disadvantaged or vulnerable stakeholders. The SEP aims to catalyse and organize stakeholder engagement and ensure that it effectively takes place in line with IFAD's Social Environmental and Climate Assessment Procedures (SECAP). It aims to ensure that IFAD and its implementing partners provide timely, relevant, understandable, and accessible information and consult with all relevant stakeholders in a culturally sensitive manner. The SEP's level of detail is informed by the scale and scope of the project, numbers of stakeholders involved, and potential risks and impacts.

OBJECTIVE

For the objective of this SEP, project stakeholders are defined as individuals, groups or other entities who are impacted or likely to be impacted directly or indirectly, positively or adversely, by the project. They include individuals or groups whose interests in the project, may affect and influence the project outcomes in any way. Cooperation and negotiation with the stakeholders throughout the project often require the identification of persons within the groups who act as legitimate representatives of their respective stakeholder group. These are individuals who have been entrusted by their fellow group members with advocating on behalf of the group in engaging with the Project.

STAKEHOLDER IDENTIFICATION

Primary stakeholders

Small holder farmers, Agriculture Production Groups, Micro and Small rural enterprises, vulnerable groups (women, youth, disabled and ethnic groups), government sectors at all levels (national, provincial and district), NPCO and project technical staff, suppliers, private sector.

Secondary stakeholders

Other government agencies, private sector entities/MSMES, Banks and Financial Institutions, Research Institutions, collaborating CSOs and other development partners, media.

Stakeholder Engagement Plan

The project has many executing and implementing agencies with roles and responsibilities in supporting project implementation and management. They do this through existing project working arrangements at different levels, namely regular technical meetings at district level and quarterly, semi-annual, and annual meetings at central, provincial and district levels. The table below shows stakeholders based on their roles and responsibilities.

Stakeholder	Topics of engagement	Responsible party	Form and frequency of engagement
Ministry of Agriculture and Environment (MAE)	Overall execution and coordination of and technical support to project in partnership with the implementing and executing agencies	Department of Planning and Cooperation, MAF	Project coordination meetings - PSC and technical meetings
Ministry of Industry and Commerce (MOIC)	Technical support to and coordination to project implementation (value chain, market linkages, etc.) in partnership with executing and implementing agencies	Provincial and District Industry and Commerce Offices	Project coordination meetings and MSP
Ministry of Finance (MOF)	Execution and coordination of project implementation (account management, fund replenishment, fund flow, etc.) in partnership with MAF	Department of Public Debt Management, MOF	Project coordination meetings
National Agriculture Research Institutions	Leading technical action research, access to stress-tolerant crop varieties; introduction of technical innovations	NAFRI	Regular meetings
Laos Chamber of Commerce and Industries	Formation of MSPs, facilitating development of VCIPs	LCCI and its provincial and district branches	Regular meetings, consultations and workshops

Provincial Government Agencies	Endorse provincial plans and facilitate cross-sector coordination, hold periodic Performance Review meetings	PSC, PAFO, PIOC	Project coordination and Review meetings
District Agencies	Will review and approve quarterly plans and reports, monitor progress, and provide technical guidance	DSC, DAFO, DICO	Project coordination and implementation meetings
Agriculture Production Groups (APGs) & Water User Groups	Primary project stakeholders; responsible for preparing and implementation of PRIPs; identification of irrigation infrastructure needs and maintenance	APG & WUG members	Regular Implementation and performance monitoring meetings
Multistakeholder Platforms	Primary project stakeholders; responsible for preparation and implementation of VCIPs	MSP members	Regular Implementation and performance monitoring meetings

Monitoring and Evaluation of Stakeholder Engagement Activities

The SEP also clearly lays out a monitoring mechanism to ensure effective implementation of the activities and to enable the project to take corrective measures if required. The stakeholder engagement process will be monitored through the review of engagement activities in the field, particularly those meeting the SECAP standard. Each Project Coordination Unit at provincial and district levels will prepare also a half-yearly SEP Implementation Report and submit it to the National Project Coordination Office. Once approved, the report will be disseminated to the stakeholders through periodic consultations and the project website. Overall performance will be reviewed on an ongoing basis to determine the effectiveness of the SEP, including the methods of engagement being used and outcomes. The performance indicators listed in the table below will be used to measure progress and implementation of the SEP components.

Performance indicators to be used in stakeholder engagement monitoring

Objectives	Performance Indicators
Provision of information in a timely, accurate, and culturally appropriate manner	• Means used to inform stakeholders about the meetings • Advance notice (time) to stakeholders • Advance agenda given to stakeholders • Number of meetings, consultations over specified period • Type and form of project information provided. Avenues and languages used to provide information to stakeholders • Number of engagements (meetings, workshops, consultations) etc., with stakeholders/year
Stakeholder comments, concerns, and feedback are received and incorporated into project activities as appropriate	• Number of grievances received over a specified period • Nature of participation in stakeholder consultation meetings (gender, age, ethnic groups, other vulnerable groups) • Free Prior and Informed Consents received including minutes of meetings over a specified period • Number and name of stakeholder groups involved in project design, preparation, and implementation
Informed participation by vulnerable groups	• Number and type of engagement with the vulnerable groups • Attendance rates • Forms and type of engagement strategies adapted • Number and type of grievances and redress mechanisms adapted • Vulnerable groups are clear on the process and means by which grievances can be raised and addressed
Stakeholder engagement is transparent, inclusive, and appropriate	• Programme information disclosed to all stakeholders as requested and according to disclosure mechanism • Representation and percent of resources and loans allocated to vulnerable groups in project activities including women and youth • Information sharing avenues program

Reporting effective implementation of community engagement is vital for building trust with respect to stakeholders. Reporting is crucial in convincing stakeholders that the project is serious about the complaints lodged by local community and that the responses put in place by the project indeed work. In addition, double checking information, testing the stakeholder's reaction to the proposed mitigation measures, obtaining further feedback to refine the measures before implementation, and getting buy-in from key stakeholders for implementation plans are other major advantages of the reporting-back system. The process of reporting to the stakeholders will be conducted through frequently updated FAQs to address new concerns that come to light through stakeholder feedback during planning, pre-construction, construction, and operations with the PCO at central and local levels.

Updated concerns, decisions and responses will be reported and disclosed to stakeholders in a timely and accurate manner.

To cope with risks and impacts, key stakeholders and areas at different levels are identified including concerns, methods, and a procedure for external communications. This includes

methods to receive, register, screen, assess, track, respond to, and act upon external inquiries and complaints from the public and other related partners regarding project operations.

External Communication Procedures

Stakeholders	Concern	Engagement methods	Information to disclose and report back	Most valuable information to obtain
Small holder farmers (men, women, youth)	-Elite capture -Participation in project activities -Accrual of project benefits -Social and climate related risks -How to address grievances -Weak village-based infrastructure maintenance	- Village planning meetings - PRAs, - Organise groups - farmer groups (APGs, cooperatives, MSPs, Business network) - Regular project meetings - Infrastructure community groups (WUGs, roads, irrigation etc.)	Feedback redress mechanism, Project social inclusion and targeting plan, PRIPs and VCIPs	PRIPs, VCIPs, Livelihood Investment Plans, Farmer groups engaged and their composition and leadership (men, women, youth, IPs), Project progress reports, Minutes of meetings, Cases reported and addressed through the GRM Infrastructure plans
Indigenous people / ethnic groups (women, youth)	-Exclusion from project activities (gender, age) --Social, environment and climate related risks- land - Cultural sensitivity	- PRAs (gender and youth sensitive) - FPIC	PRIPs, LIPs, VCIPs and other project intervention information	PRA reports, FPIC reports
National Project technical staff (NPCO)	-Clear reporting lines -Clear roles and responsibilities and performance indicators	- Job description and performance indicators, - Reporting structure/ Organogram,	Reporting structure/ Organogram	Meeting minutes, AWPB

Stakeholders	Concern	Engagement methods	Information to disclose and report back	Most valuable information to obtain
		PMU staff planning and monitoring meetings		
District level staff	-Poor coordination of project activities beneficiaries- hard to reach -Access to project logistics and resources --Skills and capacities to engage the communities	District level coordination mechanism and linkages with provinces, Planning meetings and skills development meetings Linkage with community level resource persons- FNS facilitators, lead farmers, Capacity building plan	Project operational plan, Progress report	Minutes of meetings and MSPs, Outreach reports, Progress reports, Capacity building reports, AWPB
Provincial level technical staff	-Poor coordination of project activities -Beneficiaries - hard to reach -Access to project logistics and resources -Skills and capacities to engage the communities	Provincial level coordination mechanism and linkages with districts Planning meetings and skills development	Project operational plan, Progress report	Minutes of meetings and MSPs, Outreach reports, Progress reports, Capacity building reports, AWPB
Development partners and other government ministries	--Weak coordination/ convergence with other projects in same project areas leading to duplication	Sector working groups Joint planning at district and village level Project coordination meetings	Operational plans and reports	Minutes, Planning reports (national, provincial, district and village levels)
Private Sectors	-Few agro-enterprises in rural project areas with entrepreneurial capacity. -Limited understanding of the project and	Multi-stakeholder platform at district and provincial levels, Project sensitisation meetings/workshop	Technical VC guidelines, Call for proposals and sensitisation workshop reports	Technical manuals, technical training and guidance

Stakeholders	Concern	Engagement methods	Information to disclose and report back	Most valuable information to obtain
	means of engagement			
Mass media (TV, Radio, etc.,)	Less timely information sharing and update by project-on-project achievements to mass media to increase project visibility	Join regular supervision missions, annual and semi-annual meetings, Regular update of physical achievements, best practices and lessons learnt to related mass media	Case studies (Videos), Social media reports	Media reports

Participation and provision of feedback from the target group of the project

The purpose of the feedback mechanisms is to implement participatory systems that allow the target groups and their organizations to participate in a meaningful and continuous way in the planning, monitoring, implementation, and evaluation of the Program's interventions. The objective is to improve the capacity of the executing teams to respond to the needs of the target group, thus contributing to their empowerment and accountability.

Previous documented experiences with respect to the implementation of feedback mechanisms in the field of rural and agricultural development programs in Laos have not properly been identified. Still, in general the country's political environment promotes a participatory culture oriented towards fostering active citizenship. Civil society organizations in rural areas include peasant and indigenous organizations also linked to social and agro-ecological networks and movements. These work to improve spaces for citizen participation and awareness raising on public policies. In general, IFAD funded projects, and those financed by other development partners working in the poorest areas of the country, have a proven capacity to implement projects according to inclusive and participatory methodologies. The most successful experiences are related to participatory planning and promoting spaces for listening and dialogue, such as forums and multi-stakeholder round tables, especially at the municipal level. A more detailed analysis of capacities, roles, and responsibilities in the different stages of the feedback process will be carried out at the beginning of the Project.

The feedback loop includes the following phases:

Design: The starting point was the definition of the system, carried out in consultation with the target group and other key actors. The Free, Prior and Informed Consultation process with indigenous peoples is also a fundamental stage in this consultation phase. In general, the feedback system will include mechanisms that seek open and unsolicited comments and suggestions (through suggestion boxes, small surveys) and feedback mechanisms on specific indicators that are related to project activities.

Data collection: Data collection methods should be context appropriate and culturally sensitive. These may include semi-structured interviews, focus groups with specific actors (women, youth, or indigenous peoples), or the use of digital media through WhatsApp. Social inclusion measures will be considered to ensure broad coverage in line with the definition of the project target groups.

Analysis and elaboration of data: in this phase the data received is analysed and systematized, breaking it down by gender, age, poverty, geographical area, etc. and doing comparisons. This analysis will make it possible to identify the main trends in terms of challenges and bottlenecks among the different project areas and target groups.

Inclusive dialogue: This dialogue is a participatory event in which the results of the survey are presented, including an analysis of the main challenges and problems identified. Dialogues will generate concrete solutions and corrective measures agreed upon by all users.

Agreed action and cycle closure: this is the moment in which the project acts on the agreed corrective measures. The actions taken will be disseminated through technical personnel, institutions, and local media. Programme adaptation through corrective measures will also be documented through the project's knowledge management system and during supervision missions.

Feedback mechanisms will be accompanied by social inclusion measures. These include the following:

- Creation and use of differentiated feedback spaces for women and men, (groups of women producers, organized groups of young people, etc.)
- Use of specific feedback instruments that will be agreed with the different target groups. Respect for the Indigenous Peoples and Communities, prior and informed consultation will be applied.
- Those responsible for feedback activities will receive training on issues of social inclusion, gender issues and conflict management. Technical assistants from the communities themselves will also be privileged.
- Use of specific feedback instruments will be agreed upon with the different target groups. Respect for the Indigenous Peoples and Communities, prior and informed consultation will be applied.
- Those responsible for feedback activities will receive training on issues of social inclusion, gender issues, and conflict management. Technical assistants from the communities themselves will also be given priority.
- The project's information activities include messages on feedback mechanisms, ensuring its reach to the poorest and most vulnerable geographical areas and groups.
- Measures to strengthen the participation of women (indigenous women, young women and heads of households) in dialogue and decision-making mechanisms, such as the strengthening of spaces and organized women's groups, the use of an agro-ecological notebook, training in self-esteem, and leadership and decision-making.

Complaint resolution processes.

In accordance with IFAD's social and environmental policies, an open mechanism will be made available to the target population to address the claims and complaints of individuals, community authorities, or representatives of groups who consider that they have been affected by the project implementation. This implies that said mechanism must

be easily accessible to the population and quickly resolved, ensuring that the claims presented are reviewed in an expeditious manner and the solutions are mutually agreed upon to the satisfaction of the parties involved. The detailed development of the complaints and claims attention mechanism is in Annex 5 of the PDR.

Prevention and Response to Sexual Harassment and Sexual Exploitation and Abuse. The IFAD Policy for the Prevention of and Response to Sexual Harassment and Sexual Exploitation and Abuse-2018 (SEA) applies to recipients of IFAD funds, as well as to third parties contracted with IFAD funds. IFAD ensures that its policy of no tolerance for sexual harassment or SEA is reflected in its operations. At the Project level, the following measures will be applied:

Cases of sexual harassment and/or SEA that arise during the execution of the Project must be registered and have the respective follow-up and resolution through the Complaints and Claims Mechanism (MQR)

The LEAD Project staff in their capacity as recipient and executor of IFAD funds, respectively, must immediately inform IFAD of any allegation or report of sexual harassment and/or SEA received in connection with the execution of the Project.

As long as IFAD receives evidence based on proven and credible acts that Project personnel have engaged in such conduct in connection with the execution of the Project, it may take appropriate measures, including the immediate removal of the persons involved, pending future actions. In these cases, IFAD could request investigation by the national authorities with the purpose of initiating legal proceedings.

All contracts for Project personnel, contractors, service providers, and third parties receiving Project funding must include: i) provisions prohibiting acts of sexual harassment or SEA; ii) provisions to establish the obligation to immediately report to LEAD Project or to IFAD incidents of harassment and/or SEA in connection with the actions and activities established in the contract; iii) provisions to allow contract termination based on proven acts of sexual harassment and/or SEA; and (iv) provisions prohibiting child labour.

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Annex 6: First (Annual) Work Plan and Budgets

Mission Dates: 10-21 November 2025
Document Date: 26/05/2026
Project No. 2000005224
Report No. 7515-LA

Asia and the Pacific Division
Programme Management Department

Annex 6: First Annual Work Plan and Budget (AWPB) 18 months

Description of activity by category	Description of activity by component/subcomponent	Unit	Quantity	Plan (USD)	Financiers				
					IFADLOAN	Beneficiaries (in kind)	Cooperatives/APG (in cash)	SMEs (in cash)	Government
Component 1				1,546,150.0	1,546,150.0	-	-	-	-
Subcomponent 1.1				629425	629425	0	0	0	0
Goods, services and inputs	VC assessment, prioritisation and analysis at district and province level including mapping of actors (TA)	LS	1.000	50000	50000	0	0	0	0
Goods, services and inputs	Identify investment gaps with the MSP and Development of the VCIPs at province level (4-6 per province) (TA)	MSP/VCIP	5.000	75000	75000				
Trainings, capacity building and workshops	MSP organizational and management training and continued support for MSP facilitation (TA)	MSP/VCIP	5.000	50000	50000				
Equipment, material and vehicles	Digital platform for 10 MSPs (design improvements, data collection, CB in using the platform and the data collection tool)	LS	0.750	48750	48750				
Goods, services and inputs	Design of roads	KM	50.000	10000	10000				
Civil works	Rehabilitation of roads	KM	12.500	312500	312500				
Goods, services and inputs	Supervision of road works (3% of construction cost)	KM	12.500	9375	9375				
Consultancies	Expert in rural finance and VC (C1 responsible) (RF and VC Advisor and APG)	Person-month	9.000	28800	28800				
Trainings, capacity building and workshops	Organization of trainings and capacity building workshop in the field	Years	1.500	45000	45000				
Goods, services and inputs	Support to the M&E in the field	Years	1.500	18000	18000				
Subcomponent 1.2				647425	647425	0	0	0	0
Trainings, capacity building and workshops	Financial and business literacy training, organisational governance and development of BP and loan application (2 per district, 25% of members trained)	Cooperative	10	12000	12000				
Trainings, capacity building and workshops	MSE: Financial and business literacy training and development of BP (4 per district, 2 per MSE trained)	MSME	11	14300	14300				
Grants	Financing Coop: Grant for blocked deposit in FI, max USD 30,000 with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)	Approved loan for Coop	2.5	55000	55000				
Grants	Financing MSE (women and youth): Grant for blocked deposit in FI, max USD 30,000 with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)	Approved loan for MSE	5	110000	110000				
Consultancies	Business development services (TA) - (APG and Business Advisor - C1)	LS	0.1	10000	10000				
Trainings, capacity building and workshops	Training in food safety practices and standards (TA)	LS	0.1	5000	5000				
Trainings, capacity building and workshops	Organization of trainings and capacity building workshop in the field	Years	1.5	45000	45000				

Goods, services and inputs	Support to the M&E in the field	Years	1.5	18000	18000				
Subcomponent 1.3				269300	269300	0	0	0	0
Equipment, material and vehicles	CB for implementation of policies and standards (Cooperative Law, food safety SPSS etc.) (TA)	LS	0.1	15000	15000	0	0	0	0
Trainings, capacity building and workshops	Exchange of experience	Unit	1.5	15000	15000	0	0	0	0
Consultancies	Technical Value Chain and Food Processing Advisor	Person-day	60.0	9000	9000				
Trainings, capacity building and workshops	Technical support in FM	meeting	2.0	1000	1000				
Trainings, capacity building and workshops	SECAP training	meeting	2.0	1000	1000				
Trainings, capacity building and workshops	Technical support in PP	meeting	2.0	1000	1000				
Trainings, capacity building and workshops	Organization of trainings and capacity building workshop in the field	Years	1.5	45000	45000				
Goods, services and inputs	Support to the M&E in the field	Years	1.5	18000	18000				
Component 2				2,624,900.0	2,624,900.0	-	-	-	-
Subcomponent 2.1				1226950	1226950	0	0	0	0
Trainings, capacity building and workshops	Mapping and categorisation of APG by capacity and main commodities and facilitation of clustering of APGs in coop/associations producing within the prioritised VCs (TA)	District	2.5	21250	21250			0	
Trainings, capacity building and workshops	Training of APG clusters and development of PRIPs (2 clusters per district)/a	Cluster/association	5	7500	7500			0	
Grants	Financing of individual APG participating in clusters with (PRIP) Grant for blocked deposit in FI, max USD 750 per member with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)	APG	18	306000	306000				
Grants	Financing of individual APG participating in clusters with (PRIP) Grant for blocked deposit in FI, max USD 750 per member with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)	APG	4	100000	100000				
Goods, services and inputs	Design off-farm irrigation rehabilitation works	Scheme	5	50000	50000				
Civil works	Rehabilitation of off-farm irrigation infrastructure (up to USD 2500 per ha and maximum 50 ha)	Scheme	5	625000	625000				
Goods, services and inputs	Supervision of irrigation works (3% of contraction cost)	Scheme	5	15000	15000				
Consultancies	Agroecology and GAP specialist (C2 responsible)	Month	9	28800	28800				
Trainings, capacity building and workshops	Training of farmers in agroecology and GAP (TA)	PRIP	17	20400	20400				
Trainings, capacity building and workshops	Training of WUG (TA)	WUG	4	8000	8000				

Trainings, capacity building and workshops	Organization of trainings and capacity building workshop in the field	Years	1.5	45000	45000				
Goods, services and inputs	Support to the M&E in the field	Years	1.5	18000	18000				
Subcomponent 2.2				1244950	1244950	0	0	0	0
Equipment, material and vehicles	NAFRI coordination and co-implementation of innovation projects and scaling of successful technologies and models (material, admin., technical guides and travel costs)	Innovation project	1	10000	10000			0	
Grants	Testing with APGs and scaling resilient technologies and farming diversification models already introduced in Laos (Grant)	Cluster/association	0.5	25000	25000				
Grants	Testing with APGs and scaling resilient technologies and farming diversification models transferred from neighbouring countries via SSTC	Grant	0.5	50000	50000				
Trainings, capacity building and workshops	Technical assistance and coordination for delivery of the resilience innovation grants (SP) a	LS	0.1	5000	5000				
Consultancies	ESMP SECAP expert	Person-day	15	0	0				
Trainings, capacity building and workshops	Organization of trainings and capacity building workshop in the field	Years	1.5	45000	45000				
Goods, services and inputs	Support to the M&E in the field	Years	1.5	18000	18000				
Subcomponent 3.3				153000	153000	0	0	0	0
Equipment, material and vehicles	Livelihood investment packages (100 per district)	Package	300	150000	150000				
Trainings, capacity building and workshops	Nutrition training	LS	0.1	10000	10000				
Consultancies	Needs assessment for PWD	LS	0.75	7500	7500				
Trainings, capacity building and workshops	Skills training for PWD	LS	0.1	3000	3000				
Equipment, material and vehicles	Livelihood investment packages for PWD	Package	50	60000	60000				
Consultancies	Technical assistance for design of livelihood investment plans and accompanying the implementation (SP) (150 per district)	LS	0.1	4000	4000				
Consultancies	ESMP SECAP expert	Person-day	15	0	0				
Trainings, capacity building and workshops	Organization of trainings, capacity building workshop and supervisions in the field	Years	1.5	36000	36000				
Goods, services and inputs	Support to the M&E in the field	Years	1.5	27000	27000				
Project Management Cost				297,500.0	297,500.0	-	-	-	-
Trainings, capacity building and workshops	LEAD management meetings /a	meeting	6	3000	3000				
Trainings, capacity building and workshops	IFAD missions	meeting	2	12000	12000				

Trainings, capacity building and workshops	National steering committee meetings (annual)	meeting	1.5	9000	9000				
Trainings, capacity building and workshops	Bi-annual meeting at PPIT	meeting	2	800	800				
Trainings, capacity building and workshops	Monthly meeting at DPIT	meeting	9	1350	1350				
Consultancies	Baseline study (Survey)	LS	1	40000	40000				
Equipment, material and vehicles	Project MIS	LS	1	7500	7500				
Consultancies	Annual outcome survey	Unit	1	1577	1577				
Consultancies	Annual audits (External and Internal audits)	LS	2	22500	22500				
Goods, services and inputs	Translation services\	LS	2	10000	10000				
Equipment, material and vehicles	Vehicule for field activities (4: 2 for National level and 1 for each province)	Unit	4	160000	160000				
Equipment, material and vehicles	Motorcycles for field activities (36: 2 for National level and 2 for each district)	Unit	26	41600	41600				
Equipment, material and vehicles	Accounting software	Unit	1	15000	15000				
Equipment, material and vehicles	Laptop	Unit	20	16000	16000				
Equipment, material and vehicles	Desktop	Unit	5	2500	2500				
Equipment, material and vehicles	Furniture for office	Unit	15	30000					30000
Equipment, material and vehicles	Printer	Unit	15	4500					4500
Salaries	Project director	Pers-mth	18	54000					54000
Salaries	National Project Coordinator	Pers-mth	12	60000					60000
Salaries	National Deputy Project Coordinator	Pers-mth	3	7500					7500
Consultancies	National Coordinator Technical Advisor - CTA (focus on planning, providing overall technical advice, and preparing reports)	Pers-mth	6	21000	21000				
Consultancies	Planning, monitoring and evaluation and KM specialist	Pers-mth	9	27000	27000				
Consultancies	Procurement Officer	Pers-mth	9	25200	25200				
Salaries	Procurement officer assistant	Pers-mth	6	8400	8400				
Consultancies	Financial officer	Pers-mth	9	25200	25200				
Salaries	Financial officer assistant	Pers-mth	6	8400	8400				
Salaries	Accountant	Pers-mth	6	2400					2400
Consultancies	Administrative Officer	Pers-mth	9	7200	7200				
Consultancies	Planning, monitoring and evaluation and KM assistant	Pers-mth	3	4200	4200				
Consultancies	Targeting and GESI specialist	Pers-mth	5	12500	12500				
Consultancies	SECAP-climate and enviromental speciaist	Pers-mth	5	12500	12500				
Salaries	Driver	Pers-mth	7	2800	2800				

Consultancies	Accountant assistant (2)	Pers-mth	12	6000	6000				
Salaries	Provincial Coordinations (2) /a	Pers-mth	15	6000					6000
Salaries	Accountant (2)/b	Pers-mth	15	6000					6000
Salaries	Technical assistance-technical coordinator (17 districts)	Pers-mth	33	13200					13200
Salaries	M&E staff (17 districts)	Pers-mth	33	13200					13200
Travels and allowances	National Travels for PMU, provincial and distrital staff (regulat field supervision) a/	Field travel	10	1000	1000				
Travels and allowances	DSA for PMU and other staff /b	DSA-Days	30	2400	2400				
Travels and allowances	Travels for National Steering Committee /c	Field travel	3	300	300				
Travels and allowances	DSA for Steering Committee /e	Days/yr	8	640	640				
Travels and allowances	Travels for supervision mission	Field travel	2	4000	4000				
Maintenance cost	Office Equipment & maintenance costs	Month	4	1200					1200
Maintenance cost	Services (water, electricity, internet)	Month	7	2100					2100
Total				711,667.4	511,567.4	-	-	-	200,100.0

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Annex 7: Financial Management Assessment

Mission Dates: 10-21 November 2025
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Project No. 2000005224
Report No. 7515-LA

Asia and the Pacific Division
Programme Management Department



Detailed FM arrangements in the Project Design Report (PDR) (Annex 7)

I. Summary of Financial Management arrangements

The FM Capacity and risk assessment has been completed, meetings were held with MAE, MOIC, MoF, & SAO in Vientiane. In addition, the Executing Agency MAE and the Co-implementor for Component 1, MOIC completed self-evaluations which further informed the assessment.

The Executing Agency (EA) Ministry of Agriculture and Environment (MAE) has previously implemented IFAD projects and currently implementing PICSA and AFN II. MAE is familiar with IFAD fiduciary requirements. However, the country staffing capacities and lack of FM consultants pose systemic weaknesses that might be endured by the new project. A new PMU will be established and will require training on IFAD financial procedures. This will strengthen financial management oversight and help ensure the accurate, complete, and timely preparation of financial reports in line with IFAD requirements. Other FM risks include delays in setting up FM systems, staff recruitments, procuring essential equipment and accounting software, and operationalizing internal controls, which could affect early-stage disbursements, financial reporting and overall implementation efficiency.

Overall FM risk rating-The country scored 33/100 in the 2024 Corruption Perception Index placing it in a substantial risk of perceived public sector corruption, signifying weak transparency, accountability and anti-corruption mechanisms which can impact on overall Public Financial Management and overall economic stability. The FM inherent risk at design is therefore assessed as Substantial. Project control risk is Substantial; the project has 2 co-implementors, MAE as the Lead and Ministry of Industry and Commerce (MOIC) implementing component 1. Consolidation of financial reports will be done by PMU under the guidance of MAE. Strong coordination will be required to ensure preparation of timely and quality reports.

For the risks assessed, appropriate mitigation measures have been proposed including appointment of Finance Officer, installation of an accounting software in the first 6 months, early appointment of an external auditor, and internal audit arrangements. Conditions for first withdrawal are appointment of key personnel, approved first AWPB, opening of Designated Account and appointment of authorised signatories and approved PIM. To avoid implementation delays, a start-up advance will be provided to accelerate the fulfilment of conditions precedent to first disbursement.

Anti-corruption measures: The Government of Lao PDR will adopt and implement measures to prevent, detect and address fraud, corruption, collusion, coercion and other prohibited practices. These measures include enforcement of the Anti-Corruption Law (2012, amended 2021), compliance with IFAD Anti-Fraud and Anti-Corruption Policy; strengthening internal controls within the PMU, including segregation of duties, transparent procurement processes; training and awareness-raising activities on ethical conduct, conflict-of-interest rules and reporting obligations; maintaining complete financial and procurement documentation for verification by IFAD, auditors or oversight authorities.

The State Inspection and Anti-Corruption Authority (SIAA) is the main corruption prevention body and consists of various State inspection authorities organized in an administrative hierarchy at the central, sectoral and administrative levels. Lao PDR provides basic whistle-blower protection mechanisms under the Anti-Corruption Law through the anti-corruption unit. The project will also use IFAD's independent

reporting mechanisms which ensures that reporting parties have safe and credible options to report concerns without fear of retaliation.

II. Project financial profile

IFAD will provide a loan of USD17 59m from Laos's IFAD13 PBAS allocation (85.17 percent of the total cost); beneficiaries and SMEs will make contributions in cash or kind under matching grants in amounting to USD 0.685 million (3.32 percent), and the Government will provide USD 2.38 million (11.51 percent) in the form of salaries for seconded staff, Office Equipment & maintenance, office furniture, printers and Services (water, electricity, internet) and taxes and duties foregone. The summary financing plan is summarised in Table 1.

Table 1: Project Costs by financier

Financier	USD ('000)	Per cent
IFAD	17 590	85.17%
Beneficiaries & SMEs	685	3.32%
Government	2 378	11.51%
Total	20 653	100%

The main categories of expenditure are presented in table 2:

Table 2: Expenditure by category

Category	USD'000	Per cent
I Consultancies	1 838	9%
II Goods, services and inputs	8 352	40%
III Works	5 500	27%
IV Grants & subsidies	3 510	17%
V Operating costs	1 453	7%
Total	20 653	100%

III. Implementation Arrangements

Ministry of Agriculture and Environment is designated as the Lead Programme Agency (LPA). A ring-fenced central Project Management Unit (PMU) will be established within MAE to lead planning, technical support, fiduciary management, and coordination with executing and implementing partners. The PMU, based in Vientiane, will be staffed by both seconded and recruited key project management staff. A Finance Officer, and Assistant will be recruited whilst the government will be providing a seconded Accountant.

At sub-national level, Provincial and District Coordination Units (PCU and DCU) will be embedded within MAE's local offices. Technical Assistance (TA) may be located in provinces or districts along with key local project staff to support planning, implementation, management and reporting, while ensuring cost-efficiency. Government will provide a seconded Accountant, and an Assistant Accountant will be recruited.

The Ministry of Industry and Commerce (MOIC) will serve as co-implementing agency for Component 1 focused on value chain development, trade facilitation, and private sector engagement. A Memorandum of Understanding (MoU) will be signed between MAE and MOIC to clearly define roles, responsibilities, coordination mechanisms, and accountability frameworks. Strong coordination is envisaged to ensure flowless implementation and reporting. In addition, Department of Agricultural Extension and Cooperatives (DAEC) and provincial/district agriculture offices (PAFO/DAFO), will work with other implementing partners such as NAFRI and the Lao Farmers' Association for various activities. MOUs will be signed between MAE and the other implementing partners.

Under the blended finance mechanism, Framework agreements will be signed with participating financial institutions specifying the blocked grant mechanism, loan terms for each cycle and conditions for releasing funds to beneficiaries. NAFRI, the Lao Farmers' Association and the Lao Women's Union will implement some activities through an established MOU defining the disbursement and reporting modalities.

Currently implementing AFN II and PICSA, MAE has implemented several IFAD projects before as well as WB and ADB Projects. PMUs are established with a dedicated FM unit composed of government seconded staff and local recruited consultants.

With a PMU at central level, the project will be implemented in the southern provinces of Savannakhet and Khammouane, which form the Lao section of the Greater Mekong Subregion's East-West Economic Corridor (EWEC). The activities will be carried out in the target Districts to be selected throughout these two provinces.

IV. Financial Management Risk Assessment

A. Inherent risks assessment pillars

- 1) *Country level:*** According to the Transparency International's Corruption Perception Index (CPI) of 2024, Lao PDR scored 33/100, placing the country in a substantial risk of perceived public sector corruption, signifying weak transparency, accountability and anti-corruption mechanisms which can impact on overall Public Financial Management and overall economic stability.

The most recent PEFA country assessment was launched in 2019 and highlighted both strengths and weaknesses in the PFM system. Strengths were noted on Budget Reliability (A) indicating high alignment with good practices; Predictability and Control in Budget Execution (B/B+) indicating above basic alignment with good practices. There were improved instruments for control of budget execution and more prudent fiscal management; enhanced treasury and cash management systems at the central level; focus on tax policy and management resulting in better automation and integration of PFM processes, improved financial reporting and oversight by SAO and formal legislature scrutiny

improving accountability. However, the impact was affected by limited capacity to assess the result of fiscal management and debate government's fiscal policy choices.

Most indicators however scored 'C' or 'D', indicating basic alignment or weak performance. Limited effectiveness of PFM systems and regulatory framework lacking enforcement capacity and the need to strengthen performance monitoring; need for new reform agenda to establish solid foundations for improved PFM processes; limited credibility of the budget for achieving high-level policy objectives; lack of fully developed medium-term expenditure framework (MTEF); manual consolidation of expenditures below provincial level; absence of systems to track resources at service delivery level; decision-making hindered by the lack of a unified chart of accounts; data reliability issues due to manual fiscal data consolidation; inadequate budget execution reporting due to limited functions and coverage of current GFIS systems; no interface between customs and tax systems affecting revenue and expenditure records; absence of functionalities for commitment controls and bank reconciliation and, district offices not included in GFIS coverage. Internal and external audit functions were not sufficiently resourced and skilled to mitigate control weaknesses identified and generally weak procurement system in all four dimensions of procurement.

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

Public financial institutions-Lao PDR has an established public financial management framework anchored in the Ministry of Finance (MOF), the Treasury and the Bank of the Lao PDR. These institutions provide the core mechanisms for budget formulation, execution, cash management and monetary policy and are accountable to the Government and the National Assembly. While the legal and institutional framework provides basic controls and oversight, transparency and public disclosure of fiscal and financial information remain limited, and institutional independence particularly of the central bank and treasury functions is moderate, with strong alignment to government policy decisions.

External oversight is provided by the State Audit Organization (SAO) and the State Inspection Authority (SIA), which contribute to accountability and anti-corruption efforts, though enforcement capacity and follow-up on findings continue to evolve. In this context, donor-financed projects typically apply ring-fenced financial management arrangements, designated bank accounts and independent external audits to mitigate fiduciary risks and ensure compliance with donor requirements.

PFM Reform Implementation Plans offer a new opportunity to (a) review and complete the legal framework; (b) develop the core systems (particularly the treasury, accounting, and reporting systems); (c) integrate progressively all parallel information management systems into an FMIS architecture; and (d) support the effective enforcement of the PFM regulatory framework. Work is progressing on integrating medium-term fiscal planning into the budgetary process, improving tax administration, establishing more effective supervision over State Owned Enterprises, making public procurement more efficient and transparent, reconsidering the standards used in the government's financial statements, and developing the work and resource plans of the State Audit Agency.

- 1) **Entity level.** The project will be implemented through the Department of Planning and Cooperation. MAE has experience with IFAD projects and currently implementing two ongoing projects. MAE has limited staffing with a huge workload. There is a mix of government officials in the departments

responsible for donor projects working with consultants. There is lack of common understanding of donor financial regulations by staff and training is necessary to create an understanding and improve work efficiency.

- 2) **Project level.** Inherent FM risk is Substantial. MAE will coordinate with MOIC, the co-implementor of component 1. Other implementing partners include NAFRI, Lao Farmers association and financial institutions. MAE will take the lead coordination role amongst the IPs. The multi-partner arrangement if not properly coordinated can create implementation bottlenecks that could adversely affect the timely execution of interdependent and other project activities. The project is implemented in a decentralized manner at the local level (provinces/districts) where financial management capacity is limited.
- 3) **Previous IFAD project experiences with the country.** Quality of financial management is moderately satisfactory in AFN II and PICSA. Staff capacity issues persist across the two ongoing projects requiring regular implementation support and training at district levels. Project Implementation Manual & Financial Management Manual were outdated and not reviewed regularly and updated as necessary. Project activities are implemented in decentralized locations that rely on manual accounting, which is prone to errors, monitoring and consolidation of financial reports is a major task, and financial reports often have quality issues. Integrated systems could provide financial data instantly, enabling regular reviews. Limited Financial Management Specialists/Consultants in Laos affects project implementation support. Local consultants are familiar with the environment and are conversant with the local language which will be beneficial to the projects. A long-term solution would be to collaborate with other partners operating in the country for a common database of FM consultants for Program support.

Quality and timeliness of audit is moderately satisfactory in PICSA and satisfactory in AFN II. Audit report quality issues were recurrent under PICSA largely due to vague accounting framework referenced by the auditor. Notable improvement was observed in the most recent audit, where the auditor clearly referenced applicable accounting standards, resulting in enhanced clarity of the audit report.

Project Control Risks

Table 2. Summary of FM Risks and mitigating actions:

Summary	Brief description of issues	Inherent Risk at design H/S/M/L	Covenants precedent to disbursement	Residual Risk H/S/M/L	Agreed Mitigation Measures
A. Inherent risk assessment pillars					
i. Country level	As per Transparency International-Corruption Perception Index (CPI) of 2024, Lao PDR ranked 114/180 and scored 33/100 placing the country in a substantial risk of perceived public sector corruption, signifying weak transparency, accountability and anti-corruption mechanisms which can impact on overall Public Financial Management and overall economic stability. WBG Country Partnership Framework 2023-2026 highlighted weak financial management capacities, undermining the full use of country systems. The weakness is attributed to low skills among government staff, weak capacity at sub-national level, an acute shortage of FMS in Laos and a low quota for FM staffing. The other FM pillars of accounting, internal controls and funds flow arrangements mostly rely on government systems that were being strengthened through the broader PFM engagement. Reforms aimed at strengthening government budget preparation and control systems, treasury management,	S		N/A	N/A

	accounting, and financial reporting under E-FITS and the PFM Reform Program were in progress and contributing to strengthening country systems.				
ii. Entity level	MAE is the Lead Project Agency; the project will be implemented through the Department of Planning and Cooperation. MAE has experience with IFAD projects and currently implementing ongoing project. MAE has limited staffing with a huge workload. There is a mix of government officials in the departments responsible for donor projects working with consultants. There is lack of common understanding of donor financial regulations by staff.			N/A	1) Conduct targeted orientation and training for project and departmental staff on IFAD financial management regulations and procedures to ensure a common understanding. 2. Strengthen PMU financial management support through appropriate use of consultants to mitigate capacity and workload constraints.
iii. Project level	MAE will coordinate with MOIC, the co-implementor of component 1. Other implementing partners include NAFRI, Lao Farmers association and financial institutions. MAE will take the coordination role amongst the IPs. The multi-partner arrangement if not properly coordinated can create implementation bottlenecks that could adversely affect the timely execution of interdependent and other project activities. The project is implemented in a decentralized manner at the local level (provinces/districts) where financial management capacity is limited			N/A	1. Establish regular inter-agency planning, coordination and progress review meetings 2. Provide intensive training to provincial/district staff

B. Control risk assessment pillars					
1. Organization and Staffing	MAE will be the Lead executing agency and MoIC co-implementor of component 1. Possible risks include: 1. Possible delays resulting from potential inefficient coordination, varying compliance standards and procedures, which can lead to inconsistencies and possible non-compliance with financial regulations; duplication of efforts, leading to unnecessary expenditure and inefficiencies. Monitoring and reporting challenges across both ministries which can affect the monitoring of financial performance and risk management. 2. Limited availability of qualified financial management staff in Laos, potentially delaying the deployment of FM Officers and weak capacity at National, district and provisional levels. 3. Potential weak FM capacity at implementing partner level can affect financial report quality and submissions 4. Misalignment of staff roles and responsibilities, including assigning M&E staff to monitor disbursements against approved activity plans, thereby weakening disbursement oversight.	H		H	1. Define the specific roles and responsibilities of each ministry and sign MOU to avoid overlaps and ensure accountability. Schedule regular meetings between the two ministries to discuss progress, address challenges, and align with upcoming activities. Provide training for staff from both ministries on joint financial management practices and compliance requirements. 2. Continuous FM training at central and provincial/district levels will be conducted. Risk-based implementation support will be provided and projects with high risk given more attention. Recruitment of qualified FM consultants and providing training 3. Targeted FM capacity-building interventions at Implementing Partners. 4. Clarify and enforce role definitions through approved job descriptions, align staff assignments with required competencies
3. Budgeting	1. Delays in the process of approving the annual budget plan (AWPB).	S		S	1. Initiate AWPB preparation early and establish a clear approval timeline with responsible authorities. Coordinate and

	2. Delays in receipt of counterpart contributions due to fiscal constraints or budget limitations due to debt distress situation and poor debt management straining financial resources and limiting investment in development projects. 3. Weak budgetary controls leading to unauthorized reallocation of project funds across activities				follow-up to expedite review and approval processes. 2. Project should engage early with the Ministry of Finance to secure project budget commitment in the national budget. Include counterpart funds in approved AWPB, and plan project cash flows with contingency measures to mitigate delayed releases 3. Implement system-based budget controls that block expenditures outside approved budget lines. Enforce strict budgetary controls by requiring prior approval for reallocations, embedding system-based budget checks, and conducting regular budget-versus-actual reviews with management oversight
4. Funds flow and Disbursement Arrangements	A Designated Account (DA) in USD will be opened at the Bank of Lao PDR to receive proceeds from the IFAD loan. Project Accounts will be opened at a commercial bank in USD and Lao Kip for transaction and operational purposes. The Ministry of Industry and Commerce (MOIC), as a co-implementing agency, will receive advances from the MAE/Project Account to implement Component 1 activities. NAFRI and other implementing partners will receive advances in accordance with provisions set out in their respective Memoranda of Understanding (MOUs). Participating financial institutions will receive advances for blocked grants, which will be released to beneficiaries in		Open DA in S USD at Bank of Lao and appoint authorised signatories, registered in ICP.		1. Strengthen fiduciary controls through clear MOUs, simplified and standardized funds flow procedures, robust internal controls, enhanced PMU oversight, and regular risk-based monitoring and reporting across all implementing partners. 2. Define clear eligibility and release conditions in MOUs, require FI reporting, and perform periodic reconciliations

	line with arrangements to be detailed in the MOUs. Beneficiaries will deposit their required cash contributions with the financial institutions under the blended finance mechanism. In addition, beneficiaries will receive grants under the livelihood support packages and will provide corresponding in-kind contributions 1. The proposed funds flow arrangement, while aligned with project implementation needs, introduces heightened fiduciary and operational risks due to its multi-layered and decentralized nature. 2. Risk of misuse or premature release of blocked grants by Financial Institutions. 3. Funds request from the two implementing Ministries if not well coordinated may result in resource flow issues. 4. Absence of systems to track resources at service delivery level				3. Put in place Funds flows arrangements which relies to a greater extent on government systems for accountability. 4. Implement an integrated financial management system that allows both implementing ministries to track disbursements in real-time. Implement tools and systems to track the flow of resources down to the service delivery level and conduct regular inspections to ensure resources are reaching beneficiaries and used as intended
5. Internal Controls	1.The 2024 TI Index score of 33/100 can indicate weak accountability, limited financial oversight and inadequate internal controls and such a score is typically associated with heightened risks of fraud, corruption, and misuse of funds, and often reflects systemic vulnerabilities in financial management and oversight; issues which can reasonably be inferred to the new project. These risks are compounded by the fact that internal audit functions within government are insufficiently resourced, understaffed, and limited in scope, reducing the ability to provide effective assurance over internal controls. 2.Other areas include potential difficulties in reconciling funds spent at provincial, district, and community levels	H		H	1. Enhance internal audit capacity through targeted training and adequate staffing or hiring the services of an internal audit consultant with an appropriate TOR to support government internal auditor, compensate for the insufficiently resourced internal audit capacity, strengthen accountability and oversight mechanisms. The internal audit reports should be translated into English and shared IFAD and with the Project Steering Committee, to strengthen accountability.

	with supporting documents and official accounting records; use of funds allocated to one activity to finance another activity without the required approvals; 3.delays in cash retirement leading to funds being held for extended periods and weak follow-up on advance clearances at provincial/district level, leading to delayed liquidations and late expenditure reporting and potential delays in liquidation of advances by implementing partners and financial institutions.				2. Local-level reconciliation procedures should be performed using standardized templates, clear documentation requirements, periodic reviews by the PMU, and regular FM capacity support. Monitoring controls should be implemented to ensure that expenditures are guided by prior approvals and comply with established review and checking mechanisms. Implement monitoring controls that ensure expenditures are guided by prior approvals and comply with established review and checking mechanisms. 3. Enforce strict cash advance retirement timelines, strengthen PMU follow-up and escalation at provincial/district levels, link compliance to staff accountability measures, and require complete supporting documentation before further advances are issued. Reduce reliance on cash by expanding electronic and mobile payments, set cash holding and disbursement limits, strengthen cash handling procedures and reconciliations, and enhance oversight and spot checks for cash-based activities. 4. For implementing partners, establish advance ceilings and liquidation

					timelines, apply “no liquidation–no new advance” rule, and conduct regular follow-up; conduct spot checks and field monitoring Implementing Partners should submit audited financial statements to PMU for review and follow up on any audit observations as part of routine financial management monitoring.
6. Accounting and Financial Reporting	1. Delayed installation, setting up and launching of accounting software resulting in dependence on manual excel accounting in the initial phase of the project which is often prone to errors, can delay submission of financial reports. Use of systems not configured for automated financial reporting, coupled with the absence of accounting software at sub-levels resulting in reliance on error-prone manual processes. 2. Misclassification of transactions, including recording expenditures under incorrect budget lines or account codes, and data entry errors resulting in discrepancies between system records and supporting documents. 3. Delays in consolidating provincial and district-level financial reports, coupled with late liquidation of implementing partner advances, adversely affecting the accuracy and timeliness of Interim Financial Report (IFR) amounts and submissions.		Complete installation of accounting software within 6 months of approval.	S	1. Accelerate procurement of accounting software and deploy it at National and sub-levels, customize it for automated reporting. Organise user training and technical support to ensure timely and accurate financial reporting. 2. Strengthen transaction review and approval controls, standardize chart of accounts and coding guidance, provide staff training, and implement routine reconciliations and system validation checks to prevent misclassification and data entry errors 3. Enforce standardized reporting timelines and advance liquidation requirements for implementing

	4. Incorrect application of FX conversion rates inconsistent with FIFO principles, exposing the project to exchange gains or losses and potential funding shortfalls. 5. Beneficiary cash or in-kind contributions not properly recorded or verified				partners. Strengthen PMU oversight and follow-up with PAFO/DAFO and partners for timely submissions. 4. Apply consistent FIFO-based foreign exchange policy, automate FX rate application within the accounting system, and perform regular reviews and reconciliations to monitor and manage exchange gains and losses. 5. Require documented proof of contributions, and verify during field monitoring visits
6. External Audit	1. External audit capacity issues could impact on the quality of audit reports and oversight. 2. Delay in appointing an auditor to conduct the annual external audit. 3. Delays in preparing annual financial statements due to capacity challenges and coordination bottlenecks among the various implementing partners. 4. Hiring a private audit firm whose personnel is not familiar with rural development projects 5. Audit recommendations that are not implementable, thereby exposing the project to operational, compliance, and fiduciary risks. 6. Failure to identify material misstatements, fraud, misuse of funds, or significant control weaknesses that should reasonably have been detected through	S		S	1. Put in place a strategy for audit arrangements under the new project to prevent audit report quality issues eg engagement with auditors to clarify expectations, timelines and report format as well as assessment of auditor familiarity with requirements and standards. 2. Initiate the audit procurement process early at least 2 months before the end of the financial year. 3. Develop and circulate a detailed financial reporting calendar with agreed deadlines for all implementing partners. Align partner submission deadlines with

	the proper application of agreed audit procedures and professional judgment, and such failure results in financial loss, reputational damage, or funding suspension. 7. The decentralized structure and numerous implementing partners may complicate audit coverage, increasing the risk that issues at partner or beneficiary level are not detected in a timely manner				the project financial year-end and audit timetable. 4. Include mandatory experience requirements in the TOR, specifying prior audits of donor-funded projects. 5. Institute management validation of audit recommendations and require auditors to provide practical, risk-based, and implementable actions supported by a monitored management action plan 6. Strengthen audit TORs and contracts to enforce compliance with professional standards, require experienced sector-qualified auditors, apply rigorous management review of audit work and findings, and hold auditors accountable through performance evaluation and liability clauses. 7. Expand audit scope to cover implementing partners and beneficiary-level transactions through risk-based sampling.
Overall FM Risk @ design	Overall financial management risk at design is assessed as Substantial. While MAE has prior experience in implementing IFAD-financed projects, the operating environment presents country-level and entity-level	S		S	

	financial management constraints, including fiscal pressures which might affect timely counterpart funding, and capacity limitations both at national and entity level. In addition, the project’s decentralized implementation and funds flow arrangements introduce project-specific fiduciary and operational risks. The risks have been identified, and mitigation measures have been incorporated into the project design. The FM risk rating is considered substantial and manageable, subject to effective implementation of the proposed mitigation measures and continued monitoring during implementation, with additional measures to be introduced as necessary based on supervision findings.				

V. Financial Management and Disbursement Arrangements

1) Financial management organization and staffing

A PMU will be established in Vientiane with an FM team composed of an Accountant, a Finance Officer and a Finance Assistant. At the two Provinces, two Accounts Assistants will work with two Accountants. These FM staff will also cover the target districts, however depending on the FM and accounting requirements during implementation, Finance Assistants may be recruited at district level to augment the Provincial level staff. The staff will be seconded staff from MAE, and qualified and experienced personnel to be recruited for some of the positions.

MOIC as co-implementor for component 1 will designate qualified and experienced FM staff to manage funds for the activities under its purview. The focal person will be responsible for all FM aspects including requests for advances, liquidations, and reporting. Similarly, other Implementing partners such as NAFRI, Lao Farmers and Financial Institutions will have focal qualified FM staff to manage the project resources for their respective activities. These partners will also establish or have FM systems capable of recording and accounting for resources and to provide required financial reports and facilitate reviews and audits.

Job descriptions and specific Terms of References have been developed and annexed to the PDR. Recruited staff will have contracts aligned with the project duration but renewable annually upon satisfactory performance evaluations.

2) Budgeting

A consolidated AWPB will be prepared. Provinces will prepare AWPBs for sub level activities. Each of the implementing partners will prepare their own annual budgets. PMU will consolidate the separate AWPBs as per IFAD format. The AWPBs will be prepared per component, per category and by financier. The Provincial Project Steering Committee (PPSC) will endorse provincial plans and the District Project Steering Committee (DPSC), will review and approve quarterly plans. The National Project Steering Committee (NPSC) will approve the AWPBs ensuring alignment with national policies and priorities. The AWPB will be submitted to IFAD 60days before start of the financial year for No Objection clearance. The approved AWPB will be entered into the accounting software and budget monitoring reports prepared by the system, however in case the installed accounting system has no budget module, the budget will be monitored in excel.

3) Disbursement Arrangements and Flow of Funds

The project will open a Designated Account (DA) in United States Dollars at the Bank of Lao, managed by MoF. IFAD loan will be disbursed into the DA following receipt of WAs submitted by MoF through the ICP system. Users authorised to operate the DA will be designated by MoF together with users to approve Withdrawal Applications (WAs). A Project Account (PA) in Lao Kip, managed by MAE, will be opened in a commercial bank. MAE will designate authorised signatories for the PAs. MAE will submit requests to MoF to for funds transfer from DA to the PAs for transaction purposes. The foreign exchange rate to be applied for reporting is the first in first out method.

The revolving fund mechanism will guide the disbursements following IFAD's handbook for Financial Management and Financial Control (FMFC) and FMFC letter (FMFCL). Quarterly WAs for justification of amounts reported on the IFR and advance based on a six-month cash forecast projected on the IFR will be submitted to IFAD and validated.

MOIC, NAFRI and other implementing partners will receive advances upon submission of request for advances based on the signed MOUs. All IPs will be required to liquidate advances and submit financial reports to the PMU.

Government counterpart contribution in cash will be transferred to a separate Government PA in Kip. In kind contributions such as financing of taxes and duties foregone will be based on invoices and recorded at the point of payment processing whilst seconded staff salaries will be based on actual staff working under the project.

Beneficiary contributions for blocked grants under blended finance arrangements will be deposited into the financial institutions and will release grants to beneficiaries upon fulfillment of creditworthiness as per agreements. Beneficiary in kind contribution for livelihood grants will be based on proposals with verifications for actual in-kind contributions to be conducted by PMU.

First disbursement will be made upon fulfilment of conditions precedent to disbursement including appointment of key project staff, approval of the first AWPB and procurement plan as well as an approved PIM & FMM. Furthermore, the DA should be opened and banking instructions submitted to IFAD, and the ICP authorised signatories and users must be registered in ICP.

Disbursement procedures will follow the revolving fund mechanism based on the six-month cash forecasts as projected on the quarterly IFR. WAs for replenishments of the DA will be submitted to IFAD quarterly through the ICP system based on the six-monthly cash forecast supported by IFRs. The WAs will be in accordance with the approved AWPBs. The PMU under MAE will be responsible for the preparation and consolidation of IFRs, reconciliation of the DA, and preparation of WAs for review and approval by designated signatories of MAE and MoF prior to ICP upload for IFAD review and payment. The Project may request IFAD for direct payment to contractors and/or suppliers for single payment with a value of US\$200,000 or more.

The loan from IFAD financing may not be used to pay taxes. The taxes waived will be Government's contribution to the Project and will be accounted for and included in financial reports.

Disbursement schedule. The IFAD loan proceeds will be disbursed over a seven-year period. An annual indicative disbursement schedule is provided in the Design Report appendices.

Start-up costs. The Project will be eligible for start-up advance for an amount of US\$500,000 to accelerate activities for the fulfilment of conditions for first disbursement. The startup costs will be in accordance with the 18-month procurement plan to cover start up activities including baseline study; staff recruitment costs, procurement and installation of accounting software; cost of equipment, and operational costs. The start-up costs will be eligible from the date of Executive Board approval and will be indicated in the Financing Agreement. The start-up advance can be provided from the loan proceeds on entry into force and prior to the fulfilment of the conditions precedent to first withdrawal. When the DA is opened and signatories appointed and ICP registration completed, a WA supported by approved

AWPB for startup activities can be submitted to IFAD for up to US\$500 000. The start-up costs will be charged to the respective expenditure categories on schedule 2 of the financing agreement.

4) Internal Controls and Internal audit arrangements

The project will be implemented in compliance with the Government of Lao PDR's Anti-Corruption Law and related regulations. Fraudulent and corrupt practices are prohibited, and appropriate preventive, detection and reporting mechanisms will be applied. Any suspected cases of fraud or corruption will be reported to the relevant national authorities and the financing institution in accordance with applicable procedures

The Government of Lao PDR has established a legal and institutional framework to prevent, detect and sanction fraud and corruption in the management of public resources, including donor-financed projects. Fraud and corruption are addressed primarily through the Anti-Corruption Law (revised) which criminalizes corruption offences including bribery, embezzlement, abuse of power, conflict of interest and illicit enrichment. The Penal Law provides sanctions for fraud, forgery, misappropriation of public funds and related offences. The State Budget Law and Public Procurement regulations sets requirements for transparency, accountability and integrity in the use of public funds.

Institutional Arrangements includes the State Inspection Authority (SIA) which is the lead body responsible for anti-corruption oversight, inspections and investigations. The State Audit Organization (SAO) conducts external audits of public entities and projects, including donor-financed operations, and reports audit findings to the National Assembly.

Fraudulent and corrupt practices, including collusion, coercion, misrepresentation and misuse of funds, are prohibited. Projects are subject to external audit, inspections and reviews by national oversight institutions and donors. Suspected cases of fraud or corruption must be reported promptly to the relevant national authorities and to IFAD, in line with applicable reporting protocols.

Asset safeguards including physical and preventive measures will be adopted. Funds transferred to Implementing Partners will be governed by formal agreements specifying FM, documentation and reporting requirements. Implementing Partners will maintain separate records for project funds and submit periodic financial reports.

Project Implementation Manual together with the financial management manual will be prepared. Segregation of duties will be maintained between payment processing, authorization, and recording functions. All expenditures will be subject to pre-payment checks for eligibility, budget availability and proper documentation. MAE Department of Inspection will conduct regular project internal audits, however, the Internal Audit function score 'D' in the 2019 PEFA assessment indicating limited capacity and effectiveness. Accordingly, the project internal audit arrangements may require augmentation.

5) Accounting Systems and Financial Reporting mechanisms

A project implementation manual and finance manual will be developed for the new PMU. These manuals together with relevant government manuals, rules and regulations will guide the project operations. The project will adopt IPSAS cash basis of accounting. The project will follow the double entry system of accounting.

An accounting software will be procured for project accounting purposes and will be installed within 6 months of approval. All financial transactions at all locations will be recorded promptly using the accounting system. The accounting software will be customised to enable reporting requirements including the financing sources, categories and component.

Fixed assets procured under the project will be recognized and recorded as project expenditure upon delivery and acceptance of the goods. A fixed asset register will be maintained to track, monitor and control all project assets, capturing details such as description, location, custodian and condition. Periodic physical verification of assets will be conducted, and reconciliations between the fixed asset register, the general ledger and physical asset counts will be performed.

The Financial Management system will apply a cash-basis accounting framework complemented by commitment controls to ensure that expenditures are recognized only when they are incurred while commitments will be recorded at the time of contract signature to facilitate budget control and monitoring. Advances will be treated as expenditure upon liquidations supported by adequate documents.

Interim Financial Reports (IFRs) will be prepared on a quarterly basis and submitted to IFAD 30 days following the quarter end according to the guidance in the FMFCL. The report will include a six-month cash forecast, sources and uses of funds, reporting by expenditure categories and components and comparison with budgets. Unaudited financial statements will be prepared annually and submitted to IFAD within 4 months of financial year end.

6) External Audit

The State Audit Organization (SAO) is the Supreme Audit Institution. The SAO is a member of INTOSAI, ASOSAI, and ASEANSAL. The SAO recognizes that its capacity and resources are still too limited to carry out annual financial audits of all entities in accordance with its legal responsibilities. Financial reports of the central government are audited by the SAO, but standards are still not aligned with international auditing standards for SAIs (ISSAIs) as per PEFA of 2019. Material risks and internal control issues are not taken into account, and no opinion is delivered on financial Standards. Although the SAO audit coverage can be estimated to be covering most expenditures (including provincial and 'other institutions'), the systematic follow-up on the materiality of the audits is not in place.

Private audit firms operate under the Law on Independent Audit of 2014, regulated at the state level by the Ministry of Finance (MoF) and at the professional level by the Laos Chamber of Professional Accountants and Auditors (LCPAA). There are several international firms operating in the country. At minimum, external auditor should be legally licensed to operate in Lao PDR and in good standing with the relevant regulatory authorities and apply International Standards on Auditing (ISA) or equivalent international standards. Where a private firm is engaged, have staff with recognized professional accounting or audit qualifications (e.g. ACCA, CPA, CA or equivalent).

At a minimum, the auditor will confirm whether the project financial statements have been prepared following an acceptable accounting framework, IPSAS cash basis; confirm the auditing standards applied for the audit ISA or ISSAI and obtain audit evidence that the financial statements are fairly presented and free of material misstatements, in accordance with the IPSAS cash basis.

The current Laos portfolio is audited by private firms guided by ISA and reports are submitted timely. An independent audit firm will be appointed under the guidance of SAO, latest within a month to financial year end, to perform the annual external audit of the project's financial statements based on a TOR acceptable to IFAD. The IFAD Handbook for financial Reporting and Auditing will be followed. A budget will be provided for the external audit including site visits and the audit cost will be eligible project expenditure. The Audit Report and Management Letter will be submitted to IFAD through ICP no later than six months after the end of financial year. Laos fiscal year is January to December therefore the audit package will be due by 30 June of each year.

VI. Implementation Readiness

Table 3: FM Actions Summary: The actions needed to mitigate FM risks are summarised below:

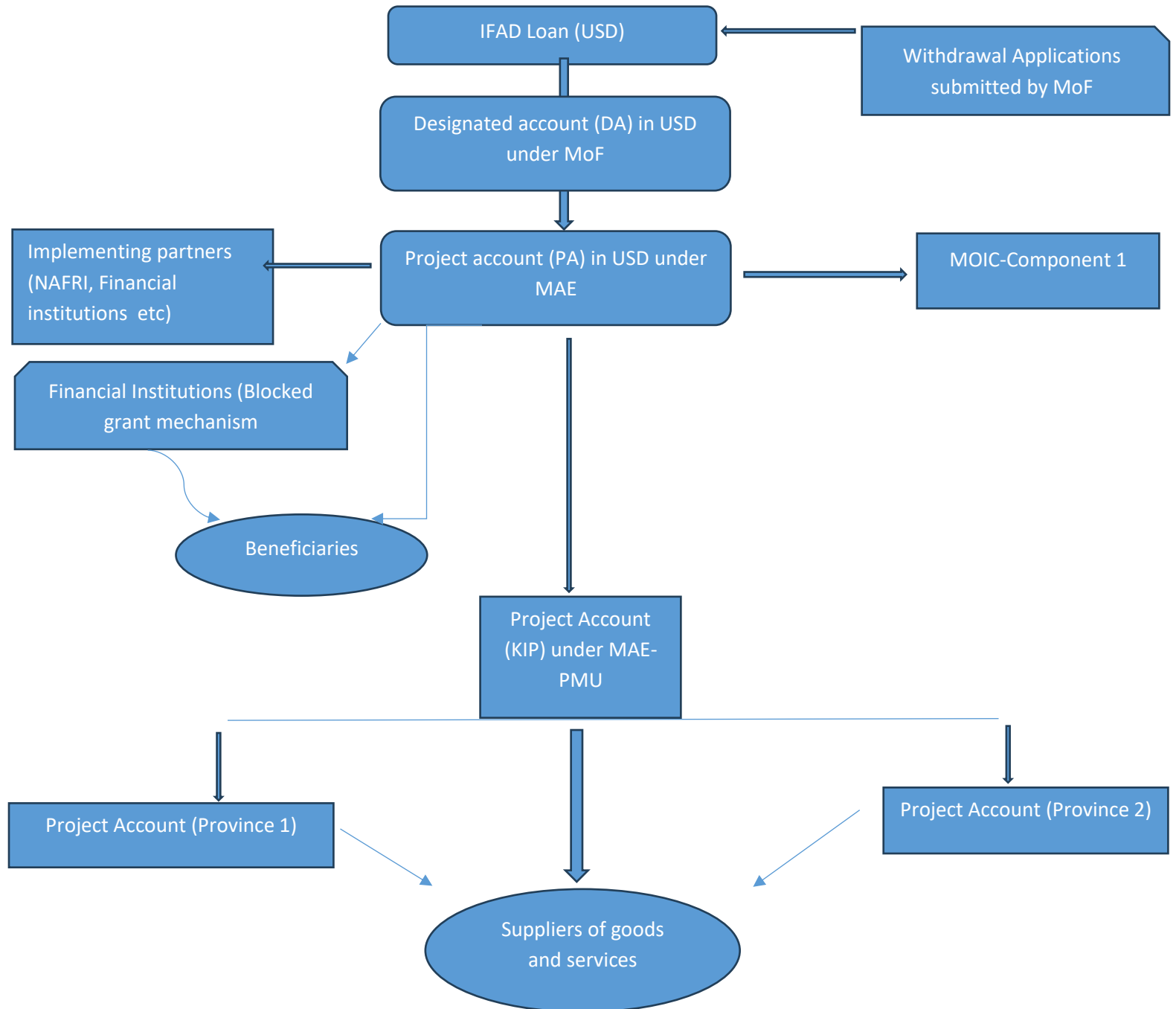
	Action	Responsible Party / Person	Target Date / Covenants
1	Opening of US\$ Designated Account and Project Accounts in US\$ & KiP respectively	MoF/MAE	One month of Entry into Force of the financing agreement-condition precedent to 1st disbursement. (except for start-up costs)
2	Establishment of PMU	MAE	One month of Entry into Force of the financing agreement-condition precedent to 1st disbursement. (except for start-up costs)
3	Appointment of key project personnel including Finance and Procurement staff	MAE	One month of EiF of the FA, key personnel should be appointed as part of start-up activities. The appointment of Project Coordinator, Finance Officer and Procurement Officer is a condition precedent to 1st disbursement.
4	Submission of first AWPB and 18month Procurement Plan	MAE/PMU	One month of Entry into Force of the financing agreement-condition precedent to 1st disbursement. (except for start-up costs)
5	Submission of signed MOU between MAE and MOIC	MAE	Two months of Entry into Force of the financing agreement-special covenant
6	Finalisation and approval of PIM and Financial Management Manual	MAE/PMU	One month of Entry into Force of the financing agreement-condition precedent to 1st disbursement. (except for start-up costs)

FM Supervision plan

A start up mission or workshop will be arranged to clarify roles and expectations and to assess readiness, provide support, and identify potential bottlenecks before implementation begins. Supervision missions will be planned at least once a year together with the project delivery team to

review and evaluate the financial management arrangements and confirm their adequacy to agreed financial management procedures and Financing Agreements covenants and advise on issues affecting the project's performance or in need of improvement. Additionally, implementation support mission will be conducted annually to provide support on specific issues and challenges. A mid-term review mission will be undertaken and a project completion mission at project completion date.

Appendix 1: Flow of Funds Chart



Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Annex 8: 18-month Procurement Plan

Mission Dates: 10-21 November 2025
Document Date: 26/05/2026
Project No. 2000005224
Report No. 7515-LA

Asia and the Pacific Division
Programme Management Department

Annex 8: 18-month Procurement Plan and Procurement Risk Matrix (PRM)

A. 18-month Procurement Plan

1. Procurement methods and prior review thresholds

No.	Procurement Method	Threshold for use of method	Prior Review Threshold	Remarks
A	Goods and goods-related non-consulting services			
1	International Competitive Bidding	Always allowed	USD 150,000 or more	
2	National Competitive Bidding	Always allowed	USD 150,000 or more	
3	International Shopping	Always allowed	USD 150,000 or more	
4	National Shopping	USD 35,000 or less	USD 150,000 or more	
5	Direct Contracting	With due justification	USD 5,000 or more	all activities exceeding cumulative amount of USD 200,000 will be subject to IFAD's NO under Prior Review
B	Works and work-related non-consulting services			
1	International Competitive Bidding	Always allowed	USD 350,000 or more	
2	National Competitive Bidding	Always allowed	USD 350,000 or more	
3	International Shopping	Always allowed	USD 350,000 or more	
4	National Shopping	USD 35,000 or less	USD 350,000 or more	
5	Direct Contracting	With due justification	USD 5,000 or more	all activities exceeding cumulative amount of USD 300,000 will be subject to IFAD's NO under Prior Review
6	Community Procurement	Always allowed	USD 10,000 or more	
C	Consulting services and related non-consulting services			

No.	Procurement Method	Threshold for use of method	Prior Review Threshold	Remarks
1	Quality and Cost Based Selection (QCBS)	Always allowed	USD 100,000 or more	International advertisement is required if the activity estimated amount is greater than or equal to USD 100,000
2	Quality Based Selection (QBS)	Always allowed	USD 100,000 or more	International advertisement is required if the activity estimated amount is greater than or equal to USD 100,000
3	Fixed Budget Selection (FBS) OR Lest Cost Selection (LCS)	Always allowed	USD 100,000 or more	International advertisement is required if the activity estimated amount is greater than or equal to USD 100,000
4	Consultants Qualification Selection (CQS)	USD 150,000 or less	USD 100,000 or more	International advertisement is required if the activity estimated amount is greater than or equal to USD 100,000
5	Individual Consultant Selection (ICS)	Always allowed	USD 40,000 or more	International advertisement is required if the activity estimated amount is greater than or equal to USD 100,000
6	Single Source Selection (SSS) – Consulting Firm	With due justification	USD 5,000 or more	all activities exceeding cumulative amount of USD 200,000 will be subject to IFAD's NO under Prior Review
7	Single Source Selection (SSS) – Individual Consultant	With due justification	USD 5,000 or more	all activities exceeding cumulative amount of USD 100,000 will be subject to IFAD's NO under Prior Review
D	Grants	Always allowed	USD 30,000 or more	
E	Project Parties/Implementing Partners			
1	Competitive Recruitment (NGOs / Private Sector)	Always allowed	USD 100,000 or more	
2	Single Source Selection (Government/UN/NGOs/Private Sector)	Always allowed	USD 5,000 or more	

2. Draft 18-month Procurement Plan

No.	Activity/ Component Reference No.	Activities	Funding sources	Procuring entity	Estimated cost (USD)	Procurement/ Selection method	Prequalification/ Shortlisting (Yes/No)	Prior/Post Review	Tender issuing (months from the FA approval)	Bid submission deadline (weeks after tender issuing)	Evaluation and contract signing time (weeks after bid/ submission deadline)	Remarks
A.		Consultancy services			2,044,200							
1	1.1.1.1	VC assessment, prioritization and analysis at district and province level including mapping of actors (TA)	IFAD	PMU	100,000	CQS	Yes	Prior	6mths	4wks	17wks	
2	1.1.1.2	Identify investment gaps with the MSP and Development of the CIPs at province level (4-6 per province) (TA)	IFAD	PMU	200,000	QCBS	Yes	Prior		3wks	22wks	3-year duration
3	1.1.2.1	MSP organizational and management training and continued support for MSP facilitation (TA)	IFAD	PMU	100,000	CQS	Yes	Prior	6mths	4wks	17wks	3-year duration
4	1.1.2.2	Digital platform for 10 MSPs (design improvements, data collection, CB in using the platform and the data collection tool)	IFAD	PMU	300,000	QCBS	Yes	Prior		3wks	22wks	3-year duration
5	1.1.3.1	Design of roads	IFAD	PMU	20,000	CQS	Yes	Post	6mths	3wks	11wks	
6	1.1.3.3	Supervision of road works (5% of construction cost)	IFAD	PMU	25,000	CQS	Yes	Post	15mths	3wks	11wks	
7	1.1.4.1	Expert in rural finance and VC (C1 responsible)	IFAD	PMU	42,000	ICS	Yes	Post	6mths		11wks	12-month duration, extendable
8	1.2.3.1	Business development services (TA)	IFAD	PMU	100,000	QCBS	Yes	Prior	12mths	3wks	22wks	5-year duration
9	1.2.3.2	Training in food safety practices and standards (TA)	IFAD	PMU	50,000	CQS	Yes	Post	12mths	3wks	11wks	5-year duration
10	1.3.1.1	CB for implementation of policies and standards (Cooperative Law, food safety SPSS etc.) (TA)	IFAD	PMU	30,000	CQS	Yes	Post	12mths	3wks	11wks	
11	2.1.1.1; 2.1.1.2	Mapping and categorization of APG by capacity and main commodities and facilitation of clustering of APGs in coop/associations producing within the prioritized VCs (TA)	IFAD	PMU	195,500	QCBS	Yes	Prior	6mths	3wks	22wks	4-year duration
12	2.1.3.1	Design off-farm irrigation rehabilitation works	IFAD	PMU		CQS	Yes	Prior	6mths	3wks	11wks	

No.	Activity/ Component Reference No.	Activities	Funding sources	Procuring entity	Estimated cost (USD)	Procurement/ Selection method	Prequalification/ Shortlisting (Yes/No)	Prior/Post Review	Tender issuing (months from the FA approval)	Bid submission deadline (weeks after tender issuing)	Evaluation and contract signing time (weeks after bid/ submission deadline)	Remarks
					100,000							
13	2.1.3.3	Supervision of irrigation works (3% of contraction cost)	IFAD	PMU	30,000	CQS	Yes	Post	15mths	3wks	11wks	
14	2.1.5.1	Expert in rural finance and VC (C1 responsible)	IFAD	PMU	42,000	ICS	Yes	Prior	6mths	4wks	5wks	12-month duration, extendable
15	2.1.5.2	Business Development Services (TA)	IFAD	PMU	80,000	CQS	Yes	Post	12mths	3wks	11wks	5-year duration
16	2.1.5.3	Training of farmers in agro-ecology and GAP (TA)	IFAD	PMU	28,800	CQS	Yes	Post	6mths	3wks	11wks	
17	2.1.5.4	Training of WUG (TA)	IFAD	PMU	12,000	CQS	Yes	Post	6mths	3wks	11wks	
18	2.2.1.1	NAFRI coordination and co-implementation of innovation projects and scaling of successful technologies and models (material, admin., technical guides and travel costs)	IFAD	PMU	180,000	MoA	Yes	Prior	12mths	3wks	6wks	Memorandum of Agreement with NAFRI, 3-year duration
19	2.2.2.1	Technical assistance and coordination for delivery of the resilience innovation grants (SP) a	IFAD	PMU	50,000	CQS	Yes	Post	12mths	3wks	11wks	5-year duration
20	2.3.1.2	Needs assessment for PWD	IFAD	PMU	15,000	ICS	Yes	Post	6mths	3wks	11wks	
21	2.3.3.1	Technical assistance for design of livelihood investment plans and accompanying the implementation (SP) (150 per district)	IFAD	PMU	50,000	CQS	Yes	Post	12mths	3wks	11wks	5-year duration
22	3.1.2.1	Baseline study (Survey)	IFAD	PMU	45,000	CQS	Yes	Post	6mths	3wks	11wks	
23	3.1.2.2	Project MIS	IFAD	PMU	10,000	CQS	Yes	Post	6mths	3wks	11wks	
24	3.1.2.3	Annual outcome survey	IFAD	PMU	4,500	CQS	Yes	Post	12mths	3wks	11wks	
25	3.1.3.1	Annual audits	IFAD	PMU	10,000	CQS	Yes	Post	15mths	3wks	11wks	
26	3.1.3.2	Translation services\ a	IFAD	PMU	15,000	ICS	Yes	Post	3mths	3wks	4wks	
27	3.1.6.4	Planning, monitoring and evaluation specialist (advisor to project coordinator)	IFAD	PMU	30,000	ICS	Yes	Prior	3mths	4wks	5wks	12-month duration,

No.	Activity/ Component Reference No.	Activities	Funding sources	Procuring entity	Estimated cost (USD)	Procurement/ Selection method	Prequalification/ Shortlisting (Yes/No)	Prior/Post Review	Tender issuing (months from the FA approval)	Bid submission deadline (weeks after tender issuing)	Evaluation and contract signing time (weeks after bid/ submission deadline)	Remarks
												extendable
28	3.1.6.5	Procurement Officer	IFAD	PMU	30,000	ICS	Yes	Prior	3mths	4wks	5wks	12-month duration, extendable
29	3.1.6.6	Procurement officer assistant	IFAD	PMU	9,000	ICS	Yes	Post	12mths	3wks	4wks	6-month duration, extendable
30	3.1.6.7	Financial officer	IFAD	PMU	30,000	ICS	Yes	Prior	3mths	4wks	5wks	12-month duration, extendable
31	3.1.6.8	Financial officer assistant	IFAD	PMU	9,000	ICS	Yes	Post	12mths	3wks	4wks	6-month duration, extendable
32	3.1.6.10	Administrative Officer	IFAD	PMU	30,000	ICS	Yes	Prior	3mths	4wks	5wks	12-month duration, extendable
33	3.1.6.11	Administrative Officer assistant	IFAD	PMU	3,000	ICS	Yes	Post	12mths	3wks	4wks	6-month duration, extendable
34	3.1.6.12	Planning, monitoring and evaluation assistant	IFAD	PMU	6,000	ICS	Yes	Post	12mths	3wks	4wks	6-month duration, extendable
35	3.1.6.13	Targeting and GESI specialist	IFAD	PMU	24,000	ICS	Yes	Prior	3mths	4wks	5wks	12-month duration, extendable
36	3.1.6.14	SECAP-climate and environmental specialist	IFAD	PMU	24,000	ICS	Yes	Prior	3mths	4wks	5wks	12-month duration, extendable
37	3.1.6.15	Driver	IFAD	PMU	4,800	ICS	Yes	Post	3mths	3wks	4wks	12-month duration, extendable
38	3.1.7.3	Provincial Accountant assistant (#1)	IFAD	PMU	4,800	ICS	Yes	Post	12mths	3wks	4wks	12-month duration, extendable
39	3.1.7.3	Provincial Accountant assistant (#2)	IFAD	PMU	4,800	ICS	Yes	Post	12mths	3wks	4wks	12-month duration,

No.	Activity/ Component Reference No.	Activities	Funding sources	Procuring entity	Estimated cost (USD)	Procurement/ Selection method	Prequalification/ Shortlisting (Yes/No)	Prior/Post Review	Tender issuing (months from the FA approval)	Bid submission deadline (weeks after tender issuing)	Evaluation and contract signing time (weeks after bid/ submission deadline)	Remarks
												extendable
B		Goods			455,000							
1	2.3.1.1	Livelihood investment packages (100 per district)	IFAD/ Benef.	PMU	250,000	NCB	No	Prior	6mths	5wks	8wks	
2	2.3.1.4	Livelihood investment packages for PWD	IFAD/ Benef.	PMU	120,000	NCB	No	Post	6mths	4wks	6wks	
3	3.1.4.2	Motorcycles for field activities (10 motorcycle)	IFAD	PMU	50,000	NCB	No	Post	3mths	2wks	3wks	
4	3.1.4.3	Accounting software	IFAD	PMU	10,000	NS	No	Post	3mths	2wks	3wks	
5	3.1.4.4	Laptop	IFAD	PMU	15,000	NS	No	Post	3mths	2wks	3wks	
6	3.1.4.5	Furniture for office	Gov	PMU	4,000	NS	No	Post	3mths	2wks	3wks	
7	3.1.4.6	Printer	Gov	PMU	6,000	NS	No	Post	3mths	2wks	3wks	
C		Works			2,850,000							
1	1.1.3.2	Rehabilitation of roads	IFAD	DCUs	500,000	NCB	No	Post	15mths	4wks	6wks	Multi-packages
2	2.1.3.2	Rehabilitation of off-farm irrigation infrastructure (up to USD 2500 per ha and maximum 50 ha)	IFAD	DCUs	1,250,000	NCB	No	Post	15mths	4wks	6wks	Multi-packages
D		Grant			1,100,000							
1	1.2.2.1	Financing Coop: Grant for blocked deposit in FI, max USD 30,000 with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)	IFAD	Partner FI	110,000	Blended finance guidelines	Yes	Post	15mths	4wks	6wks	Multi-grant (5)
2	1.2.2.2	Financing MSE (women and youth): Grant for blocked deposit in FI, max USD 30,000 with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)	IFAD	Partner FI	220,000	Blended finance guidelines	Yes	Post	15mths	4wks	6wks	Multi-grant (10)

No.	Activity/ Component Reference No.	Activities	Funding sources	Procuring entity	Estimated cost (USD)	Procurement/ Selection method	Prequalification/ Shortlisting (Yes/No)	Prior/Post Review	Tender issuing (months from the FA approval)	Bid submission deadline (weeks after tender issuing)	Evaluation and contract signing time (weeks after bid/ submission deadline)	Remarks
3	2.1.2.1	Financing of individual APG participating in clusters with (PRIP) Grant for blocked deposit in FI, max USD 750 per member with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)	IFAD	Partner FI	390,000	Blended finance guidelines	No	Post	6mths	4wks	6wks	Multi-grant (26)
4	2.1.2.2	Financing of APG clusters/Cooperatives with (PRIP) Grant for blocked deposit in FI, max USD 1,000 per member with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)	IFAD	Partner FI	150,000	Blended finance guidelines	No	Post	6mths	4wks	6wks	Multi-grant (6)
5	2.2.1.2	Testing with APGs and scaling resilient technologies and farming diversification models already introduced in Laos (Grant)	IFAD	PMU/DCUs	80,000	Grant	No	Prior	15mths	4wks	8wks	
6	2.2.1.3	Testing with APGs and scaling resilient technologies and farming diversification models transferred from neighboring countries via SSTC	IFAD	PMU/DCUs	150,000	Grant	No	Prior	15mths	4wks	8wks	

B. Procurement Risk Matrix

Part A - Assessment of National Procurement System

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
Pillar I – Legal, Regulatory and Policy Framework					
1	The public procurement legal framework achieves the agreed principles and complies with applicable obligations.				
1(a)	Scope of application and coverage of the legal and regulatory framework	- National procurement regulations (accessible via http://ppmd.mof.gov.la) include: - Law on Public Procurement No. 30/NA (2017); - Instruction on Implementation of Law on Public Procurement No. 0477/MOF (2019); - Procurement Manual (2022), and - Harmonized Standard Bidding Documents (2021). - The national procurement regulations to be apply to ministries, agencies, local administrative authorities, state enterprises, local and foreign individuals, legal entities and organizations relating to public procurements in Lao PDR.	L	Project to introduce Procurement Guidelines as a part of the Project Implementation Manual to integrate IFAD Procurement procedures.	L
1(b)	Procurement methods	- Open competitive bidding is the default method, with other methods permitted for contracts below thresholds set out in the instructions (which are to be revised every 2 years), or in particular cases set out in the instructions, which require approval by designated persons (CSPRA², ADB 2021). - Procurement methods for works, goods, and non-consulting services: Open bidding; Limited bidding; Request for quotations (Price Comparison); Direct contracting. - Direct contracting can be applied for contract with cost estimation LAK 5 million or less, or special cases required the approval of the tender committees or ad-hoc committees appointed on case by case basis (Article 17, Instruction 0477/MOF). - Selection methods for consulting services include QCBS, QBS, CQS, LCS, FBS, and SSS.	L	–	L
1(c)	Advertising rules and time limits	- The project owner or procuring entities shall post an invitation for bids or selection of consultants to mass media, website or through electronic media (Article 18, IRR 0477/MOF). - Publicly advertise on newspapers (e.g. Vientiane Times for English and Vientiane Mai Newspaper for Lao), websites or electronic media. Sometimes, advertisement in English is also found in Vientiane Mai Newspaper. Frequency: Usually 2 times/week x 2 weeks, sometimes more. - Minimum duration for bid preparation: 35 days for Open bidding, 15 days for RFQ, 30 days for RFP (Article 18, Instruction 0477/MOF). There is no separate provision on	M	- Advertise procurement notices on PPMD's website and EA/IA website. - Extend the minimum time limits for international open bidding to allow adequate time for submitting proposals.	M

¹ The Indicators and Sub-Indicators are extracted from OECD-MAPS II of 2017 in order to harmonise with other MDBs and to save time and effort in conducting Part A assessments in case a recent MAPS II assessment has been conducted for the borrower's country system. The criteria to be applied in assessing each Sub-Indicator are those of OECD-MAPS II.

² Country and Sectoral Procurement Risk Assessment, ADB, 2021.

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		minimum duration of bid preparation for international open bidding.			
1(d)	Rules on participation	– Eligible participation in bidding: Be local and foreign individuals, legal entities possessing taxpayer identification numbers or business licenses and performance of taxes certificates and other obligations in compliance with the laws (Article 36, Law on Public Procurement No. 30/NA). – The legal framework generally supports non-discriminatory participation, transparent tender processes (CSPRA, ADB 2021). – State-owned enterprises (SOE) are eligible if they are financially autonomous, operate under commercial law, and are not under supervision of such project implementing agency (Article 36, Instruction 0477/MOF). SOE can participate the same as private enterprises.	L	– Tender committee verify bidder eligibility (including debarment list) before conducting bid evaluation.	L
1(e)	Procurement documentation and specifications	– Four harmonized standard bidding documents in Lao and English languages (reviewed by WB and ADB) approved and issued by MOF for OCB Works, OCB Goods, RFQ Works, RFQ Goods in 2021 (CSPRA, ADB 2021). (http://ppmd.mof.gov.la/Standard%20Bidding%20Documents#). – RFP for consulting service is available in Lao language. There are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP.	M	– For ICB and consulting service with international advertisement, IFAD's standard procurement documents will be adopted and used. For other methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption, SH and SEA can be adopted.	M
1(f)	Evaluation and award criteria	– Bid evaluation criteria are stated in tender document. For goods and works apply pass/fail. One-envelope is usually used, but sometimes two-envelope is used for big contracts. Recently, GOL introduced life cycle cost for goods to be put in evaluation. Non-price attributes including sustainable conditions can be included in the bid evaluation criteria (Article 44, Instruction 0477/MOF) – Detailed examination of bids or proposals shall carry out based on criteria as indicated in the bidding documents or request for proposals. The application of additional criteria shall not be allowed. If there is any correction on arithmetical errors or other relevance, the notification to the concerned bidder or consultant for acceptance is required (Article 44, Instruction 0477/MOF).	L	–	L
1(g)	Submission, receipt and opening of tenders	– Tenders are submitted and receipted at time and location mentioned in the tender document. Bid opening is carried out right after the deadline of bid submission. The bidders sign on the list of attendance and the bid opening minutes. The bid opening minute are provided on request for record. – The tender committees shall keep confidentiality of examination, evaluation, recommendation of contract award until the approval of contract award and the contract signing (Article 46, Instruction 0477/MOF).	L	–	L
1(h)	Right to challenge and appeal	– During tenders, bidders unsatisfied with the procurement process, namely from unfairness, from the lack of transparency, and partiality by tender committees may file a written complaint to project owners or procuring entities for resolution within fifteen	L	–	L

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		days. If the resolution is not to the bidders' satisfaction, matters may be submitted to relevant government agencies (Article 46, Law on Public Procurement No. 30/NA). – Bidder may submit complaint to project owner or procuring entity within fourteen (14) days prior the contract signing. Complaint will be resolved within 15 days, if not, it may be transferred to higher level or court (Article 46, Instruction 0477/MOF). – Manual on procurement complaint mechanisms including application forms (in Laos language) was developed and available on procurement website (http://ppmd.mof.gov.la/). – Appeals can go to Government Inspection Committee under presidential office.			
1(i)	Contract management	– Project owners or procuring entities appoint project management for managing contracts to ensure the quantity, quality and timeframe in works, goods and/or services and consulting services contracts. Outputs shall be approved and certified by inspection and certification committees. If technical and quality certifications are required, such certifications shall be from engineers or independent experts (Article 53, Public Procurement Law 30/NA). – For contract variation, GOV does not have limit regulations on the value or time.	M	– Independent construction supervision shall be compulsory for works	M
1(j)	Electronic Procurement (e-Procurement)	– The transition to e-Procurement in the country has only taken its initial step with the completion of the study assessing the country's preparedness for implementing e-Procurement (2023). The Public Procurement Law (PPL) already incorporates several provisions that facilitate the implementation of e-Procurement. Electronic Procurement is already mentioned in harmonized SBD. However, there is no installed facilities for e-Procurement to be executed yet.	S	– GOL to develop an electronic procurement system for the country. – Advertise procurement notices on PPMD's website and EA/IA website	S
1(k)	Norms for safekeeping of records, documents and electronic data.	– The signed contract, documents and procurement related information shall retain at least ten (10) years period (Article 53, Instruction 0477/MOF). However, no norms for safekeeping are mentioned. In practice, in addition to the hardcopy, project staff usually make electronic copy for record keeping. Procurement officer will keep the original records.	L	–	L
1(l)	Public procurement principles in specialised legislation	– Public procurement principles are specified in Public Procurement Law. Procurement under Public Private Partnership (PPP) Arrangement comprises of (i) Build, own, operate (BOO), (ii) Build, operate, transfer (BOT) and others which risks are transferred to private sector. Procurement under Public Private Partnership (PPP) arrangement shall be procured under open bidding procedure (Article 18, Instruction 0477/MOF).	L	–	L
2	Implementing regulations and tools support the legal framework				
2(a)	Implementing regulations to define processes and procedures	– Instruction to implement Public Procurement Law 0477/MOF dated 13/2/2019 and Instruction 1995/MOF dated 24/6/2019; Procurement Manual in Lao language (http://ppmd.mof.gov.la/). – MOF is responsible for update the procurement instruction.	L	–	L

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
	conditions				
2(b)	Model procurement documents for goods, works and services	– Harmonized SBDs for works, goods, and non-consulting services (updated in 2021) are available in Lao and English languages (http://ppmd.mof.gov.la/Standard%20Bidding%20Documents#). – RFP for consulting service is available in Lao language.	L	–	L
2(c)	Standard contract	– The contract is in the harmonized SBD. The General Conditions of Contract outlined in the harmonized SBDs align with international best practices, ensuring compatibility with Multilateral Development Bank (MDB) procurement rules. – Currently, projects use harmonized bidding document for works, goods, and non-consulting services and donor's RFP for consulting services. – There are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP. IFAD standard procurement documents for works and goods have not been translated into Lao yet.	M	– Adopt and use IFAD standard procurement documents for ICB and consulting services with international advertisement.	M
2(d)	User's guide or manual for procuring entities (insert link to manual if possible)	– MOF has Public Procurement Division (PPMD) under the Department of Evaluation and Public Procurement. – Procurement Manual in Lao and English language (updated in 2022) is available at the PPMD's website (http://ppmd.mof.gov.la).	L	–	L
3	The legal and policy frameworks support the sustainable development of the country and the implementation of international obligations				
3(a)	Sustainable Public Procurement (SPP)	– The Action Plan for Green Public Procurement (APGPP) 2022-2025 Vision to 2030, approved by Decree No. 6351/MONRE of December 29, 2022, sets out a strategic approach to implementing sustainable public procurement (SPP) in Lao PDR. – The government promotes public procurement by protecting the rights and interest of the government, individuals, legal entities or organizations and preserving the environment for green sustainability (Article 4, Public Procurement Law 30/NA). – The legal and regulatory frameworks allow for sustainability (i.e. economic, environmental and social criteria) to be incorporated in procurement procedures (Article 44, Instruction 0477/MOF). – The Public Procurement Manual (revised in 2022, section 5.4) provides instructions on life-cycle-cost evaluation criteria. The Manual notes that when combining with price criteria, the total weightings of all non-price criteria should normally not exceed 30% but it may be set as high as fifty percent (50%) if justified to achieve value for money. – Sustainable procurement is addressed in the harmonised SBD for goods (2022).	L		L
3(b)	Obligations deriving from international agreement	– In case of the implementation of international conventions and treaties, agreements between government and donors or any donor's agency who applied their own particular procurement regulations, such procurement regulations shall be applied. In case of the implementation of international conventions and treaties to which the	L		L

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		Lao PDR is a party, no particular procurement procedures are specified, the law on public procurement and this Instruction shall be applied (Article 7, Instruction 0477/MOF). – In case of discrepancies between GOL and donor procedures the Project PIM will be used. IA select procedures following project setup.			
	Consolidated findings for Pillar I	– The transition to e-Procurement in the country has only taken its initial step with the completion of the study assessing the country's preparedness for implementing e-Procurement (2023). The Public Procurement Law (PPL) already incorporates several provisions that facilitate the implementation of e-Procurement. Electronic Procurement is already mentioned in harmonized SBD. However, there is no installed facilities for e-Procurement to be executed yet. – There are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP.	M	– Develop a national electronic procurement system; Advertise procurement notices on PPMD's website and EA/IA website. – For ICB and consulting services with international advertisement, IFAD's standard procurement documents will be adopted and used. For other methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption, SH and SEA can be adopted.	M
Pillar II – Institutional Framework and Management Capacity					
4	The public procurement system is mainstreamed and well-integrated with the public financial management system				
4(a)	Procurement planning and the budget cycle	– Annual public procurement plans shall be prepared and attached to annual budget plans. The annual procurement plan shall be summarized and reported to the financial sector for further summary and reporting to government. – A detailed procurement plan shall be prepared after the National Assembly's approval on annual state budget in consistency with market and capability of contractor or supplier and/or service provider or consultant (Article 18, Instruction 0477/MOF).	L	–	L
4(b)	Financial procedures and the procurement cycle	– The annual procurement plan and detailed public procurement plan shall be summarized and reported to the financial sector for further summary and reporting to government (Article 18, Instruction 0477/MOF). – Procurement and budget cycles are not fully linked as there are no details on when a procurement activity may commence or use of advance procurement actions (CSPRA, ADB 2021). – It is a common practice for procurement office to check the availability of fund before solicitation of tenders.	M	– No solicitation of tenders/proposals takes place without certification/confirmation of the availability of funds.	M
5	The country has an institution in charge of the normative/regulatory function				
5(a)	Status and legal basis of the normative/regulatory institution function	– Public Procurement Division (PPMD) of under Department of Evaluation and Public Procurement (DEPP) under MOF. – Ministry of Agriculture and Forestry (MAF) has Project Management Division (PMD) in charge of procurement.	L	–	L

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
5(b)	Responsibilities of the normative/regulatory function	Public Procurement Division (PPMD) under Department of Evaluation and Public Procurement (DEPP), MOF: providing advice to procuring entities, drafting procurement policies, proposing changes/drafting amendments to the legal and regulatory framework, monitoring public procurement, providing procurement information, managing statistical databases, preparing reports on procurement to other parts of government, developing and supporting implementation of initiatives for improvements of the public procurement system, providing tools and documents, including integrity training programmes, to support training and capacity development of the staff responsible for implementing procurement.	L	–	L
5(c)	Organisation, funding, staffing, and level of independence and authority	- The government centrally manages public procurements in a unified manner countrywide and delegates direct responsibility to the Ministry of Finance (MOF) in coordination with the Ministry of Planning and Investment, ministries, agencies, local administrative authorities and other parties concerned. Public procurement management authorities include: (i) The Ministry of Finance; (ii) Provincial/capital Departments of Finance; (iii) District/ town/city Finance Offices (Article 73, Public Procurement Law 30/NA). - Public Procurement Division (PPMD) is under the Department of Evaluation and Public Procurement (DEPP) of MOF. - The PPMD of MOF is inadequately resourced to carry out all of its intended duties satisfactorily (CSPRA, ADB 2021). The PPMD consists of only eight employees as of July 2024.	L	The project will recruit procurement staff including a procurement officer, a procurement assistant and a intermittent procurement specialist.	L
5(d)	Avoiding conflict of interest	- The PPMD is composed of four units – procurement legislation, general and approval of procurement plans, procurement monitoring, and procurement complaints mechanism. - Definition of conflict of interest in the procurement context is elaborated in the Procurement Manual (Section 5.3.2) and Standard Bidding Documents (2022).	L	–	L
6	Procuring entities and their mandates are clearly defined.				
6(a)	Definition, responsibilities and formal powers of procuring entities	- Rights and obligations of Project Owners, Procuring Entities are defined (Articles 59 and 60, Public Procurement Law 30/NA). - Tender committees are appointed to carry out procurement (of goods, works and services) or selection of consultants. The tender committee consists of 3 to 7 members from project owners or procuring entities' technical team and specific experience staffs from relevant sector. In addition, the tender committee may appoint 3 to 5 members as secretariat team to assist the works. The secretariat team members shall hold experiences, technical and basic knowledge of procurement matters, but not engage in voting or participating in decision on this matter (Article 40, Instruction 0477/MOF). - Decision-making stay at ministry for ICB/NCB. For NS that is delegated to the Director General of Ministry's department. At provincial and district levels the	L	–	L

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		decision making is governor for NCB and head of PROVINCIAL AGRICULTURE AND ENVIRONMENT OFFICE (PAEO) and DISTRICT AGRICULTURE AND ENVIRONMENT OFFICE (DAEO) for NS.			
6(b)	Centralised procurement body	– Framework agreements are specified under the national procurement regulation (Article 18, Instruction 0477/MOF) and Procurement Manual. However, the national procurement regulations have no provisions on a centralised/concentrated procurement body in charge of consolidating the procurement needs of several public entities; soliciting and concluding framework agreements from which all public entities could call upon according to their needs. – The government centrally manages public procurements in a unified manner countrywide and delegates direct responsibility to the Ministry of Finance in coordination with the Ministry of Planning and Investment, ministries, agencies, local administrative authorities and other parties concerned. Public procurement management authorities include: (i) The Ministry of Finance; (ii) Provincial/capital Departments of Finance; (iii) District/ town/city Finance Offices.	M	– Piloting implementation of centralised procurement and framework agreement following the procedures specified in the revised Procurement Manual (2022).	M
7	Public procurement is embedded in an effective information system				
7(a)	Publication of public procurement information supported by information technology	– Procurement information is accessed through newspapers at central level. In district and provincial level, procurement notices can be advertised via local television or local radio broadcasting, social media. Laos does not have an integrated information system (centralised online portal) that provides up-to-date information and is easily accessible to all interested parties at no cost. – No comprehensive databases are available to provide consolidated information on procurement operations by government entities. The procurement function is fully decentralized at the ministry department level. Records are maintained for contracts by each implementing entity and there is neither a system nor database to track data available on procurement and contract management (PEFA 2019). – The website of Public Procurement Division (http://ppmd.mof.gov.la) was developed with support from EU/WB in 2022 with a function for uploading information on annual procurement plans, procurement opportunities, contract awards and procurement statistics. However, information is not regularly updated.	S	- Procuring entities should be mandated to publish procurement information on the public procurement portal run by the Public Procurement Division under the Department of Evaluation and Public Procurement, MOF. – Use the OPEN system for monitoring procurement and contract implementation.	S
7(b)	Use of e-Procurement	– Not use E-Procurement yet. There is no National e-GP Strategy or Roadmap in place to guide the e-Procurement system's development and implementation. According to the Lao PDR e-Government Procurement Readiness Assessment Report 2023, there are significant challenges ahead, particularly regarding the capacity of civil servants to plan, develop, and manage such systems.	S	– The MOF to develop and implement a National E-Procurement strategy.	S
7(c)	Strategies to manage procurement data	– The system to collect procurement data has not available. E-Procurement is not available. Donors (WB, ADB...) published contract awards on their websites.	S	– The MOF PPMD to process and publish essential statistical information on the national public procurement website.	S

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
8	The public procurement system has a strong capacity to develop and improve				
8(a)	Training, advice and assistance	– Lao PDR has no formal procurement professionalization program, and the main training options are periodical short courses provided by donors (CSPRA, ADB 2021). – Training programme for departments within ministry level is now starting. However, it is not a permanent training programme. PPMD also provide procurement advisory at the modest level. – A training programme (BuildProc), OPEN training workshops are organised by IFAD; procurement trainings are organised by other donors.	M	– The MOF PPMD to set up a regular procurement training programme; Projects to organize training courses for procurement staff to promote internal capacity building and maintain capacity.	M
8(b)	Recognition of procurement as a profession	– Procurement is recognised as a specific function, with procurement positions defined at different professional levels. JD is in the TOR. It is well defined at the central level. – The appointments and promotion are competitive and based on qualifications and professional certification. Staff performance evaluation is done annually. Procurement staff are being trained by donors.	L	–	L
8(c)	Monitoring performance to improve the system	– The country has not yet established a performance measurement system that focuses on both quantitative and qualitative aspects. The procurement database is not available. Debarred list is not available or accessible. – The country does not have a National Public Procurement Strategy including results frameworks in place that used to improve the system..	M	– GOL to establish a monitoring system together with database collection and retain.	M
Consolidated findings for Pillar II		- Procurement and budget cycles are not fully linked as there are no details on when a procurement activity may commence or use of advance procurement actions (CSPRA, ADB 2021). - No comprehensive databases are available to provide consolidated information on procurement operations by government entities. The procurement function is fully decentralized at the ministry department level. Records are maintained for contracts by each implementing entity and there is neither a system nor database to track data available on procurement and contract management (PEFA 2019). - Lao PDR has no formal procurement professionalization program, and the main training options are periodical short courses provided by donors (CSPRA, ADB 2021).	M	- No solicitation of tenders/proposals takes place without certification/confirmation of the availability of funds. - Procuring entities to be mandated to publish procurement information on the public procurement portal run by the Public Procurement Division (PPMD) under Department of Evaluation and Public Procurement, MOF; Use the OPEN system for monitoring procurement and contract implementation. – The MOF PPMD to set up a regular procurement training programme; Projects to organize training courses for procurement staff to promote internal capacity building and maintain capacity.	M
Pillar III – Public Procurement Operations and Market Practices					
9	Public procurement practices achieve stated objectives				
9(a)	Procurement Planning	– Procurement law requires project owner or procuring entity to prepare a draft annual procurement plan attached to its annual budget plan, and then a detailed annual	L	–	L

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		procurement plan state budget (Article 18, Instruction 0477/MEF). – Procurement and budget cycles are not adequately linked, i.e. there are no details on when a procurement activity may commence or use of advance procurement actions (CSPRA, ADB 2021). – Needs analysis and market research guide a proactive identification of optimal procurement strategies. The procurement planning is based on past experience and partially with market price update. The requirements and desired outcomes of contracts are clearly defined. Sustainability criteria (e.g. an assessment on usage of materials and tools that no environmental impacts under sustainable and green growth direction) might be used to ensure value for money.			
9(b)	Selection and contracting	– Multi-stage procedures are used in complex procurements to ensure that only qualified and eligible participants are included in the competitive process. Harmonised SBDs are used. It is not a problem for broad participation from potential competitors in civil works and goods. However, for consulting services, the duration is extended sometimes due to the lack of competitors, as a result of market limitation. – Procurement methods are chosen, documented and justified in accordance with the purpose and in compliance with the legal framework, i.e. thresholds in the instructions for implementing Public Procurement Law. Procedures for bid submission, receipt and opening are clearly described in the procurement documents and complied with. This means, for instance, allowing bidders or their representatives to attend bid openings, and allowing civil society to monitor bid submission, receipt and opening, as prescribed in the BD. – Throughout the bid evaluation and award process, confidentiality is ensured. Appropriate techniques are applied, to determine best value for money based on the criteria stated in the procurement documents and to award the contract. – Contract awards are announced to participated bidders only.	M	– Information of contract awards to be announced on the MOF-PPMD procurement website and IA/project websites.	M
9(c)	Contract management in practice	– Procurement processes (planning, bidding, contract award and contract implementation) are often delayed. Delays is common practice in contract implementation for goods, such as imported goods, and works, e.g. large civil works contracts located in remote areas and due to the unfavourable weather conditions. – Invoices are examined, time limits for payments comply with good international practices, and payments are processed as stipulated in the contract. Contract amendments are reviewed. – Procurement statistics are not available and no system is in place to measure and improve procurement practices.	M	- Prepare contract management plans for major contracts; - Monitoring closely procurement and contract implementation progress (using the excel procurement tracking forms in addition to IFAD's OPEN Contract Monitoring Tool) with periodic progress reports and follow-up actions. – Construction supervision consultant should be used for construction works.	M
10	The public procurement market is fully functional				
10(a)	Dialogue and partnerships	– Open dialogue with private sector is not found. No government programme to build capacity among private companies, including for small businesses and training to	M	– GOL to expedite dialogue and partnership with private sector.	M

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
	between public and private sector	help new entries into the public procurement marketplace was observed.			
10(b)	Private sector's organisation and access to the public procurement market	– The private sector is still limited and has not yet been developed. There is no restrict for private sector to participate in public procurement. – The private sector is competitive, reasonably well organized in the main urban centers and responsive to public procurement opportunities, particularly those funded by multilateral or bilateral financing institutions. Access to information on upcoming opportunities is gained mainly through local newspaper advertisements. However, organization and market access decrease in remote areas due to the limited number of suppliers of manufactured goods and well equipped contractors, and obtaining competitive bids for procurement in sparsely populated rural areas has sometimes proved difficult (CSPRA, ADB 2021).	M	– Establish and enforce the use of a nationwide e-Government Procurement (e-GP) platform with free public access to tender notices, awards, and procurement plans.	M
10(c)	Key sectors and sector strategies	– Key sectors associated with the public procurement market are identified as transport and public works and health, which have higher risk and under central control. – Risks associated with certain sectors and opportunities to influence sector markets are assessed by donors such as ADB.	M	– The Government conduct risks associated with certain sectors and opportunities to influence sector markets.	M
Consolidated findings for Pillar III		- Contract awards are announced to participated bidders only. – Procurement processes (planning, bidding, contract award and contract implementation) are often delayed.	M	- Information of contract awards to be announced on the MOF-PPMD procurement website and IA/project websites. – Monitoring closely procurement and contract implementation progress (using the excel procurement tracking forms in addition to IFAD's OPEN -Contract Monitoring Tool) with periodic progress reports and follow-up actions.	M
Pillar IV – Accountability, Integrity and Transparency of the Public Procurement System					
11	Transparency and civil society engagement strengthen integrity in public procurement				
11(a)	Enabling environment for public consultation and monitoring	– A transparent and consultative process is followed when formulating changes to the public procurement system has not been observed. No programmes to build the capacity of relevant stakeholders to understand, monitor and improve public procurement was found. – The system to get input, comments and feedback from civil society has not yet available.	S	– The PPMD to establish formal consultation mechanisms to ensure that the private sector, including Micro, Small, and Medium Enterprises (MSMEs). – and representative associations, are regularly informed and consulted on changes to the procurement framework.	S
11(b)	Adequate and timely access to information by the	– The private sector and civil society can freely access upcoming bid information in newspapers and on agency websites, and can obtain bidding document and bid forms by contacting the EA. NCB contract awards for donor financed procurement	S	– GOL to introduce a public procurement system. Bidders can access freely to procurement	S

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
	public	are not normally published, although ICB contract awards are published by the donors. The public can attend bid openings but rarely take advantage. – Procurement notices are published in newspapers. All stakeholders have adequate and timely access to information as a precondition for effective participation. Bidding documents are sold at LAK 100,000-200,000 for NS, and LAK 500,000 for NCB. Bidders can access to information.		information and getting bidding document.	
11(c)	Direct engagement of civil society	– Community can participate in the formulation of PP in IFAD projects. No restriction for citizen to observe. In general, no legal/regulatory and policy framework allows citizens to participate in the procurement process. – No evidence for direct participation of citizens in procurement processes through consultation, observation and monitoring was found.	S	– GOL to promote the participation of citizens in supervising and monitoring process.	S
12	The country has effective control and audit systems				
12(a)	Legal framework, organisation and procedures of the control system	– There are no internal audit departments or units in any of the key agencies in any sector. There are, however, Inspection Departments which focus on whether an agency is following prescribed procedures when conducting its business. They do not conduct financial or procurement audits (CSPRA, ADB 2021). – External financial audit also check procurement in addition to the finance. MOF conduct internal check before making payment. However, the results are limited.	S	– Conduct capacity building programs for internal auditors at government agencies.	S
12(b)	Co-ordination of controls and audits of public procurement	– The State Audit Organization (SAO) acts as external auditor conducting annual financial audits and its terms of reference also include an audit of procurement transactions. In practice, however, SAO staff have little or no training or experience of procurement and in-depth procurement audits are rare (CSPRA, ADB 2021). – No written procedures that state requirements for internal controls or written standards and procedures (e.g. a manual) for conducting procurement audits. – State audit and National Inspection will get involve only when there are complaints. Financial external audit is carried out annually.	S	– Conduct capacity building programs for internal auditors at government agencies.	M
12(c)	Enforcement and follow-up on findings and recommendations	– The Project and lined Ministries will solve issues as recommended in financial auditing reports. Project coordination offices are responsible to follow-up on the implementation of audit recommendations.	L	–	L
12(d)	Qualification and training to conduct procurement audits	– No specific training for procurement audit.	S	– MOF to provide training for procurement audit and setup criteria for accredit procurement auditors for projects.	S
13	Procurement appeals mechanisms are effective and efficient				
13(a)	Process for challenges and appeals	– A process for challenges is setup. For projects, it will go from Project Office to in-charge department to lined Ministry. At MOF, PPMD is in-charge. State Inspection authority is involved when there are complaints. Procedures for challenges are clearly defined in bidding documents. Time frame is defined in the Public	M	– The WB supported PFM project for preparation of a complaint mechanism for inclusion in the procurement manual.	M

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		Procurement Law. – There is a complaints procedure in the law and instructions but it is rarely if ever used. There is no formal review mechanism. The WB supported PFM project has prepared a complaint mechanism for inclusion in the procurement (CSPRA, ADB 2021). – Manual on procurement complaint mechanism and Manual of Procedures for Complaint Review in Laos language is available on the procurement website (http://ppmd.mof.gov.la/).			
13(b)	Independence and capacity of the appeals body	– The PPMD is part of the Ministry of Finance, not an independent authority. The PPMD often lacks autonomy to make binding decisions without Ministry-level approval. PPMD staff often focus on procurement compliance rather than dispute resolution.	M	– Establish a central independent procurement complaints review board.	M
13(c)	Decisions of the appeals body	– The decision is based on information relevant to the case and consideration of the relevant information. – No regulation on publishing the decision of the appeals body are mentioned in the Public Procurement Law. The obligation to publicise decisions is just indicated in the Manual of Procedures for Complaint Review. If complaint come to PPMD, PPMD will issue written respond to complainer and that is the same for IA.	L	–	L
14	The country has ethics and anti-corruption measures in place				
14(a)	Legal definition of prohibited practices, conflicts of interest, and associated responsibilities, accountability and penalties	– Definitions of fraud, corruption and conflict of interest in procurement, consistent with obligations deriving from legally binding international anti-corruption agreements are not stated in the Public Procurement Law. – Template bidding documents (2021) include clear definitions and prohibitions on corrupt activities. The revised Law on Anti-Corruption dated 18 December 2012 came into effect on 16 January 2014. The GOL ratified the United Nations Convention against Corruption in 2009. The Law refers to a Counter Corruption Organization (CCO) responsible for its implementation and the CCO has assigned that duty to the State Inspection Authority (SIA), which has created the Anti-Corruption Inspection Department to undertake enforcement. Evidence of enforcement e.g. media announcements, or posting of debarment notices is limited (CSPRA, ADB 2021). – Some definitions and provisions concerning conflict of interest are mentioned in the revised Procurement Manual (2022).	M	– Definitions and provisions concerning conflict of interest to be elaborated in procurement regulations.	M
14(b)	Provisions on prohibited practices in procurement documents	– Provisions on prohibited practices are defined in instruction to bidder and contract forms in the harmonized SBD and Procurement Manual.	M	– Include IFAD's templates of self-certification forms on anticorruption, sexual harassment, sexual exploitation and abuse for bidders and contractors in the bidding document/RFP and contract documents.	M

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
14(c)	Effective sanctions and enforcement systems	– Procuring entities have procedure for reporting allegations of fraud, corruption, and other prohibited practices. However, the sanctions and enforcement system is not systematically applied. – Individuals, legal entities or organizations violating the Law on Public Procurement shall be educated, disciplined, fined, obliged to pay civil damages or subjected to criminal punishments depending on the seriousness of violation (Article 83, Law on Public Procurement No. 30/NA). – A system for suspension/debarment has not yet available.	M	- Request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents. – Conduct prior and ex-post reviews to strengthen enforcement of the debarment system.	M
14(d)	Anti-corruption framework and integrity training	– The country has Anti-corruption Law.	L	–	L
14(e)	Stakeholder support to strengthen integrity in procurement	– No civil society involved in public procurement.	M	– GOL to promote the involvement of civil society in procurement.	M
14(f)	Secure mechanisms for reporting prohibited practices or unethical behaviour	– Secure, accessible and confidential channels for reporting cases of fraud, corruption or other prohibited practices or unethical behaviour, legal provisions to protect whistle-blowers, and these are considered effective are mentioned in Anti-corruption law.	L	–	L
14(g)	Codes of conduct/codes of ethics and financial disclosure rule	– There are no regulations on code of conduct on procurement.	M	– The PPMD to prepare and propose for approval a Code of Conduct and Ethics relating to public procurement.	M
Consolidated findings for Pillar IV		- There are no internal audit departments or units in any of the key agencies in any sector. There are, however, Inspection Departments which focus on whether an agency is following prescribed procedures when conducting its business. They do not conduct financial or procurement audits (CSPRA, ADB 2021). - Procuring entities have procedures for reporting allegations of fraud, corruption, and other prohibited practices. However, the sanctions and enforcement system is not systematically applied.	S	- Conduct capacity building programs for internal auditors at government agencies. - Request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents; Conduct prior and ex-post reviews to strengthen enforcement of the debarment system.	S
Consolidated findings at country level		– The transition to e-Procurement in the country has only taken its initial step with the completion of the study assessing the country's preparedness for implementing e-Procurement (2023). The Public Procurement Law (PPL) already incorporates several provisions that facilitate the implementation of e-Procurement. Electronic Procurement is already mentioned in harmonized SBD. However, there is no installed facilities for e-Procurement to be executed yet.	S	– Develop a national electronic procurement system; Advertise procurement notices on PPMD's website and EA/IA website. – For ICB and consulting service with international advertisement, IFAD's standard procurement documents will be adopted and used. For other	S

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		– There are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP. - Procurement and budget cycles are not fully linked as there are no details on when a procurement activity may commence or use of advance procurement actions (CSPRA, ADB 2021). - No comprehensive databases are available to provide consolidated information on procurement operations by government entities. The procurement function is fully decentralized at the ministry department level. Records are maintained for contracts by each implementing entity and there is neither a system nor database to track data available on procurement and contract management (PEFA 2019). – Lao PDR has no formal procurement professionalization program, and the main training options are periodical short courses provided by donors. - Contract awards are announced to participated bidders only. - Procurement processes (planning, bidding, contract award and contract implementation) are often delayed. - There are no internal audit departments or units in any of the key agencies in any sector. There are, however, Inspection Departments which focus on whether an agency is following prescribed procedures when conducting its business. They do not conduct financial or procurement audits. - Procuring entities have clear procedure for reporting allegations of fraud, corruption, and other prohibited practices. However, the sanctions and enforcement system is not systematically applied.		methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption, SH and SEA can be adopted. - No solicitation of tenders/proposals takes place without certification/confirmation of the availability of funds. - Procuring entities to be mandated to publish procurement information on the public procurement portal run by the Public Procurement Division (PPMD) under Department of Evaluation and Public Procurement, MOF; Use the OPEN system for monitoring procurement and contract implementation. – The MOF PPMD to setup regular procurement training programme; Projects to organize training courses for procurement staff to promote internal capacity building and maintain capacity. - Information of contract awards to be announced on the MOF-PPMD procurement website and IA/project websites. – Monitoring closely procurement and contract implementation progress (using the excel procurement tracking forms in addition to IFAD's OPEN -Contract Monitoring Tool) with periodic progress reports and follow-up actions. - Conduct capacity building programs for internal auditors at government agencies. - Request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents; Conduct prior and ex-post reviews to strengthen enforcement of the debarment system.	

Linking Enterprises, Agriculture and Development for Green Growth (LEAD) Project
Procurement Risk Matrix

Part B: ASSESSMENT OF THE PROJECT'S PROCUREMENT IMPLEMENTATION ARRANGEMENTS

Assessment Area # and # of related criterion of assessment	Description of Assessment Criterion	Findings regarding possible non-compliance with Project Objectives & IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
1	ASSESSMENT OF PROJECT COMPLEXITY				
1(a)	Project is new of its kind and introduces new procurement methodologies	– MAE had been implemented several IFAD-funded projects in agricultural sector, such as Southern Laos Food and Nutrition Security and Market Linkages Programme (FNML), Soum Son Seun Jai Programme (SSSJ), Strategic Support for Food Security and Nutrition (AFN-1), and two ongoing projects including Partnerships for Irrigation and Commercialisation of Smallholder Agriculture Project (LEAD) and Agriculture for Nutrition – Phase 2 (AFN II) financed by IFAD. Therefore, the procurement methodology is not new. The local level, especially district implementing agencies, still need more technical support from central level.	L	–	L
1(b)	Project investment value is high and includes substantial inter-dependent procurement contracts that require advanced sequencing and coordination skills	– Total project costs are USD 20.66 million for LEAD including IFAD loan USD 17.59 million. The investment contained small contracts and do not have any inter-dependent procurement contract. Sometime contract implementation is delayed and require the contract management skill and close monitoring.	L	–	L
1(c)	Project area is geographically spread in different locations	– The Project located in two provinces, including Savannakhet and Khammouan, and might be scaled up to Sekong and Salavan with additional finance sources. Some concern with insufficient suppliers in the certain area leading to the challenge of getting a minimum of 3 quotations.	M	– Decentralization in procurement is applied. Procurement is done by PMU at central level and farmer groups with support of District Coordination Units at district/village level.	M
1(d)	Project includes a number of implementing partners and cooperating agencies	– The Ministry of Industry and Commerce (MOIC) will serve as the co-implementing party specifically for Component 1. Implementing partners were NAFRI (National Agriculture and Forestry Research Institute), Lao Women's Union, Lao Farmers' Association...	M	– PMU to provide coordination.	M
1(e)	Project involves community participation in procurement	– Procurement under grants is carried out by farmer groups with extensive supports from District Coordination Units. Farmer groups	M	– PMU to provide trainings to District Coordination Units and farmer groups and	M

	activities which calls for detailed monitoring requirements by IA	have limited experience and facilities (computer, printer, etc.) for conducting procurement and contract management. Detailed monitoring is required from District Coordination Units, PMU for procurement and contract management.		closely monitor the procurement process.	
1(f)	Project is classified with High or Substantial SECAP risks (including security risks)	– LEAD project is classified as moderate SECAP risk.	L	–	L
1(g)	Project is in a Fragile State with weak governance structures	– The Project lead executing agency is MAE with many experience on externally financed projects (from WB, ADB, AFD, IFAD...).	L	–	L
Overall Assessment of the risk posed by Criterion 1		– Project location is spread and the implementation required the coordination among partners and participation of farmer groups. – Farmer groups have limited experience and facilities for conducting procurement and contract management.	M	– Apply decentralized management mechanisms, strengthen capacity, and improve coordination. – PMU to provide trainings to District Coordination Units and farmer groups and closely monitor the procurement process.	M
2. ASSESSMENT OF IMPLEMENTING AGENCY CAPACITY (Process/Procedures, Personnel and Performance/Product - 3Ps)					
2.1	PROCESS/PROCEDURES				
2.1.1	ASSESSMENT OF IA's Procurement Legal & Regulatory Frameworks (Procurement Rules, Methods and Processes) <i>(Section 2.1.1 is to be filled only if the IA is an autonomous national agency or a private entity which is allowed to have a separate legal framework for procurement other than the national procurement law/regulations which was assessed under Part A)</i> N.A				
2.1.2	IA's Procurement Strategy and Procurement Planning Process				
2.1.2(a)	The IA's preparation of its annual procurement plan is preceded by conceptualization of a Procurement Strategy based on market research, previous experience and own capacity assessments	– Preparation of annual Procurement Plan is based on experience from other projects. Cost estimates is also provided by District Coordination Units/District Agriculture and Environment Office (DAEO) and District Office of Public Works and Transport (DPWT). Procurement plan made by farmer groups are integrated into the Project procurement plan.	L	–	L
2.1.2(b)	IA's procurement plans are prepared ahead of time and in tandem with request for budget appropriation to MOF (or competent authority in case on autonomous bodies).	– IA's procurement plans are prepared ahead of time and in tandem with request for budget appropriation to MOF (or competent authority in case on autonomous bodies). The PP is prepared based on the draft AWPB which was initiated from villages, districts, and provinces. PP is usually prepared from October - December of the year for the coming year.	L	–	L
2.1.2(c)	IA's procurement department staff participate in the annual work planning processes	– PMU's procurement staff participate in preparation of annual work plan.	L	–	L

2.1.2(d)	The project's Procurement Strategy adequately addresses project complexity, IA's internal capacity and experience as well as market supply capacity	– PP is prepared based on recommendations from villages, districts, and provinces. The decentralization of procurement is based on capacity and experience of IA at provincial, district, and village levels.	L	–	L
2.1.2(e)	IA's procurement plan for the project is consistent with the project's annual work plan/budget (AWPB)	– Procurement plan for the project is based on the data from the project's annual work plan/budget (AWPB). – There are often some inconsistencies between the AWPB and the draft PP.	M	– Check consistency between the AWPB and the draft PP by the project and during IFAD's review and no objection.	M
2.1.2(f)	IA's Procurement Plans follow an effective format with planned and actual rows for tracking progress achieved across the 3 different categories of procurement	– The project will submit online the PP through the OPEN. The procurement staff might not be familiar with the OPEN.	S	– Training and coaching on the OPEN for procurement plan and implementation is required for procurement staff.	M
Overall Assessment of the risk posed by Criterion 2.1.2		– The procurement staffs are not familiar with OPEN.	M	– Conduct training and coaching on OPEN for procurement plan and implementation.	M
2.1.3	Procurement Management and Contract Administration systems and internal control /audit procedures				
2.1.3(a)	IA's standard contracts for procurement of Goods, Works and Services generally consistent with IFAD contracts	– NCB contract forms are taken from harmonized SBDs for works and goods and related non-consulting services. IFAD RFQ is used for NS.	L	–	L
2.1.3(b)	IA's standard contracts for procurement of Goods, Works and Services implement IFAD's SECAP requirements	– IA's standard contracts do not include IFAD's SECAP requirements.	M	– Include SECAP screening checklist and ESCMP/GRM/FPIC requirements in preparation and implementation of project activities (works, grants...)	L
2.1.3 (c)	The IA has established internal control systems with Segregation of Authority including effective separation between procurement and financial management	– Yes, the function of procurement and financial management is separated.	L	–	L
2.1.3(d)	The IA has an effective internal audit function in addition to independent and timely external financial audit (having specialized "procurement audit" is a plus)	– Project Management Division of MAE plays the role of internal audit. IA external financial audit is carried out annually. No specialized procurement audit was carried out.	M	– MAE to initiate specialized procurement audit for projects.	M
2.1.3 €	IA has established contract management procedures and contract management forms for	– The contract management system is established to monitor the progress of contract implementation against the procurement plan regarding to time, cost, quality and scope of the signed contract for	L	–	L

	monitoring progress against Time, Cost, Quality and Scope of the signed contracts for Goods, Works and Services.	goods, work/NCS and service. The system is prepared in the excel sheet form not only included the time, cost, quality and scope of work but also able to monitor contract cost expenditure, time left, the date for contract signing and ending. IFAD's OPEN contract module is for contract monitoring. Works and goods contracts in districts are updated to PMU monthly by District Coordination Units.			
2.1.3 (f)	The IA develops a comprehensive Contract Management Plan for major contracts with clear indication of roles and responsibilities	– There is no comprehensive contract management plan. Works and goods contracts were managed by farmer groups/District Coordination Units and PMU.	L	–	L
2.1.3 (g)	IA's procedures for initiation and approval of Contract Variations are established and clear	– The project coordinator in consultation with the CTA makes proposal for contract variation and submit to MAE for approval. For works, farmer groups proposed and submit to District Coordination Units and PMU.	L	–	L
2.1.3 (h)	Contract Amendments beyond a prescribed threshold (not exceeding 15% of time duration or contract value) require higher level approvals	– Contract amendments exceeding 10% of the original contract amount or exceeding 25% of the original contract duration for prior review contracts shall be subject to IFAD's prior review and no objection.	L	–	L
2.1.3 (i)	IA has established procedures for receipt/acceptance of contract outputs in Goods, Works and Services	– MAE established the receipt, acceptance for goods, work and service delivered and output for instance the goods delivered and acceptance is based on the compliance of technical specification issued in the bid document, and for work acceptance is also based on detail engineering design, BoQ and technical specification, for the service acceptance is based on the quality of service or output that meet the requirement determined in the TOR and scope of work either for consultancy firm and individual consultant. – Goods and Works: BECs at central, provincial, district, and farmer groups will certify the outputs. – Consulting services: reviewed by project coordinator and the CTA	L	–	L
2.1.3 (j)	IA has established procedures for receipt/approval of deliverables and approval of payments for Goods, Works and Services	– MAE established the Receipt, acceptance for goods, work and service based on the compliance of technical specification issued in the bid document, and for work acceptance is also based on detail engineering design, BoQ and technical specification, for the service acceptance is based on the quality of service or output that meet the requirement determined in the TOR and scope of work either for consultancy firm and individual consultant. – Works and goods: use inspection form/ completion certificate/ handover certificate	L	–	L

		– Consulting services: notes through email			
2.1.3 (k)	IA's payment procedures lead to timely payments to the contracted parties in line with IFAD standard contracts	– The payments for contract of goods, work/NCS and consulting service are mostly on timely manner and in line with IFAD standard contract.	L	–	L
2.1.3 (l)	IA's Contractual Dispute Settlement procedures always provide for amicable settlement and stipulate arbitration for contracts with foreign contracted parties	– In actual for contract implementation there is rarely any contract dispute. The contractors and project owner following up the rule and contract condition.	L	–	L
2.1.3 (m)	The IA has well-developed claim assessment procedures for initiating own claims or for verification of validity and costing of contractual claims filed by the contracted parties	– The claimed assessment procedure is well developed.	L	–	L
Overall Assessment of the risk posed by Criterion 2.1.3		– IA's standard contracts do not include IFAD's SECAP requirements.	L	– Include SECAP checklist and requirements in preparation and implementation of project activities (works, grants...)	L
2.1.4	RECORD KEEPING				
2.1.4(a)	A serial-numbered procurement file is maintained for each procurement activity (with records from requisition to acceptance/receipt of goods/works/services)	– The serial number of procurement file is maintained for each procurement activity and the serial number is getting from the code of activity in AWPB and when provide acceptance or receipt for goods, work/service the serial numbered is presented as same as serial number in the contract.	L	– All of the documents should be scanned and kept in digital format.	L
2.1.4 (b)	Original contracts secured in a fire and theft proof location	– Original contracts are kept by the finance and accounting team in normal conditions.	L	–	L
2.1.4 (c)	A separate contract file is maintained with a copy of the contract and all subsequent contractual correspondence e.g. contractual notices by supplier, contractor, purchaser or employer; a detailed record of all changes or variation orders issued affecting the scope, quality, timing or price of the contract; records of invoices and payments, progress reports, certificates of inspection,	– Contract file is maintained both hard copy and soft file with all related files and separate by contract type: for goods, work/NCS and consultancy accompany with contractual notices by supplier, contractor, purchaser or employer; a detailed record of all changes or variation orders issued affecting the scope, quality, timing or price of the contract; records of invoices and payments, progress reports, certificates of inspection, acceptance and completion etc....	L	–	L

	acceptance and completion; records of claim and dispute and their outcomes; etc.)				
2.1.4 (d)	The IA Procurement & Contract Files are maintained for at least 7 years beyond project closure in a secure place.	According to the law, these documents will be retained for 10 years	L	–	L
2.1.4(e)	The IA maintains an up-to-date Contract Register that records all ongoing contracts (with names, prices and dates) per procurement category for ease of retrieval of contract data	- All type of contract is registered at the contract registration system that the contract registered file contains the name, price and date for goods, work, service and able to access and retrieval. - LEAD contract data will be updated in OPEN contract monitoring module.	L	–	L
Overall Assessment of the risk posed by Criterion 2.1.4		Record keeping is assessed to be satisfied with low risk.	L	–	L
2.2	IA's PERSONNEL CAPABILITIES: IA's Procurement Personnel Capabilities and Procurement resources (systems and facilities).				
2.2(a)	The IA has a dedicated Procurement Department/Unit with a Director and a team of experienced staff	- MAE has a Project Management Division (PMD) under Department of Planning and Cooperation (DOPC) with a function to review documents on financial and procurement of projects that use official development assistance (ODA), loans, and grants in the agriculture and forestry sector to ensure that they are highly effective, timely, and accurate in accordance with laws and regulations and budget management regulations of donors. The PMD has a Director, two Deputy Directors and twelve staffs including five staffs in charge of finance and procurement management. - Ministry of Industry and Commerce (MOIC) has the National Implementation Unit (NIU) Division responsible for coordinating trade-related assistance to the country. Currently, the NIU has seven government staffs including a procurement staff and a number of project-recruited consultants working on projects. - LEAD PMU will have a procurement officer, a procurement assistant and a procurement specialist (intermittent, project-contracted).	M	Conduct trainings and on-the-job trainings on IFAD procurement framework and OPEN.	M
2.2(b)	The IA's Procurement Unit has previous experience with donor/IFI-funded procurement procedures	- The PMD and its staff have previous experience with donor-funded project, but they do not involve directly in project management and implementation and have limited experience with donor procurement procedures. - The NIU have experience on procurement of consulting services	S	Conduct trainings and on-the-job trainings on IFAD procurement framework and OPEN.	S

		and goods but limited experience on work procurement for WB/ADB/EU-funded projects.			
2.2 (c)	IA's regular annual procurement volume exceeds expected project procurement in value and complexity (i.e. the IA normally conducts more and more complex procurement than what is required as part of the project)	- MAE have many experience on management and implementation of donor-funded projects (WB, ADB, AFD, Koica, etc.) including IFAD-funded projects (FNML, SSSJ, AFN, PICSA). MAE have been implementing above 50 on-going projects at November 2025. The level of complexity is about the same as of LEAD. - MOIC has been implementing the Sustainable Agri-food Systems Sector Project (ADB), the Micro, Small & Medium Enterprise Emergency Finance and Recovery Project (WB), the Lao Competitiveness and Trade (LCT) multi-donor trust Fund, the Enhanced Integrated Framework (EIF) Tier II Project and other donor-funded projects. The NIU under MOIC also serves as the secretariat for the national working group on the Trade and Private Sector Working Group, providing a blueprint for the Government to attract funding from development partners.	L		L
2.2 (d)	IA's procurement staff have Job Descriptions that cover all foreseen functions of the intended project procurement	Job descriptions for each position of the PMD and NIU are described in the TOR.	L		L
2.2 (e)	The number and qualifications of the staff of the IA Procurement Department are sufficient to undertake the additional procurement that will be required under the proposed project	The procurement officer and the procurement assistant will be recruited to work at PMU. For implementation of farmer group grants, District Coordination Unitss support farmer groups for procurement of goods/works using grants.	M	Conduct trainings and on-the-job trainings on IFAD procurement framework and OPEN.	M
2.2 (f)	The IA Procurement Department has adequate facilities such as PCs, internet connections, photocopy facilities, printers, safes etc. to undertake the foreseen project procurement	The PMD and NIU have sufficient equipment, such as computers, printer, scanner, internet connections, photocopy machines.	L		L
2.2 (g)	The IA's Procurement Department staff are certified practitioners or have attended relevant procurement training programs	The certified practitioners are not required in Laos. Procurement staff participated in procurement training programs that provided by international donor that support procurement capacity building for MAE/MOIC staffs) and procurement trainings conducted by the Public Procurement Division (PPMD) under the Department of Evaluation and Public Procurement (DEPP) of MOF in recent years.	M	LEAD procurement staff will attend IFAD's procurement training program (BuildProc).	M
2.2 (h)	The IA's Procurement Department staff are capable of working in one	The PMD finance and procurement staff have limited English	M	Include English communication skill in the TOR for	M

	of IFAD's official languages	command skills.		project procurement staff.	
2.2(i)	The Project Director is issued a Project Charter granting him/her sufficient authority to control and authorize project activities (documented in PIM)	– For project implementation, the director has key role and authority to provide guidance to control and support project activities implementation.	L		L
2.2 (j)	The IA has access to claim initiation or claim assessment experts either internally or externally especially for large value contracts with foreign vendors.	– The IA has access to claim initiation or claim assessment experts either internally or externally especially			
Overall Assessment of the risk posed by Criterion 2.2		– The PMD and its staff have previous experience with donor-funded project, but they do not involve directly in project management and implementation and have limited experience with donor procurement procedures. – The PMD procurement staff have limited English command skills.	M	– Conduct trainings and on-the-job trainings on IFAD procurement framework and OPEN. LEAD procurement staff will attend IFAD's procurement training program (BuildProc). – Include English communication skill in the TOR for project procurement staff.	M
2.3	IA's PERFORMANCE (PRODUCTS & PAST EXPERIENCE) - guided by quantitative indicators of Pillars II and III of OECD MAPS II (based on performance of the previous year)				
2.3(a)	% of the total annual IA contracts that are awarded in open and restricted bidding	– Tbc.	L	–	L
2.3(b)	Percentage and value of IA's annual contracts that are awarded under direct contracting (single source)	– Tbc.	L	–	L
2.3(c)	IA's Efficiency in completing the bidding process (open and restricted) for Goods (measured in time from advertisement to contract award and signature)	– Tbc.	L	–	L
2.3(d)	IA's Efficiency in completing the bidding process (open and restricted) for Works (measured in time from advertisement to contract award and signature)	– Tbc.	L	–	L
2.3 (e)	IA's Efficiency in completing the competition process for Services (measured in time from advertisement to contract award	– Tbc.	L	–	L

	negotiations and signature)				
2.3(f)	% of bidding documents for Goods/ Non-Consulting Services and Works in the last one or two years where more than one amendment to the bidding documents was issued	– Tbc.	L	–	L
2.3(g)	% of RFPs for consulting services where more than one amendment to the RFP was issued	– Tbc.	L	–	L
2.3(h)	% of procurement competitions in Goods /Non-Consulting Services, Works and Consulting Services that failed or were cancelled	– Tbc.	L	–	L
2.3(i)	Average number of responsive bids in Goods/Non-consulting Services, Works and Consulting Services competitions	– Goods and works: 3 - 5 bids – Consulting services (for firms): 2-4 firms	L	–	L
2.3(j)	% of procurement competitions for Goods/ Non-Consulting Services, Works and Consulting Services conducted electronically	– No	M	– In the absence of the national e-procurement system, procurement processes will be captured in the OPEN system, thus increasing visibility of procurement processes.	M
2.3(k)	% of contracts awarded to SMEs in the previous year	– Tbc.	L	–	L
2.3(l)	% of procurement competitions and contracts that integrate sustainable procurement considerations (at least 1 social/labour plus 1 environmental criteria)	– Environmental and social screening checklists and simple ESMPs are prepared for work/grant contracts.	L	–	L
2.3 (m)	Percentage of IA's contracts for Works with cost over-runs above 10% of initial contract price.	– Tbc.	L	–	L
2.3 (n)	Percentage of IA's contracts for Works with time over-runs above 10% of initial contractual duration	– Tbc.	L	–	L
2.3 (o)	Average number of complaints received from bidders as to the fairness of bidding documents or	– Tbc.	L	–	L

	contract award				
2.3(p)	% of bidders' appeal decisions that were accepted and enforced (with ruling against the IA)	– Tbc.	L	–	L
2.3 (q)	% of Vendors Invoices paid on time in Goods/Non-Consulting Services, works and Consulting Services contracts.	– The majority of Vendors Invoices in Goods/Non-Consulting Services, works and Consulting Services contracts is paid on timely manner (80%), however some payment is delayed (20%) due to project internal procedure.	M	– The financial unit will be trained in the ICP system and OPEN system and its contract management module	L
2.3 (r)	Is the general quality of documents produced by the IA's Procurement Department in line with IFAD's expected quality levels: i. Quality of Bidding Documents for Goods/NCS and Works ii. Quality of RFP for Consulting Services iii. Quality of Bid Evaluation Reports iv. Quality and adequacy of responses to bidders' qualifications	– The procurement documents produced by PMU/NPCO are at moderate quality.	M	– Conduct review of procurement document by the project to ensure their quality before submission for IFAD review and no objection	M
2.3 (s)	Management / Procurement Audit: i. % of IA contracts subjected to specialized procurement audit i. the IA timely implements recommendations	– Specialized procurement audit was not conducted. Project has external financial audit annually.	M	– MAE conduct specialized procurement audit for projects	M
Overall Assessment of the risk posed by Criterion 2.3		– IA performance was assessed as low risk	L	–	L
Overall Assessment of the risk posed by Criterion 2		– IA's standard contracts do not include IFAD's SECAP requirements. – The PMD and its staff have previous experience with donor-funded project, but they do not involve directly in project management and implementation and have limited experience with donor procurement procedures. The procurement staff are not familiar with the OPEN. – The PMD procurement staff have limited English command skills.	M	– Include SECAP checklist and requirements in preparation and implementation of project activities (works, grants...) – Conduct trainings and on-the-job trainings on IFAD procurement framework and OPEN. LEAD procurement staff will attend IFAD's procurement training program (BuildProc). – Include English communication skill in the	M

			TOR for project procurement staff.	
Overall Assessment of the risk posed by Part B	– Project location is spread and the implementation required the coordination among partners and participation of farmer groups. – IA's standard contracts do not include IFAD's SECAP requirements. – The PMD and its staff have previous experience with donor-funded project, but they do not involve directly in project management and implementation and have limited experience with donor procurement procedures. – The PMD procurement staff have limited English command skills.	M	– Apply decentralized management mechanisms, strengthen capacity, and improve coordination. – Include SECAP checklist and requirements in preparation and implementation of project activities (works, grants...). – Conduct trainings and on-the-job trainings on IFAD procurement framework and OPEN. LEAD procurement staff will attend IFAD's procurement training program (BuildProc). – Include English communication skill in the TOR for project procurement staff.	M
Overall Assessment of the risk posed by Parts A and B	– The transition to e-Procurement in the country has only taken its initial step with the completion of the study assessing the country's preparedness for implementing e-Procurement (2023). The Public Procurement Law (PPL) already incorporates several provisions that facilitate the implementation of e-Procurement. Electronic Procurement is already mentioned in harmonized SBD. However, there is no installed facilities for e-Procurement to be executed yet. – There are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP. – Procurement and budget cycles are not fully linked as there are no details on when a procurement activity may commence or use of advance procurement actions (CSPRA, ADB 2021). – No comprehensive databases are available to provide consolidated information on procurement operations by government entities. The procurement function is fully decentralized at the ministry department level. Records are maintained for contracts by each implementing entity and there is neither a system nor database to track data available on procurement and contract management (PEFA 2019). – Lao PDR has no formal procurement professionalization program, and the main training options are periodical short courses provided by donors. – Contract awards are announced to participated bidders only. – Procurement processes (planning, bidding, contract award and contract implementation) are often delayed. – There are no internal audit departments or units in any of the key agencies in any sector. There are, however, Inspection	M	– Develop a national electronic procurement system; Advertise procurement notices on PPMD's website and EA/IA website. – For ICB and consulting service with international advertisement, IFAD's standard procurement documents will be adopted and used. For other methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption, SH and SEA can be adopted. – No solicitation of tenders/proposals takes place without certification/confirmation of the availability of funds. – Procuring entities to be mandated to publish procurement information on the public procurement portal run by the Public Procurement Division (PPMD) under Department of Evaluation and Public Procurement, MOF; Use the OPEN system for monitoring procurement and contract implementation. – The MOF PPMD to setup regular procurement training programme; Projects to organize training courses for procurement staff to promote internal capacity building and maintain capacity. – Information of contract awards to be	M

	Departments which focus on whether an agency is following prescribed procedures when conducting its business. They do not conduct financial or procurement audits. – Procuring entities have clear procedure for reporting allegations of fraud, corruption, and other prohibited practices. However, the sanctions and enforcement system is not systematically applied. – Project location is spread and the implementation required the coordination among partners and participation of farmer groups. – IA's standard contracts do not include IFAD's SECAP requirements. – The PMD and its staff have previous experience with donor-funded project, but they do not involve directly in project management and implementation and have limited experience with donor procurement procedures. The procurement staff are not familiar with the OPEN. - The PMD procurement staff have limited English command skills.		announced on the MOF-PPMD procurement website and IA/project websites. – Monitoring closely procurement and contract implementation progress (using the excel procurement tracking forms in addition to IFAD's OPEN -Contract Monitoring Tool) with periodic progress reports and follow-up actions. – Conduct capacity building programs for internal auditors at government agencies. – Request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents; Conduct prior and ex-post reviews to strengthen enforcement of the debarment system. – Apply decentralized management mechanisms, strengthen capacity, and improve coordination. – Include SECAP checklist and requirements in preparation and implementation of project activities (works, grants...). – Conduct trainings and on-the-job trainings on IFAD procurement framework and OPEN. LEAD procurement staff will attend IFAD's procurement training program (BuildProc). – Include English communication skill in the TOR for project procurement staff.	

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Annex 9: Project Implementation Manuals

Mission Dates: 10-21 November 2025
Document Date: 26/05/2026
Project No. 2000005224
Report No. 7515-LA

Asia and the Pacific Division
Programme Management Department

Annex 10 Project Implementation Manual

Linking Enterprises, Agriculture and Development for Green Growth
(LEAD) Project

Currency equivalents

Currency Unit = Laotian Kip (LAK)

US\$1.0 = 21,5 Laotian Kip

(Source: bank of the LAO PDR – Feb. 2026)

Weights and measures

1 kilogram = 1000 g

1 000 kg = 2.204 lb.

1 kilometre (km) = 0.62 mile

1 metre = 1.09 yards

1 square metre = 10.76 square feet

1 acre = 0.405 hectare

1 hectare = 2.47 acres

Abbreviations and Acronyms

ADB	Asian Development Bank
AFN I	Agriculture for Nutrition Project (Phase I)
AFN II	Agriculture for Nutrition Project (Phase II)
APG	Agriculture Producer Groups
ASEAN	Association of Southeast Asian Nations
COI	IFAD Core Outcome Indicators
COSOP	Country Strategic Opportunities Programme
CSA	Climate Smart Agriculture
CSO	Civil Society organisations
DAEO	District Agriculture and Environment Office
DST	District Support team
ERP	Emission Reductions Programme
FAO	UN- Food and Agriculture Organisation
FEBL	Financial Education and Business Literacy Training
FNS	Farmer Nutrition Schools
GAFFSP	Global Agriculture and Food Security Programme
GALS	Gender Action Learning System
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
GESI	Gender Equality and Social Inclusion
GEWE	Gender Equality and Women's Empowerment
GIZ	German Agency for International Cooperation
GNI	Gross National Income
GoL	Government of Lao People's Democratic Republic
GPI	Gender Parity Index
GRM	Grievance Redress Mechanism
GSA	Green and Sustainable Agriculture Framework
HFIAS	Household Food Insecurity Access Scale
HH	Household
ICT	Information and Communication Technologies
ICT4D	Information and Communication Technologies for development
IFAD	International Fund for Agricultural Development
KFW	Kreditanstalt Für Wiederaufbau (German Development Bank)
KM	Knowledge Management
LaCSA	Laos Climate Services in Agriculture
LAK	Lao Kip
Lao PDR	Lao People's Democratic Republic
LDCF	Least Developed Countries Fund
LFA	Lao Farmers' Association
LNCCI	Lao National Chamber of Commerce and Industry
LWU	Lao Women's Union
LYU	Lao Youth Union

M&E	Monitoring and Evaluation
MAE	Ministry of Agriculture and Environment
MDD-W	Minimum Dietary Diversity for Women
MIS	Management Information System
MoCT	Ministry of Culture and Tourism
MoF	Ministry of Finance
MoH	Ministry of Health
MoI	Ministry of Information
MoIC	Ministry of Industry and Commerce
MoLSW	Ministry of Labour and Social Welfare
MoPWT	Ministry of Public Works and Transport
MoTC	Ministry of Technology and Communication
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
MTR	Mid Term Review
NAFRI	National Agriculture and Forestry Research Institute
NGO	Non-Governmental Organisations
NPAN	National Plan of Action on Nutrition
NSEDP	National Socio-Economic Development Plan
O&M	Operation and Maintenance
ODA	Official Development Assistance
OPD	Organisations of Persons with Disabilities
PAEO	Province Agriculture and Environment Office
PAR	Participatory Action Research
PICSA	Partnerships for Irrigation and Commercialisation of Smallholder Agriculture project
PPCP	Public-private Community Partnership
PPPP / 4P	Public Private Producer Partnership
PROMIS	Project Results and Monitoring Information System
SECAP	Social, Environmental and Climate Assessment Procedures
SSTC	South- South and Triangular Cooperation
UNSDCF	United Nations Sustainable Development Cooperation Framework
VC	Value chain
VCIP	Value Chain Investment Plan
WB	World Bank
WFP	UN-World Food Programme

Country Map including 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 | 19-08-2025

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Chapter 1: This Document

1.1. Function and status

1. This Project Implementation Manual (PIM) is designed to serve as a comprehensive guide for the implementation of the LEAD (Linking Enterprises, Agriculture and Development for Green Growth) project in Lao PDR. The PIM provides a structured framework for initiating project start-up activities and for executing, monitoring, and evaluation of the project in alignment with national policies and IFAD requirements. By detailing implementation arrangements, operational procedures, guidelines, and practical tools, the manual ensures that the project is implemented efficiently, transparently, and sustainably. Its structured approach minimizes risks, enhances stakeholder coordination, and maximizes the project's long-term impact on target communities in Savannakhet and Khammouane provinces.

2. The PIM will become effective upon (i) approval by the national authorities and the Project Steering Committee (PSC); and (ii) a formal no-objection by IFAD. The PIM and its associated manuals can be revised by the PSC in consultation with IFAD provided that there is a strong justification for its revision. In the case of each revision the revisions circulated amongst the PSC members should be incorporated into the manual. The revised PIM will be uploaded and noted in the revisions log in sections 1.3 of the PIM. In case of major changes such as the restructuring of the project or changing the legal covenants or the financing agreement as well as any major implementation arrangement changes, such revisions to the PIM shall be revised with IFAD's prior no-objection.

1.2. Overview of contents

3. Chapter 1 of the PIM establishes the manual's purpose, defining its role in guiding project teams and stakeholders. It includes an overview of contents (1.2) and a revisions log (1.3) to ensure the document remains up-to-date and responsive to evolving project needs.

4. Chapter 2 offers a concise Project Description, with two tailored summaries: one for formal reports (2.1) and another for public communications (2.2). These standardized descriptions ensure consistency in how the LEAD Project is presented to different audiences, from government partners to community stakeholders. By clearly articulating the project's objectives, scope, and expected outcomes.

5. Chapter 3, in the main part of the manual, and it details Project Management principles and operational procedures. It begins with the governance structures (3.1–3.5), clarifying the roles of key actors and the agreements that bind them. Subsequent sections cover critical operational areas, including social and environmental safeguards, targeting and social inclusion, procurement and financial management. Additional subsections address human resource needs of the project for its various components, monitoring and evaluation (M&E), risk management, and knowledge management strategies, ensuring a holistic and compliant approach to implementation.

6. Chapter 4 contains a Detailed Project Implementation Plan, outlining the sequencing of activities by component (4.2) and steps for project closure (4.3). This chapter serves as a roadmap, ensuring coordinated execution while allowing flexibility for adaptive management.

7. The project framework is supported by a set of appendices, which include essential tools such as a Logical Framework, 1st year Work Plan and Budget and a draft 18-month Procurement Plan (draft), terms of reference for all key staff, implementation agreements.

1.3. Revisions log

Section Changed	Description of Changes	Justification of Change requested	Approval by Government	Approval by IFAD

Chapter 2: Project Description

2.1 For use in reports

8. The IFAD co-financed project titled Linking Enterprises, Agriculture and Development for Green Growth (LEAD) aims to improve rural livelihoods and transform smallholder agriculture in southern Lao PDR through development of inclusive, climate-resilient value chains. The project will be implemented over a seven-year period with a total project cost of USD 20.795 million, including USD 17.59 million IFAD financing through a performance-based allocation loan, USD 2.52 million from Government of Lao PDR and approximately USD 0.685 million in target group participation. The two main implementing agencies will be the Ministry of Agriculture and Environment (MAE) as lead agency and the Ministry of Industry and Commerce (MOIC) as co-implementing agency.

9. The Theory of Change of the project is anchored in the premise that smallholder farmers, Agriculture Producer Groups (APGs) and cooperatives will enhance climate-resilient production through climate-smart agriculture and irrigation while simultaneously strengthening their business skills, financial literacy, and organizational capacity. This will help them access markets through Multi-Stakeholder Platforms, infrastructure investments, and MSE linkages while transitioning from grants to commercial credit through blended financing mechanisms. Poorest households will build capacity through targeted livelihood packages and progressively integrate into value chains as suppliers or service providers. Enabling policy frameworks will support cooperative development and agricultural commercialization. Through these mutually reinforcing pathways, commercially viable cooperatives will secure reliable market access and income, while vulnerable households transition from subsistence to market-oriented activities with improved nutrition, ultimately reducing rural poverty, improving incomes, food safety and security, and enhancing climate resilience in

Savannakhet and Khammouane in alignment with the National Green Growth Strategy.

10. The project adopts a market-driven, climate-resilient approach, working through Agriculture Producer Groups (APGs) and cooperatives in close collaboration with Multi-Stakeholder Platforms and local governments to develop inclusive value chains and implement climate-smart agriculture. The project strengthens agricultural value chains by improving productivity, market access, financial inclusion, and policy frameworks while prioritizing women, youth, vulnerable households, and climate adaptation. This will be achieved through participatory Production Resilience and Improvement Plans (PRIPs) at the APG level, establishment of Multi-Stakeholder Platforms for value chain coordination, investments in climate-resilient infrastructure including irrigation rehabilitation, support to cooperatives and MSEs for value addition through business development, access to finance via blended financing mechanisms, and policy support for cooperative development.

11. Goal: Contribute to the reduction of rural poverty and improving the income, food safety and security of smallholder farmers and rural producer households.

12. Development Objective: Promote inclusive agricultural and food value chains for national and export markets and enhance climate resilience in smallholder farming systems in Savannakhet and Khammouane provinces.

13. Key Outcomes: (i) Inclusive and commercially viable value chains are strengthened, enabling smallholders and VC actors to access markets, infrastructure, as well as business development and financial services; (ii) Enhanced climate and market shock resilience of smallholders' farming systems and improved food security and safety for food insecure households.

Component 1: Development of Inclusive Value Chains

Sub-component 1.1: Market Access Facilitation

- Develop Value Chain Investment Plans (VCIPs) for priority commodities.
- Establish and operationalize inclusive Multi-Stakeholder Platforms.
- Deploy digital platforms for value chain transparency and market intelligence.
- Construct strategic market infrastructure.

Sub-component 1.2: Enterprise Development and Financial Inclusion

- Strengthen business development skills of cooperatives and MSEs.
- Support cooperatives and MSEs to access rural financial services.
- Strengthen quality management capacities including food safety standards, certification requirements, and export compliance.

Sub-component 1.3: Policy Engagement and Market Integration

- Enhance strategic policy dialogue and regulatory framework including food safety guidelines for smallholder compliance.

Component 2: Promotion of Climate-resilient Technologies and Diversification in Farming Systems

Sub-component 2.1: Climate Resilience and Productivity

- Enhance climate resilience and productivity of APG farming systems.
- Establish blended financing for APG investments.
- Rehabilitate off-farm irrigation systems.

Sub-component 2.2: Action Research and Scaling

- Test, validate, and scale climate-resilient agricultural innovations.

Sub-component 2.3: Vulnerable Households and PWD Support

- Improve and diversify livelihoods of poor households.
- Target persons with disabilities with livelihood support investments.

Impact:

- Direct beneficiaries: The project will benefit approximately 14,300 households, corresponding to an estimated 76,800 household members. The number of people directly receiving project services is estimated at about 28,000, of whom 50 per cent will be women, 50 per cent men, and around 10 per cent youth (aged 15–35).
- 34 cooperatives and 68 MSEs (primarily women and youth-led) strengthened with business skills and access to finance.
- 1,700 vulnerable households receiving livelihood packages and 4,600 households benefiting from nutrition training.
- 400 persons with disabilities receiving enhanced livelihood support and assistive devices.
- 20 irrigation schemes rehabilitated benefiting multiple APG clusters.
- Approximately 100 km of farm roads constructed improving market access for rural communities.

2.2 Summary description for use in brochures

14. The goal of LEAD is to contribute to the reduction of rural poverty and improving the income, food safety and security of smallholder farmers and rural producer households in the target provinces by supporting climate-resilient, diversified, and value-added agricultural production, aligned with the National Green Growth Strategy. The development objective is to promote inclusive agricultural and food value chains for national and export markets and enhance climate resilience in smallholder farming systems in Savannakhet and Khammouane provinces. LEAD will target women, youth, vulnerable households, and persons with disabilities through climate-resilient, market-oriented agricultural value chains. LEAD will directly benefit 14,308 households with 80,125 members across around 15 districts in two provinces: Savannakhet and Khammouane. The project will be implemented over a seven-year period at a total project cost of USD 20.795 million, USD 17.59 million IFAD financing through a performance-based allocation loan, USD 2.52 million from Government of Lao PDR and approximately USD 0.685 million in target group participation. The two lead implementing agencies will be the Ministry of Agriculture and Environment (MAE) as lead agency and the Ministry of Industry and Commerce (MOIC) as co-implementing agency.

15. Lead Implementing agency contact details for additional information: Ministry of Agriculture and Environment

Chapter 3: Project Management

3.1 Management principles

16. The core principles that will be adopted in the implementation of LEAD project build on the approach that IFAD has used in the country in its projects in Lao PDR which are anchored in a participatory and inclusive approach at the local level, sustainable natural resource management and building local ownership and capacity for effective implementation and post-project sustainability. LEAD will integrate an exit strategy in the design of each intervention for a handover of responsibility to local communities, cooperatives, local governments or private entrepreneurs and MSEs. In addition, LEAD will incorporate principles that will promote the market-led and value chain orientation of the project through establishing links with the private sector and financial institutions by emphasizing the mutual benefits that will accrue to all partners. The core principle of a market-led and value chain-integrated approach is to align agricultural production with market demand, ensuring that smallholder farmers and other actors in the chain maximize profitability, efficiency, and sustainability. LEAD will promote inclusion of women, youth, and persons with disabilities as an integral part of all activities based on the principles of equity and empowerment. This approach ensures that marginalized groups actively participate in and benefit from economic opportunities, decision-making, and skill-building, leading to more inclusive and impactful outcomes. Given the emphasis of LEAD on the use of innovation and digital technologies for value chain transparency, market intelligence, and financial services, adaptive and learning-based management will be a key principle adopted by LEAD. As LEAD will undertake close coordination between several government implementing agencies (MAE and MOIC), development partners and co-financiers, contracted service providers for facilitation at the provincial and district levels, financial institutions and civil society organizations, clear roles and responsibilities and coordination mechanisms will be a fundamental management principle. LEAD is being implemented alongside other interventions in the agriculture sector such as IFAD's Agriculture for Nutrition Project (AFN-II) and Partnerships for Irrigation and Commercialization of Smallholder Agriculture Project (PICSA). LEAD will build synergies to leverage resources of these and other investments by development partners (ADB, WB...) as relevant.

17. Thus, the core principles that LEAD will adhere to will include (i) participatory planning and implementation; (ii) sustainable resource management; (iii) capacity building and ownership; (iv) sustainability; (v) market-led value chain integration; (vi) equity and empowerment; (vii) adaptive and learning-based management; (viii) clear governance and coordination mechanisms; (ix) alignment with government plans and strategies; (x) building synergies and leveraging resources with other partners. Some of the underlying aspects of these principles are outlined below.

(i) Participatory & Inclusive Approach

- Community Engagement: Involve local communities (APG members, farmers, women, youth, persons with disabilities) in planning, decision-making, implementation and operation and maintenance.

- Stakeholder Collaboration: Ensure cooperation between government agencies (MAE, MOIC), civil society organizations, private sector, and local leaders through Multi-Stakeholder Platforms.
- Gender, Youth & Social Inclusion: Prioritize the participation of women, youth and marginalized groups in training, leadership, and benefits with mandatory representation quotas in governance structures.

(ii) Sustainable Resource Management

- Climate-Smart Agricultural Practices: Promote climate-adapted varieties, integrated pest management, soil conservation, agroecology, water-saving irrigation, and diversified production systems.
- Natural Resource Governance: Strengthen community-based watershed management plans and Water User Groups to prevent degradation and ensure sustainable irrigation management.
- Promote participation of local communities and water users in irrigation and natural resource management.

(iii) Capacity Building & Ownership

- Training & Skill Development: Provide technical training on climate-smart agriculture, financial literacy, business planning, and quality management for cooperatives and MSEs.
- Build expertise at the local level through lead farmer networks and farmer-to-farmer learning.
- Leadership Development: Empower cooperative leaders and APG representatives to sustain initiatives beyond the project.

(iv) Sustainability

- Exit strategies will be built into design of all interventions.
- Technical, economic, environmental and social appraisal of all investments.
- Identify and agree on operation and maintenance arrangements for all investments (irrigation schemes, farm roads, private infrastructure).

(v) Market-Led & Value Chain Integration

- Investments should be market-led based on demand identified through Value Chain Investment Plans and Multi-Stakeholder Platforms.
- Link Producers to Markets: Strengthen cooperatives for collective marketing and establish linkages with MSEs, traders, and processors.
- Support MSEs: Provide business development services and blended financing for MSEs in processing, aggregation, and value addition.
- Public-Private Partnerships: Engage processors, traders, and financial institutions to invest in rural value chains through Multi-Stakeholder Platforms.

(vi) Equity and Empowerment

- Ensure women and youth have equal access to resources, decision-making, and leadership roles with mandatory quotas (30% women, 10% youth in MSP governance).
- Have special provisions for vulnerable households and persons with disabilities through targeted livelihood packages.
- Provide dedicated support for women and youth-led MSEs (68 MSEs primarily women and youth).

- Design rules to prevent elite capture (transparent APG and cooperative selection, public posting of beneficiary lists, rotation of leadership roles).
- Have strong community feedback and grievance redress mechanisms in place.

(vii) Adaptive & Learning-Based Management

- Flexible Implementation: Allow adjustments based on local needs, climate challenges, market shifts, and results from the field through annual VCIP reviews and adaptive management.
- Continuous Monitoring & Evaluation (M&E): Use feedback from technical specialists, Multi-Stakeholder Platforms, APG clusters, and market actors to improve interventions.
- Knowledge Sharing: Document best practices and lessons learned to refine policy and project approaches through knowledge management systems.

(viii) Clear Governance & Coordination Mechanisms

- Inter-Agency Coordination: Establish a Project Steering Committee with representatives from MAE, MOIC, provincial authorities, and other stakeholders to align objectives and avoid duplication.
- Clear Allocation of Roles & Responsibilities: Define roles, responsibilities, and accountability mechanisms for implementing agencies, cooperatives, and communities with well-defined Terms of Reference and Memoranda of Understanding for guidance.
- Regular coordination meetings with implementing agencies, Multi-Stakeholder Platforms, and service providers to identify bottlenecks and identify way forward.

(ix) Alignment with Government Plans and Strategies

- Ensure full alignment with national policies including the National Green Growth Strategy, the 10th National Socio-Economic Development Plan, and Government Decrees 536 and 606 on cooperative development.
- Integrate LEAD interventions into provincial and district development plans ensuring coherence with government priorities and securing commitment for post-project sustainability.
- Support implementation of government policy frameworks through development of practical guidelines for food safety compliance, export certification, and cooperative governance.
- Contribute to achievement of national targets for poverty reduction, agricultural commercialization, climate adaptation, and rural transformation.

(x) Building synergies and leveraging resources

- Secure commitment from local governments on ongoing budgetary and operational support for project investments (farm roads, irrigation schemes).
- Exchange experience with ongoing IFAD projects such as AFN-II and PICSA to build on synergies and lessons learned.
- Establish parallel financing arrangements with the Asian Development Bank (ADB) for complementary investments in agricultural value chains and rural infrastructure.

- Explore potential parallel financing opportunities with the World Bank, whose projects are operating within Savannakhet and Khammouane provinces, to maximize development impact and avoid duplication.
- Build strong collaborative arrangements with other development partners such as FAO and WFP in a manner that enables building synergies and leveraging resources.

3.2 Project preparation and start-up

18. The Project Design Report and the PIM outline steps to facilitate project preparation and start-up to ensure that the implementing agencies undertake all key actions for a timely start, avoiding delays beyond the 18-month period which can trigger the cancellation rule (from approval to Entry into Force (EIF) and from EIF to first disbursement). This section outlines all steps to be taken by the Government of Lao PDR and implementing agencies to take the project from near-final design, through project effectiveness, up to successful start-up, including actions to process implementation readiness within the country system underpinned by a timetable for project preparation and start-up.

19. The start-up plan addresses lessons from IFAD projects in Lao PDR which have experienced slow start-ups due to delays in approvals, establishing systems for project implementation, financial management and procurement, staff recruitment, engagement of service providers, and selection of target districts.

20. Start-up plan: LEAD's start-up activities include: (i) establishing and recruiting the project's technical team at national and provincial levels; (ii) developing a detailed M&E manual, accounting software and MIS system; (iii) procurement of goods and services required for project start-up; (iv) finalization of target districts under LEAD.

21. Implementation Arrangements: The Ministry of Agriculture and Environment (MAE) will serve as lead agency with overall responsibility for project coordination, with the Ministry of Industry and Commerce (MOIC) as co-implementing agency. The Project Management Unit (PMU) will be established under MAE for overall project management. MAE will be responsible for implementation of Component 2 including work with NAFRI, PAEO, DAEO, and service providers for production support, irrigation rehabilitation, and vulnerable household assistance. MOIC will be responsible for implementation of Component 1 including value chain analysis, Multi-Stakeholder Platform establishment, market infrastructure, and support to cooperatives and MSEs. A range of service providers including value chain specialists, business development service providers, civil society organizations, financial institutions, and technical specialists will assist in implementation.

Summary of Assigned Responsibilities

Entity	Assigned Responsibilities
MAE	Lead agency, Component 2 (all sub-components), project management coordination, PMU hosting
MOIC	Co-implementing agency, Component 1 (all sub-components)
PAEO	Provincial coordination, implementation oversight in Savannakhet and Khammouane

Entity	Assigned Responsibilities
DAEO	District-level implementation, extension services, community facilitation
PSC	Cross-agency coordination, AWPB approval, policy guidance

22. Inception workshops: Project implementation will start with national inception workshop organized and conducted by the PMU with MAE and MOIC leadership and technical staff from IFAD. The inception workshop will present: (i) the project's objectives and development objective; (ii) the investment strategy and Theory of Change; (iii) description of project components, sub-components, and activities; and (iv) implementation arrangements, financing modalities and M&E arrangements. All key project staff, technical specialists, selected service providers, PAEO and DAEO representatives from target provinces and districts, APG and cooperative representatives, development partners such as ADB, World Bank, FAO, WFP, the PSC, and CSOs and private sector representatives will participate. Key documents for discussion will be the Project Design Report (PDR), the PIM and the first AWPB. At the end of the workshop, a report will be prepared highlighting conclusions, issues and recommendations.

23. Annual Work Plan and Budget Preparation: As per good practice and IFAD standard requirement, the project will be implemented based on detailed Annual Work Plans and Budget (AWPB). The PMU, in coordination with MAE and MOIC, will lead AWPB preparation with active participation from PAEO and DAEO. The AWPB will include: (i) details of activities by component, sub-component and intervention areas with quarterly action plans; (ii) a statement of budget allocation by component, sub-component and intervention areas; (iii) a summarized disbursement schedule by quarter. It will also include plans for capacity building, technical support, knowledge management, communication events, and participatory monitoring. The AWPB will be prepared using standard budget forms and submitted to the PSC for review and endorsement no later than mid-October of each year. The PSC-approved draft AWPB will be submitted by the end of October to IFAD for comments. The final AWPB should be submitted to IFAD for no-objection by the end of the year.

Actions to be undertaken for Project Preparation and Start-Up

Type	Action	Agency	Timeline
Financing Agreement	First Draft	IFAD	Following design completion
	Review	Government of Lao PDR/Ministry of Finance	Within 2 weeks of receipt
	Signature & Ratification	IFAD/Ministry of Finance	Within 3 months of approval
Implementation Arrangements	Establishing Project Steering Committee and issuing notification	MAE with support of PMU Director	Within 1 month of EIF

Type	Action	Agency	Timeline
	Staff Recruitment (PMU core team)	PMU, MAE, MOIC	Within 3 months of EIF
	Recruitment of Technical Specialists	PMU	Within 6 months of EIF
	Competitive Recruitment of Service Providers for value chain development, business development, community facilitation	PMU, MOIC, MAE	Within 6 months of EIF
	Establishing Provincial Implementation Support at PAEO level	PMU, PAEO	Within 3 months of EIF
Inception Workshop at National level	Preparation of first AWPB	PMU, MAE, MOIC, PAEO	Within 6 months of EIF
	Procurement readiness	PMU	Within 6 months of EIF
	M&E System establishment	PMU M&E Specialist	Within 6 months of EIF
	National Inception Workshop	PMU, MAE, MOIC	Within 6-9 months of EIF

3.3. Social, Environmental and Climate Assessment Procedures

24. The Environment, Social and Climate Management Framework (ESCMF), Free, Prior and Informed Consent Implementation Plan, Stakeholder Engagement Plan (SEP) are integrated and detailed in the Project Design Report. ESCMF sets out guidance and procedure that PMU will follow during project implementation to prepare site-specific ESCMP for infrastructure projects (e.g., rehabilitation of farm roads, irrigation canals, construction of post-harvest facilities...). In particular, it is important to note:

Stakeholder Engagement Plan

25. The Stakeholder Engagement Plan (SEP) is an umbrella document that guide how to identify affected project stakeholders (including vulnerable/disadvantaged groups) and ensure affected project stakeholders are engaged in reiterative consultation process on project activities that affect them: both positively and adversely. The purpose of the SEP is to ensure what and how information will be disseminated to affected stakeholders to ensure they understand and provide meaningful feedback that can be incorporated into project design and ways project activities are planned, implemented, monitored and evaluated.

Free, Prior and Informed Consent Implementation Plan

26. The PFIC Implementation Plan is used in the following scenarios:

- When the LEAD project is likely to have an impact on the land access and use rights of rural communities
- When the LEAD project is targeting rural areas that are home to Ethnic Groups in two project provinces.

27. The FPIC Implementation Plan is an extended part of the SEP to focus on the FPIC as required by IFAD for the LEAD project.

Environment, Social and Climate Management Framework.

28. The Environment, Social and Climate Management Framework (ESCMF) is an important document that initially identified the ESC risks and potential impacts – based on activities initially proposed/planned during project design. It is important to note that during project implementation, once project activities are detailed and firmed up, the ESC risks and potential impacts initially identified during project design need to be revisited vis-a-vis final project activities for its validity. Where necessary, new risks and impacts (identified based on final project activities) need to be added to the ESCMP to be prepared for infrastructure subproject (also known as site-specific ESMMP).

29. PMU is required to submit the first version of site-specific ESMMP for each type of infrastructure (rehabilitation of farm roads, irrigation canals, construction of post-harvest facilities) to IFAD for prior review and for support in quality enhancement. This prior review is conducted as part of IFAD's commitment to developing ESC capacity for PMU (during project implementation) and to ensure ESC risk and impacts are adequately identified, assessed, and appropriate measures are proposed to avoid, minimize, or mitigate the impacts.

30. Responsibility of Project Management Unit (at Ministry of Agriculture and Environment). The Project Management Unit (PMU) holds primary responsibility for effective implementation of the SEP, FPIFC Implementation Plan, and ESCMF, and maintain periodic oversight and support for ensure compliance with SECAP requirement oversight.

31. The PMU (with the support of SECAP Specialist) is responsible for:

- a. Ensuring site-specific Environment, Social and Climate Management Plans are prepared for all sub-projects prior to implementation approval;
- b. Obtaining necessary clearances in accordance with Lao PDR's national environmental legislation – for instance in cases where infrastructure subprojects requires preparation of Initial Environmental Examination (IEE), or Environmental Impact Assessment (EIA), need to be prepared - as per current regulations (Decision No. 0358/MONRE, dated 24/02/2023);
- c. Submitting site-specific ESCMPs to IFAD for review and no-objection prior to commencement of relevant activities as defined in IFAD's SECAP;
- d. Coordinating with implementing agencies (MAE, MOIC, PAEO, DAEO) to ensure contractors, service providers, cooperatives adopt ESC management in accordance with approved site-specific ESCMPs;

- e. Conducting regular supervision missions and site inspections to verify ESCMP implementation results and safeguards compliance; and
- f. Preparing quarterly and annual environmental, social and climate due diligence reports for submission to IFAD documenting safeguards performance, number and types of grievances received and resolved, any environmental, social or climate-related incidents or non-compliances identified, and corrective actions taken. The implementing agencies (MAE and MOIC (for Component 2) through PAEO and DAEO are responsible for day-to-day ESCMP implementation at field level, including direct supervision of contractors, service providers, cooperatives, with technical support and oversight provided by the PMU SECAP Specialist.

3.4. Targeting and Social Inclusion

Targeting objectives and principles

32. Targeting under the Project aims to ensure that project benefits reach those rural households and groups most likely to contribute to, and benefit from, inclusive and climate-resilient agricultural growth, while prioritizing poor and vulnerable populations and is designed to balance poverty outreach with market orientation and sustainability.

33. The core principles that LEAD will adhere to will include (i) participatory planning and implementation; (ii) sustainable resource management; (iii) capacity building and ownership; (iv) sustainability; (v) market-led value chain integration; (vi) equity and empowerment; (vii) adaptive and learning-based management; (viii) clear governance and coordination mechanisms; (ix) alignment with government plans and strategies; (x) building synergies and leveraging resources with other partners. Some of the underlying aspects of these principles are outlined below.

34. The Project applies a differentiated and layered targeting approach, recognizing heterogeneity among rural households and producer groups, and addressing intersecting vulnerabilities related to gender, age, disability, ethnicity, food insecurity, and exposure to climate risks.

Geographic targeting

35. LEAD will be implemented in the central provinces of Savannakhet and Khammouane, which form the Lao section of the Greater Mekong Subregion's East–West Economic Corridor (EWEC). The selection was based on the key criteria outlined below (Points 1-6), as well as on Government demand to extend IFAD interventions to the southern provinces.

The selection of the districts, villages, number of households within these provinces will be finalized at the start-up phase using the advanced targeting tool and matrix developed by IFAD Lao PDR Country Team and AFN II and PICS projects. In addition to the criteria mentioned above, the project will consider points 7-10. Each criterion will be assigned a weighted score, ensuring a transparent, evidence-based, and prioritized selection process.

S. No.	Key Selection Criteria	Rationale

1.	Agricultural Potential	Concentration of smallholder farmers and APGs with commercialization potential; strong production base with diverse value chain opportunities (means XX number of smallholder farmers/APGs and XX production value). Sub-categorized into high potential, medium potential, and low potential with each category assigned a value.
2.	Poverty level	Potential to benefit poor households within target districts. According to the Government's Decree No. 348, dated 16 November 2017, regarding the criteria for Poverty Graduation and Development, villages are classified as either poor or non-poor. Non-poor villages meet the following eight criteria: (i) The village has, or is accessible to, a lower or secondary school. (ii) The village has, or is accessible to, a health centre or healthcare services. (iii) The village has water resources. (iv) The village has all-weather road access. (v) The village has access to telecommunication and transportation. (vi) The village has, or is accessible to, trade and exchange commodities or a market. (vii) The village has an electricity system. (viii) At least 70% of households in the village have a well-being status above the poverty line. Poor villages are those that do not meet, or meet fewer than, these eight criteria above. Note - In case none of the districts have poor villages, an additional targeting layer of poor households will be added. Non-poor household: Household meet the following six criteria: (i) household that has durable and safe housing; (ii) Having necessary assets and household amenities for livelihood; (iii) Having workforce with productive job or sustained income; (iv) household members have a schooling age to attain secondary level of education; (v) Having clean water and sustainable energy; (vi) Accessing to primary public service. Poor household: Households are those that do not meet, or meet fewer than, these six criteria above, but don't meet all three criteria: criteria (i) to (iii) at the same time

3.	Market Access	Strategic location along the EWEC enabling cross-border trade, logistics, and value chain integration (e.g. Thailand, Vietnam); opportunities for value chain clustering and market integration
4.	Institutional Capacity	Existing government infrastructure and institutional capacity at provincial and district levels
5.	Climate Vulnerability	High exposure to climate change impacts, particularly flooding and erratic rainfall patterns, necessitating climate-resilient interventions
6.	Infrastructure	Transport corridor and road connectivity enabling market linkages and efficient project oversight
7.	Presence of youth	The percentage of youth people aged between 15 and 35 years old. A specific % per total village population will be finalized based on village population data/census (2025).
8.	Presence of persons with disabilities	Presence of persons with disabilities in households, villages, and districts. Definition of persons with disabilities to be based on the Law on Disabled Persons (Law No. 57/NA, 2018)
9.	Food and nutrition insecurity	Classification of villages done by district based on the latest MoH data on child underweight (2025, DOH and MOH)
10.	UXO clearance	Selection of only villages that are currently UXO cleared (* not to consider villages to be cleared in 3 years)

36. The Project will include poor villages and households, as well as households experiencing deprivation in other dimensions, including food and nutrition insecurity. Particular attention will be paid to intersectionality, ensuring the effective inclusion of groups facing compounded vulnerabilities, notably women, youth, ethnic groups, and persons with disabilities. Targeting will follow the Government's categorization of poor households under Decree No. 348/GOL (2017) and will ensure consistency with approaches applied under PICSA and AFN II, including the geographic phased approach.

Alignment with national systems

37. The age group for youth for this project is 15-35 years in accordance with the Lao Youth and Adolescent Development Strategy 2021–2030, the Law on Government (No. 04/NA, dated 8 November 2016), and the Law on the Lao People's Revolutionary Youth Organization (No. 15/NA, dated 3 May 2017).

38. For the purposes of the Project, persons with disabilities will be defined in accordance with the Law on Disabled Persons (Law No. 57/NA, 2018), which replaced Decree No. 137 (2014) and aligns national legislation with the UN

Convention on the Rights of Persons with Disabilities (CRPD). The Law defines persons with disabilities as individuals with physical, visual, hearing, speaking, intellectual, or cognitive impairments, as well as other barriers that hinder full and effective participation in daily, learning, and social activities, recognizing both environmental and social obstacles. Provincial/district level disaggregated data of department of disability (MoLSW) will be utilised for effective targeting.

39. The Decree on Criteria for Poverty Graduation and Development No. 348/GOL, dated 16 November 2017, establishes the national framework for defining and monitoring poverty graduation at household, village, and district levels. The table below summarizes the key criteria under each classification and provides the basis for aligning project targeting, monitoring, and reporting with Government systems.

Level	Graduation / Classification Criteria
Family (Article 4)	1. Safe and durable housing 2. Assets and equipment for livelihoods and income generation 3. Labour with stable employment or sustained income 4. School-age members attain at least lower secondary education 5. Access to clean water and stable energy sources 6. Access to primary public health services
Non-poor household	Household meets all six family graduation criteria (housing; assets; employment/income; education; water/energy; access to primary public services)
Poor household	Household does not meet all six family criteria, and in particular fails to meet all three core criteria (housing, assets, employment/income) simultaneously
Village (Article 5)	1. Access to primary or lower secondary school 2. Access to health centre or primary health care services 3. Access to clean water source 4. All-year road access 5. Access to communication and transportation services 6. Access to markets for buying/selling/exchanging products 7. Access to electricity from national grid 8. $\geq 70\%$ of village households have graduated from poverty
District (Article 6)	1. Secondary school available in district 2. District hospital or access to provincial/central hospitals 3. Urban centre has community or piped water system 4. Urban centre has implemented urban plan 5. All-year road access connecting all villages 6. Telecommunication, transportation and information systems 7. Regular market for buying and selling products 8. Natural resources and environment managed and protected 9. $\geq 70\%$ of villages in district have graduated from poverty

Outreach

40. The number of people directly receiving project services will be 28,034. Out of this, 50% will be women (14,017), 50% will be men (14,017) and 10% will be youth (2,803). The project will benefit 14,308 households with 80,125 household

members. Fifty percent of the beneficiaries will be women (40,062) and 10% will be youth (8,012), aged 15-35 years. One person from each household will be a direct beneficiary. The Table below presents estimated project beneficiaries in Savannakhet and Khammouane. Table xx presents beneficiaries by components and activities.

Province	Total Population (2025 Census)	Total HH	Poor HH (with %)	Target HHs ^[1]	Persons with Disabilities	Target Persons ^[2]	Target Women (50 %)	Target Youth (10 %)
Khammouane	460,241	92,034	5,740 (29%)	4,120	28	23,072	11,536	2,307
Savannakhet	1,136,860	174,856	27,061 (18%)	10,188	4,695	570,523	28,526	5,705
Total (Initial Phase)	1,597,101	266,890	32,801	14,308	4,723	80,125	40,062	8,012

Components	Sub-components	Activities	HH	HH removing double counting
Component 1: Development of inclusive VC	SC 1.1 Market access facilitation	Rehabilitation of roads	3000	600
		Identify investment gaps with the MSP and development of the CIPs at province level (4-6 per province)	300	0
	SC 1.2 Enterprise development and financial inclusion	Coop: Financial and business literacy and organisational governance training and development of BP and loan application (1 per district, 25% of members trained)	1190	1190
		MSE: Financial and business literacy training and development of BP and loan application (1 per district, 2 per MSE trained)	136	136
		Financing Coop	3332	2142
		Financing MSE (women and youth)	95	0
		Business development services (TA)	928	0

		Training in food safety practices and standards (TA)	2751	0
		Training on digital multistakeholder platforms and tools	100	0
Component 2: Promotion of climate resilient farming systems	SC 2.1 Improving climate resilience and primary production of APGs	Training of APG clusters and development of PRIPs (2 clusters per district)	3808	3808
		Financing of individual APG participating in clusters with (PRIP)	1666	0
		Financing of clusters/coop. (PRIP)	1666	0
		Business Development Services (TA)	833	0
		Training of farmers in agroecology and GAP (TA)	2666	0
		Capacity building in community flood risk management and farmers access and use of LACSA	7616	0
		Training of WUG (TA)	800	100
		Rehabilitation of off-farm irrigation infrastructure	800	0
	SC 2.2 Action research and scaling of successful farming innovations	Testing with APGs and scaling resilient technologies and farming diversification models already introduced in Laos	315	63
		Testing with APGs and scaling resilient technologies and farming diversification models transferred from neighbouring countries via SSTC	245	49
	SC 2.3 Livelihood improvement for vulnerable households	Technical assistance for design of livelihood investment plans and accompanying the implementation (SP) (150 per district)	1700	1700
		Livelihood investment packages (100 per district)	1700	0

	Skills training for persons with disabilities	600	600
	Livelihood investment packages for persons with disabilities	400	0
	Nutrition training	4600	920
	Community water supply (multiple use: HH, livestock, home gardens)	10000	3000
	Total Household receiving services from the project		14,308
	Total people receiving services from the project		28,034
	Total people in the households receiving services		80,125

Target groups and strategy

41. The Project will directly and indirectly benefit the following target groups through a differentiated and inclusive strategy:

Farmer groups (APGs, associations, cooperatives, and MSEs)

42. LEAD will work with existing Agriculture Producer Groups (APGs), associations, and cooperatives, in line with National Decree No. 536/GOV on Associations and Decree No. 606 on Groups and Unions, that seek to transition from semi-commercial to commercial operations and graduate to higher levels of market integration in accordance with Government technical guidelines for APG graduation.

43. New target households will join existing APGs or organise themselves into new producer groups or micro and small enterprises (MSEs). Each APG will typically comprise 40–50 members. The Project will strengthen the capacity of APGs and MSEs through financial, economic, and business literacy (FEBL) training, development of bankable business plans, and ongoing business development services.

44. Inclusive, commodity-specific Multi-Stakeholder Platforms (MSPs) and Value Chain Investment Plans (VCIPs) will facilitate market integration and coordination. Strategic market infrastructure investments will enhance climate resilience, while access to rural financial services will be supported through blended finance and risk-sharing mechanisms, particularly for first-time borrowers.

Women and youth

Women's and youth engagement is embedded throughout project design and implementation. Women and youth will be prioritised in value chain selection, MSE investments, and FEBL training, ensuring equitable access to income-generating opportunities.

45. Governance quotas—at least 30% eligible women and 10% eligible youth—will apply across APGs and Water User Groups (WUGs), strengthening leadership and decision-making roles. Representation through MSPs at district, provincial, and national levels (including the Lao Women's Union, Lao Youth Union, and MoSLW) will ensure that women's and youth perspectives inform operational planning and policy dialogue.

46. Drudgery-reducing technologies and gender-responsive climate assessments will support women's wellbeing, reduce workload burdens, and enable fuller participation in economic activities.

Poor and vulnerable households

47. Poor and vulnerable households will be identified through participatory and transparent targeting processes, prioritising food-insecure households, female-headed households, ethnic minority households, households of persons with disabilities, and land-constrained families facing barriers to participation in market-oriented APG clusters.

48. District authorities will conduct initial screening using vulnerability indicators, followed by validation by service providers through participatory rural appraisal and village-level consultations involving community representatives, village authorities, and CSOs. Selected households will undergo needs assessments and receive customised livelihood investment packages (approximately 1,700 packages across target districts in the two provinces), with an indicative value of up to USD 500 per household, complemented by in-kind contributions to promote ownership and sustainability.

Nutrition

49. The Project will improve nutritional outcomes through integrated production and income pathways, using the advanced targeting tool to prioritise food-insecure households and districts. Key entry points include:

- i. Agrobiodiversity and safe food production (Outputs 1.1.1; 1.1.3; 2.3.1): nutrition-sensitive value chain selection; promotion of diversified, nutrient-rich foods; climate-resilient practices; financing of nutrition-sensitive PRIPs (e.g. organic input production); and expansion of community water supply systems to ensure safe water for production and household use.
- ii. Post-harvest value addition, trade, and marketing (Outputs 1.1.3; 2.1.1; 2.1.2; 2.2.1): application of a nutrition-sensitive lens across the value chain, including food safety (GAP), processing, reducing food and nutrient losses, watershed and soil conservation, agroforestry, and crop–livestock integration; testing and scaling of climate- and nutrition-enhancing technologies; and dissemination of nutrition information through farmer-to-farmer learning tools.
- iii. Income growth with nutrition education (Output 2.3.1): integrated nutrition training for approximately 4,600 households, covering maternal and child nutrition, dietary diversity, food safety and hygiene, nutrition-sensitive production, and simple food preservation techniques alongside systematic monitoring of nutrition indicators to ensure that higher incomes and better knowledge translate into healthier diets.

Persons with disabilities

50. The project will follow a twin track approach. It will include actions to improve accessibility of the services promoted or supported by the project (for example in climate resilience assessments, capturing of disability specific constraints at the district level under MSPs, capturing best practices at national level MSPs, social inclusion scoring in PRIPs, disability inclusion awareness under APGs ongoing trainings).

51. Targeted interventions—particularly under Component 2, Output 2.3.2—will provide skills training and tailored livelihood support to persons with disabilities. Community consultations will be conducted in a way that facilitates the full participation of persons with disabilities keeping in mind accessibility/reasonable accommodation. Outreach will be disaggregated by disability in the logframe and measured at baseline, mid-term, and completion. The Project will also establish an inclusive and accessible Grievance Redress Mechanism (GRM) and provide disability inclusion training to project staff. Disability-related responsibilities will be reflected in the ToR of the Nutrition and Inclusion Specialist at PMU level.

Ethnic Groups

52. The Project will meaningfully engage ethnic groups through inclusive targeting and culturally appropriate implementation approaches. APG assessments and PRIP reviews will apply social inclusion and outreach criteria to ensure that investments benefit ethnic groups alongside other vulnerable populations.

53. MSPs at district and national levels will systematically capture issues specific to ethnic communities, while WUG governance arrangements will ensure equitable access to water and hygiene services. Climate assessments integrated into PRIPs will analyse differential impacts on ethnic groups and draw on traditional and Indigenous knowledge for adaptive management. Where ethnic communities are present, they will be explicitly included in APGs to strengthen participation and value chain integration.

Targeting methods

54. The Project will apply a combination of direct and self-targeting mechanisms to reach its intended beneficiaries:

- Direct targeting will be used for poor and vulnerable households, including women, youth, persons with disabilities, ethnic groups, and food-insecure households. Identification will rely on community-based selection, poverty and vulnerability indicators, participatory rural appraisal, and participation quotas embedded in project design (e.g. minimum representation in groups and training activities).
- Self-targeting will apply to semi-commercial and commercial farmer groups, cooperatives, and micro and small enterprises (MSEs) that voluntarily opt into market-oriented activities and meet defined eligibility criteria, enabling motivated and capable actors to participate, particularly in areas with higher commercial potential.

55. District authorities, in collaboration with village administrations, CSOs, and OPDs, will lead the initial screening of beneficiaries. Service providers will validate target group selection to ensure transparency, inclusiveness, and consistency with project criteria.

Monitoring, accountability, and learning

56. Targeting and gender outcomes will be monitored through:

- Disaggregated MIS and logframe indicators;
- Periodic surveys and supervision missions;
- Participatory feedback mechanisms and an accessible GRM.
- Data collection tools including training attendance sheets, MSE profile and tracking template, APG profile and tracking template, IGA and nutrition training and tracking template etc.

Social inclusion strategy

57. The gender and social inclusion strategy supports the transformation of beneficiaries through a focus on three dimensions of empowerment: intrinsic (self-confidence and awareness), instrumental (access to resources and decision-making), and collective (group action and advocacy). Recognizing that progress in one dimension reinforces the others; the project adopts an integrated approach to empowerment.

58. To ensure an integrated approach across themes and activities, the table below consolidates actions and interventions for youth, nutrition, persons with disabilities, women, and ethnic groups into a single, comprehensive framework (social inclusion action plan). It presents both the key activities and their corresponding outputs, thereby avoiding compartmentalization and supporting coherent and coordinated implementation.

59. The social inclusion plan is not exhaustive and is intended to be a living document. It will be reviewed and refined during the start-up phase to reflect emerging discussions, issues, and decisions. At that stage, the plan will be further adapted by defining concrete targets for each activity, along with clear responsibilities, timelines, and indicative budget. The project should also undertake a detailed gender/social inclusion analysis at that stage.

Empowerment Dimension	Activities	Outputs
<i>Economic Empowerment</i>	Market-driven value chain selection applies weighted criteria for commercial viability, with <u>additional</u> scoring to prioritize women and youth engagement and nutritional value.	1.1.1
	MSE investments prioritise commercially viable enterprises, with targeted support to women- and youth-led businesses to facilitate their entry into profitable market segments.	1.2.1
	Participation quotas in FEBL ensure women (30%) and youth (10%) gain access to financial and business skills required for participation in commercially viable value chains.	1.2.1

	APG assessments consider current and potential outreach to poor households, women, youth, ethnic groups, and persons with disabilities to strengthen their integration into value chains.	2.1.1
	PRIP review and approval apply social inclusion scoring (current + potential) to incentivise investments benefiting women, youth, persons with disabilities, and ethnic groups.	2.1.1
	Tailored livelihood packages for persons with disabilities (up to USD 1,200) support income-generating activities. Skills training improves employability and job-market access for persons with disabilities.	2.3.2
<i>Voice, Leadership & Decision-Making</i>	MSP governance structures include LWU, LYU, and MoLSW.	1.1.2
	District MSPs capture issues specific to women, youth, ethnic groups, and persons with disabilities; national MSPs address thematically relevant policy matters (e.g. youth- access to finance and business formalisation)	1.1.2
	APG governance structures promote progressive participation targets for women (30%) and youth (10%), supported by capacity-building and mentoring, to strengthen their effective participation and leadership roles.	1.1.2
	MSP organizational and leadership development trainings incorporate inclusion principles focused on poor households, women, youth, and persons with disabilities.	1.1.2
	WUG governance structures promote progressive participation targets for women (30%) and youth (10%), supported by capacity-building, to strengthen their effective contribution to operation and maintenance (O&M) planning. Governance arrangements ensure equitable and culturally appropriate access to water and hygiene services for all users, including women, ethnic groups, persons with disabilities and vulnerable households.	2.1.2

	Youth are engaged in documenting and disseminating farmer-led innovations through e-learning videos, contributing to technology adaptation and uptake, with lessons shared at national MSP platforms to strengthen their skills, visibility and leadership.	2.2.1
	Women are encouraged to participate as lead farmers and in cross-cutting exchange visits (30% progressive participation target), with arrangements adapted to reduce participation barriers related to care responsibilities and mobility constraints.	2.2.1
<i>Equitable Workload, Drudgery Reduction and well being</i>	PRIP-supported investments include drudgery-reducing technologies such as drip/smart irrigation, accessible and gender-suitable equipment, and digital solutions. Attention paid to equipment that are suitable (mini-threshers ex) and needed by women to reduce workload burdens	2.1.1
	Climate assessments integrated in PRIPs apply an inclusion lens - gender, disability, elderly, children, ethnic groups - to capture the differential (if any) impact of climate related disasters on these groups and ensure resilience of vulnerable groups. It will draw on traditional and Indigenous knowledge for adaptive management.	2.1.1
	WUG planning records the specific needs and constraints of women to ensure equitable access to water services and reduce time burdens	2.1.2
	Testing and scaling of new technologies/innovations assess their impacts on persons with disabilities, women, ethnic groups and on nutritional outcomes, supporting broader wellbeing. Also considers opportunities to incorporate Indigenous practices	2.2.1
	Youth roles as first responders in climate early warning systems explored for community resilience and reducing risk-related stress and vulnerability	2.1.1
	Awareness-raising among APG clusters promotes disability inclusion and better integration of different vulnerable groups	2.3.2

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Development Pathways for Target Groups and Mainstreaming Themes

Target Group	Key Constraints (incl. SECAP & nutrition risks)	Targeting Methods	Project Entry Points	Intermediate Changes (Pathway Results)	Development Outcomes
Poor & food-insecure households	Low and unstable incomes; Food insecurity and poor dietary diversity; High exposure to climate shocks (floods, erratic rainfall); Limited assets and coping capacity; Lack of connectivity with APGs, cooperatives, markets	Direct targeting; PRA validation	Advanced targeting using poverty, food insecurity and vulnerability indicators; Tailored livelihood investment packages; Climate-resilient production support (PRIPs); Community water supply (multiple use); Integrated nutrition training	Increased and more stable production; Improved access to water for food production and household use; Improved nutrition knowledge and practices; Reduced sensitivity to climate shocks;	Increased household income; Improved food security and dietary diversity; Greater resilience to climate and economic shocks
Women	High unpaid work burden and drudgery; Limited access to finance and productive assets; Lower decision-making power; Disproportionate nutrition and care responsibilities	Direct targeting; quotas; prioritisation	Prioritisation in targeting, training and investments; FEBL and business development support; Governance quotas in APGs and WUGs; Drudgery reducing technologies and water access; Nutrition education (maternal,	Increased participation in income-generating activities; Reduced workload and time poverty; Enhanced decision making and leadership; Improved nutrition practices at household level	Women's economic empowerment; Stronger voice and agency; Improved household nutrition and wellbeing and drudgery reduction

			child, food safety)		
Youth (15–35 years)	Underemployment and limited rural opportunities; Skills mismatch and lack of capital; High migration; Limited engagement in enterprises	Direct targeting; quotas; prioritisation	Youth-sensitive targeting and quotas; Skills training and entrepreneurship support; Access to finance through blended mechanisms; Digital advisory services and innovation pilots	Improved employability and enterprise skills; Increased engagement in value chains; Diversification into higher-value and nutrition-relevant activities	Increased youth employment and incomes; Reduced distress migration; Stronger rural economic participation
APGs / Cooperatives	Semi-commercial status and weak market integration; Limited financial literacy and access to finance; Exposure to climate and market risks; Weak integration of nutrition considerations	Self-targeting with criteria	Graduation-oriented support to APGs VCIPs and MSP-based planning; Blended finance and risk-sharing mechanisms; Climate and nutrition-sensitive PRIPs;	Improved organisational, business and financial capacity; Stronger market linkages; Adoption of climate-resilient and nutrition-sensitive practices	Commercially viable, resilient, inclusive producer organisations; Sustainable market participation; Improved supply of diverse, safe foods
Persons with disabilities	Barriers to participation in agriculture and producer/farmer groups; accessibility issues; Limited skills and livelihood options; Higher poverty and food insecurity risks	Direct targeting; OPD engagement	Twin-track approach (mainstreaming + targeted support); Accessible consultations and training; Disability inclusive needs assessment; Skills training; tailored	Improved access to project services and groups; Enhanced skills and livelihood opportunities; Reduced exclusion and dependency	Improved income and autonomy; Enhanced social inclusion and wellbeing

			livelihood packages; Disability-sensitive GRM and monitoring; Disability inclusion awareness for APGs, staff		
Ethnic groups	Geographic isolation and market exclusion; Land constraints and climate vulnerability; Higher malnutrition risks in remote areas	Inclusive PRA; direct targeting	Inclusive geographic and household targeting; Inclusion in consultations of various ethno-linguistic groups; Inclusion in APGs and WUGs; Integration of traditional knowledge and systems; Nutrition-sensitive production and utilisation of indigenous foods (wild edibles, insects, as culturally appropriate)	Increased participation in value chains; Improved access to services and water; Better food availability and nutrition practices while preserving/utilising indigenous knowledge and systems.	Reduced poverty and vulnerability; Improved food security and nutrition; More equitable development outcomes

^[1] One person from each household will be directly benefitted through the agricultural producer group; the entire household benefits indirectly.

^[2] The estimated average household size of Khammouane is 5.2/hh and Savannakhet is 6.1/hh. The average is taken as 5.6 persons per hh as per the 2025 provincial census.

3.5. Procurement

60. Applicable regulations and procurement arrangements. Procurement using IFAD funds will follow the Law on Public Procurement No. 30/NA (2017) to the extent such are consistent with the IFAD Project Procurement Guidelines and the Project Procurement Arrangement Letter (PPA). In cases there are contradictions between IFAD Project Procurement Guidelines and the national procurement regulations, IFAD Project Procurement Guidelines shall take precedence and govern.

61. The project shall adopt and use the Standard Procurement Documents issued by IFAD for ICB packages of goods, civil works and consulting services with international advertisement and the national standard bidding documents for other methods with additional provisions to meet IFAD's SECAP standards and grievance mechanisms, the IFAD's Project Procurement Guidelines. This includes adding the IFAD self-certification form at bidding and at contract stage.

62. The PMU will be directly responsible for project procurement activities at national level, consolidate annual procurement plans and submitting to IFAD for review and no objection and to MAE for approval, conduct trainings and provide support to DCUs for carrying out procurement activities at district and village levels. The PMU will have a procurement team including a procurement officer, a procurement assistant. Procurement of farm roads (Output 1.1.3), irrigation schemes (2.1.2) and water supply systems (Output 2.3.1) will be undertaken by DCUs with PMU's oversight and technical supports from Provincial Agriculture and Environment Department (PAED), District Agriculture and Environment Office (DAEO) and District Public Work and Transport Office (OPWT). Partnership Agreements/ Memoranda of Agreement will be signed with the partner financing institutions for implementation of blended finance activities under Outputs 1.2.2 and 2.1.1.

63. The project will consider undertaking advance procurement for selected activities (e.g. recruitment of PMU/DCUs project key staff, recruitment of technical service providers to ensure readiness for project implementation. The contracts for advance procurement activities will be signed rightly after the effective date of the financing agreement.

64. A detailed Project Procurement Arrangement Letter (PAL) will establish the detailed procurement requirements and thresholds for procurement methods and IFAD prior review. The initial 18-month procurement plan, and subsequently the annual procurement plans in consistency with the Annual Work Plans and Budgets (AWPB) shall be prepared and obtain IFAD no objection before proceeding with procurement activities. IFAD's Online Procurement End-to-end System (OPEN) will be used for preparation and monitoring implementation progress of project procurement plans. Requests for IFAD prior review and no objection shall be routed through the OPEN system. Data and information of all contracts and related payments shall be listed and updated regularly in the OPEN Contract Monitoring Module. Contract data shall be kept up to date on a regular basis.

65. Procurement methods. The following procurement methods will be used:
(a) Works and works-related Non-Consulting Services

- International Competitive Bidding (ICB): use of the method is always allowed.
- Limited International Bidding: Use of the method is always allowed;
- International Shopping: Use of the method is always allowed;
- National Competitive Bidding (NCB): Use of the method is always allowed;
- National Shopping: might be applied to contracts estimated to cost USD 35,000 or less. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification;
- Direct Contracting (DC): All activities with amount greater than or equal to USD 10,000 and all activities exceeding cumulative amount of USD 600,000 will be subject to IFAD's no objection under Prior Review. Use of the method is allowed for activities of amount less than or equal to 5,000 USD. Cumulative sum of estimated amounts of activities using method must be less than or equal to USD 300,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification;
- Community Procurement: All activities with amount greater than or equal to USD 20,000 will be subject to IFAD's no objection under Prior Review. Use of the method is always allowed.
- Force Account: The use of Force Account is not allowed.
Goods and goods-related Non-Consulting Services
- International Competitive Bidding (ICB): Use of the method is always allowed.
- Limited International Bidding: Use of the method is always allowed;
- International Shopping: Use of the method is always allowed;
- National Competitive Bidding (NCB): Use of the method is always allowed;
- Shopping: Use of the method is allowed for activities of amount less than or equal to USD 35,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification; and
- Direct Contracting (DC): All activities with amount greater than or equal to USD 10,000 and all activities exceeding cumulative amount of USD 400,000 will be subject to IFAD's NO under Prior Review. Use of the method is allowed for activities of amount less than or equal to USD 5,000. Cumulative sum of estimated amounts of activities using method must be less than or equal to USD 200,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification.
Consulting Services and related Non-Consulting Services
- Quality and Cost Based Selection (QCBS): Use of the method is always allowed;
- Quality Based Selection (QBS): Use of the method is always allowed;
- Least Cost Selection (LCS): Use of the method is always allowed;
- Fixed Budget Selection (FBS): Use of the method is always allowed;

- Consultants Qualification Selection (CQS): Use of the method is allowed for activities of amount less than or equal to USD 150,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification;
- Individual Consultants Selection (ICS): Use of the method is always allowed;
- Single Source Selection for Consulting Firm (SSS): All activities with amount greater than or equal to USD 10,000 and all activities exceeding cumulative amount of USD 600,000 will be subject to IFAD's NO under Prior Review. Use of the method is allowed for activities of amount less than or equal to USD 5,000. Cumulative sum of estimated amounts of activities using method must be less than or equal to USD 200,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification;
- Single Source Selection for Individual Consultant (SSS): All activities with amount greater than or equal to USD 10,000, all activities exceeding cumulative amount of USD 200,000, and exceeding an activity period of 12 weeks will be subject to IFAD's NO under Prior Review. Use of the method is allowed for activities of amount less than or equal to USD 5,000. Cumulative sum of estimated amounts of activities using method must be less than or equal to USD 100,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification.

Grants:

- Grant Award: All activities with amount greater than or equal to USD 60,000 will be subject to IFAD's no objection under Prior Review. Use of the method is always allowed

66. Prior review requirements. In accordance with IFAD's Project Procurement Guidelines and IFAD's Procurement Handbook, the following are subject to prior review by IFAD:

- Procurement Plans submitted online in the OPEN and any subsequent upgrade of these plans;
- Award of any contract for goods and goods-related non-consulting services estimated to cost USD 300,000 or more;
- Award of any contract for works and works-related non-consulting services estimated to cost USD 700,000 or more; For Community Procurement, all activities with amount greater than or equal to USD 20,000 will be subject to IFAD's no objection under Prior Review.
- Award of any contract for consulting services and related non-consulting services and/or Grants estimated to cost USD 200,000 or more;
- Award of any contract for an Individual Consultant estimated to cost USD 80,000 or more;
- Direct Contracting for works: All activities with amount greater than or equal to USD 10,000 and all activities exceeding cumulative amount of USD 600,000 will be subject to IFAD's no objection under Prior Review. Use of the method is allowed for activities of amount less than or equal to 5,000 USD. Cumulative sum of estimated amounts of activities using method must be less than or equal to USD 300,000. A waiver for the use

of this method beyond this threshold can be requested for individual activities with proper justification.

- Direct Contracting for goods: All activities with amount greater than or equal to USD 5,000 and all activities exceeding cumulative amount of USD 200,000 will be subject to IFAD's no objection under Prior Review.
- Single Source Selection for Consulting Firm: All activities with amount greater than or equal to USD 10,000 and all activities exceeding cumulative amount of USD 400,000 will be subject to IFAD's no objection under Prior Review. Use of the method is allowed for activities of amount less than or equal to USD 5,000. Cumulative sum of estimated amounts of activities using method must be less than or equal to USD 200,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification.
- Single Source Selection for Individual Consultant: All activities with amount greater than or equal to USD 10,000, all activities exceeding cumulative amount of USD 200,000, and exceeding an activity period of 12 weeks will be subject to IFAD's no objection under Prior Review. Use of the method is allowed for activities of amount less than or equal to USD 5,000. Cumulative sum of estimated amounts of activities using method must be less than or equal to USD 100,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification.

67. In addition, the following interim steps of the procurement process for Goods/Works/Services also require IFAD's No Objection for contracts designated for "prior review" in the project's procurement plan. For contracts designated for "post review" instead, IFAD reserves the right to request the review of any of the following interim steps on a sample basis and at any time. No downstream procurement action by the Borrower/Recipient can proceed until prior no objection is issued by IFAD as to the propriety and compliance of the undermentioned steps with the IFAD project procurement framework

	Activity / Step of the procurement process for Prior Review Contracts	IFAD No Objection is required
1	Call/Request for Prequalification document and related advertisement	Yes
2	Request for Expression of Interest (REOI) document for consultancy services and related advertisement	Yes
3	Terms of Reference for consultancy services and related non-consulting services	Yes, usually as part of no objection request for issue of the RFP (step 9 below)
4	Technical Specifications for Goods/Works/Non-Consulting Services	Yes, usually as part of no objection request

		for issue of the bid docs (step 9 below)
5	Composition of evaluation committees	No
6	Prequalification report for Goods/Works/Non-Consulting Services	Yes
7	Shortlisting report for consultants' selection	Yes
8	The use of "prior lists" for shortlisting consultants	Yes
9	Complete Bidding Documents and Request for Proposals (RFPs) and Call for Proposals (CfPs) and related advertisement if applicable	Yes
10	Use of a Performance Guarantee template if other than unconditional, irrevocable and on-demand guarantee	Yes
11	Amendments to the Bidding Documents and RFPs, CfPs	Yes
12	Opening bids/quotes/proposals that are less than 3 (excluding DC/SSS)	Yes, usually as part of step 13, 14 or 15
13	Technical evaluation report (in two envelope procedures)	Yes
14	The combined evaluation report (in two envelope procedures)	Yes
15	The single evaluation report (in one envelope procedures) for Goods/Works/Non-Consulting Services/Consulting Services (SSS)	Yes
16	Decisions concerning abnormally low bids	Yes
17	Draft contract	Yes
18	Minutes of negotiation at award for consultancy services (where applicable) or when using DC for Goods/Works/Non-Consulting Services	Yes
19	Rejection of all bids/proposals and cancellation of the procurement procedure	Yes
20	Failure of negotiations and proceeding to next ranked consultant	Yes
21	Proceeding to next ranked bidder if top ranked fails to sign the contract in Goods/Works/Non-Consulting Services	Yes
22	Determination to reject a bid/proposal because of cross-debarment	Yes, usually as part of steps 13, 14 or 15

23	Amendments to contracts exceeding 10% in value (increase/decrease in quantities as a result of evolutionary changes). Additional unforeseen new items exceeding 10% of the contract value is a new procurement subject to SSS/DC conditions.	Yes
24	Extension of time to contracts exceeding 25% of the original contractual duration in Goods/Works/Non-Consulting Services/Consulting Services	Yes
25	Termination of a contract in Goods/Works/Non-Consulting Services/Consulting Services	Yes
26	The use of Force Account	Yes
27	Meeting minutes of the approval committee/evaluation report for Grants	Yes

68. Other arrangement requirements

- a. Shortlist Threshold for consulting services (ICS, FBS, LCS, QBS, QCBS, CQS): Shortlist required for activities with amount greater than or equal to USD 100,000.
- b. International Advertisement Thresholds (Consulting Services and related Non-Consulting Services): International advertisement is required if the activity estimated amount is greater than or equal to USD 100,000.
- c. Beneficiary Type Thresholds (Grants): Activity estimated amount is greater than or equal to USD 30,000.
- d. Project Parties/Implementing Partners:
 - (ii) Competitive Recruitment (NGOs / Private Sector): All activities with amount greater than or equal to USD 100,000 USD will be subject to IFAD's NO under Prior Review. Use of the method is always allowed.
 - (ii) Single Source Selection (NGOs/ Private Sector/ Gov/ UN): All activities with amount greater than or equal to USD 5,000 USD will be subject to IFAD's NO under Prior Review. Use of the method is always allowed

69. While the above procurement and prior review threshold are not elaborated, a detailed PAL (Procurement Arrangement Letter) would be issued to establish the detailed procurement thresholds. These thresholds may be modified by IFAD during Project implementation.

70. Procurement risk assessment for LEAD project shows that the overall inherent procurement risk (Part A and Part B) and the overall residual risk are moderate. The main project procurement risks include: (i) the transition to e-Procurement in the country has only taken its initial step with the completion of the study assessing the country's preparedness for implementing e-Procurement (2023); (ii)

there are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP; (iii) no comprehensive databases are available to provide consolidated information on procurement operations by government entities. The procurement function is fully decentralized at the ministry department level. Records are maintained for contracts by each implementing entity and there is neither a system nor database to track data available on procurement and contract management; (iv) Lao PDR has no formal procurement professionalization program, and the main training options are periodical short courses provided by donors; (v) procurement processes (planning, bidding, contract award and contract implementation) are often delayed; and (vi) procuring entities have procedure for reporting allegations of fraud, corruption, and other prohibited practices. However, the sanctions and enforcement system is not systematically applied.

71. Several mitigation measures for project procurement risks are: (i) advertise procurement notices on PPMD's website and EA/IA website; (ii) for ICB and consulting service with international advertisement, IFAD's standard procurement documents will be adopted and used. For other methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption will be adopted; (iii) use the IFAD Online Procurement End-to-end System (OPEN) for monitoring procurement and contract implementation; (iv) projects to organize training courses for procurement staff. Project procurement officers to take part in IFAD's BuildProc certification training program; (v) monitoring closely procurement and contract implementation progress with periodic progress reports and follow-up actions; and (vi) request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents. Conduct prior and ex-post reviews including FRICO screening of bidders from the debarred list to strengthen enforcement of the debarment system.

Guidance on environmental and social safeguard measures in procurement

Guidance on environmental and social safeguard measures in procurement

SECAP Criteria	Risk Rating	Consequence	Guidance on safeguard measures in procurement
Biodiversity conservation			
1.1 Could the project involve or lead to conversion or degradation of biodiversity, habitats (including modified habitat, natural	Moderate	Moderate Project will significantly affect modified habitat, but will not impinge on natural habitat or critical natural habitat.	Procurement will integrate environmental safeguards by including ESMP requirements, environmental clauses in bidding documents and contracts, and

habitat and critical natural habitat) and/or ecosystems and ecosystem services?			supervision mechanisms to ensure contractors minimize habitat disturbance and restore affected areas.
1.8 Will the project involve or lead to procurement through primary suppliers of natural resource materials (wood, gravel, sand, etc.)?	Moderate	Moderate Project will require procurement of natural resources through primary suppliers, and resource extraction is tightly regulated.	No major construction envisaged. However, depending on type of construction, project in discussion with PMU will incorporate adequate requirement as part of the bidding documents. These provisions do not need to be incorporated for types of construction work or activities where it is not feasible to obtain nor identify sources of materials in remote rural locations. When purchasing natural resource commodities, procurement will be limited to suppliers that can demonstrate that they do not contribute to a significant conversion or degradation of natural or critical habitats.

Resource Efficiency and Pollution Prevention			
2.1 Could the project involve or lead to the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	Low	Minor Construction of rural roads and irrigation systems might cause (i) erosion and run-off to water bodies during earthworks/construction; (ii) temporary traffic blocks and related safety issues during construction and operation; (iii) temporary pollution from construction (e.g. dust, noise, vibration, waste & wastewater generation from workers' campsites); (iv) potential water pollution from sourcing aggregates/construction materials (soil, gravels).	Low risk. No mitigation measure envisaged.
2.3 Will the project involve or lead to significant consumption of raw materials and energy?	Low	Minor Processing for domestic consumption and export of agriculture products will require large volume of raw materials (vegetables, rice and aquaculture, poultry, etc.)	Low risk. No mitigation measure envisaged.
2.5 Will the project involve the use of agrochemicals (pesticides, fertilizers, and other modifying agents) which have potential to pollute soils and water bodies or cause other negative impacts?	Low	Minor The project only requires minimal amounts of fertilizer and or pesticides. Nature-based solutions will be introduced and applied for agroforestry activities.	Low risk. No mitigation measure envisaged.
2.6 Will the project involve or lead to primary production of living natural	Moderate	Moderate Project will be fully dependent on production of living natural resources. Project will be sited	ESMP for each subproject shall identify and incorporate mitigation measures.

resources through cultivation or rearing of plants, annual and perennial crop farming, etc.?		in an existing agricultural area, with low environmental and/or social sensitivity.	Subproject procurement to incorporate mitigation measures identified by ESMPs and stakeholder consultations.
Labor and Working Conditions			
5.3 Could the project involve children (a) below the nationally-defined minimum employment age (usually 15 years old) or (b) above the nationally-defined minimum employment age but below the age of 18 in supported activities or in value chains?	Moderate	Minor The project will not operate in sectors or value chains where child labour was evident in the past. The status of child labour regulation is clear.	When necessary, procurement will include strict labor clauses prohibiting child labour in bidding documents and contracts, require contractor compliance with national labour laws, and ensure monitoring during contract implementation to verify adherence.
5.4 Could the project: (a) operate in a sector, area or value chain where producers and other agricultural workers are typically exposed to significant occupational and safety risks, and/or (b) promote or use technologies or practices that pose	Moderate	Minor The project will operate in a sector, area, or value chain where workers are occasionally exposed to OSH risks, and where regulation is known to be effective.	Procurement will include OSH requirements in technical specifications and contracts, require contractors to implement safety measures and provide protective equipment, and ensure supervision to monitor compliance with national OSH regulations.

occupational safety and health (OSH) risks for farmers, other rural workers or rural populations in general? (Note: OSH risks in agriculture might include dangerous machinery and tools; hazardous chemicals; toxic or allergenic agents; carcinogenic substances or agents; parasitic diseases; transmissible animal diseases; confined spaces; ergonomic hazards; extreme temperatures; and contact with dangerous and poisonous animals, reptiles and insects. Psychosocial hazards might include violence and harassment.)			
Community Health, Safety and Security			
6.5 Could the project lead to the potential for	Low	Minor The project may lead to minor changes to community	Low risk. No mitigation measure envisaged.

gender-based violence, including sexual harassment, exploitation and abuse, as a result of labour influx, land redistribution, or other actions that alter community dynamics?		dynamics but no serious cases of gender-based violence and/or sexual exploitation are expected. Gender-based violence protocols in place.	
6.6 Will the project construct, rehabilitate or upgrade rural roads and/or lead to increases in traffic or alteration in traffic flow?	Moderate	Moderate Moderate changes to traffic volumes or alterations to traffic flow. Risk of injury or death is reduced by good design and implementation of safety protocols. New construction, rehabilitation or upgrade of rural roads, with Annual Average Daily Traffic (AADT) below 400.	Procurement will include road safety requirements in design and works contracts, including appropriate signage, traffic calming measures, and safety features, and ensure contractor compliance with safety standards through supervision and contract enforcement.
6.7 Could the project lead to an influx of project workers?	Low	Minor The project will require the employment of new labour, but workers can be sourced from local communities, and so influx is kept to a minimum, and risks are effectively managed.	Low risk. No mitigation measure envisaged.
Financial intermediaries and direct investments			
8.1 Could the investment be	Low	Minor The institution has	Low risk. No

granted to an institution that does not have an environmental and social policy and an associated environmental and social management system (ESMS) in place (transparent, publicly available)?		an ESMS in place. Reports are not publicly available.	mitigation measure envisaged.

3.6 Annual Work Plan and Budget (AWPB) and Procurement Plan (PP)

3.6.1 Annual Work Plan and Budget

72. A rigorous planning process that clearly identifies the concrete outputs (or physical targets) to be produced in the next 12 months in pursuit of overall project objectives—together with the activities required to deliver these outputs and the financial resources (or financial targets) needed—will provide the foundation for sound management and monitoring of project implementation. To this end, the PMU will use a pre-defined AWPB template designed as a tool for results-based management, to be sent to IFAD for no objection. The detailed Excel table shall be accompanied by a narrative (maximum 10 pages) that offers a concise overview of the key results achieved in the previous 12 months and of cumulative progress to date, as well as the rationale for the key activities and output targets planned for the upcoming 12-month period.

73. The key references for preparing the AWPBs will be: (i) the project Logframe, which summarizes and quantifies the key results (outputs, outcomes and impact) to be achieved by project completion; and (ii) the Cost Tables, which provide an indicative project budget broken down by year and activity. None of these documents, however, constitutes a rigid blueprint. The Cost Tables should be viewed as the best estimates of project designers at the time of project design; as implementation progresses, these expenditure estimates—particularly unit costs—become increasingly outdated, and some planned activities may need to be adjusted or supplemented. Moreover, as the PMU will gain experience and a better understanding of the most promising value chains and field realities, some physical targets may need to be revised (some may prove overambitious, while others may be met earlier than expected). The original Logframe and Cost Tables may therefore need to be revised at mid-term, based on the recommendations of the Mid-Term Review and subject to IFAD's approval.

74. While the first 18-month AWPB was prepared at design stage, the preparation of subsequent AWPBs shall follow an iterative process, beginning around September with the organization of district-level annual planning workshops. These workshops, facilitated by the District Offices or PMU, will bring together

grassroots implementers (District Officers from the MOAE and MOIC) and other relevant local stakeholders to reflect on past performance, discuss implementation challenges, and identify preliminary annual targets for Components 1 and 2. The district-level AWPB will be consolidated into two province-level AWPBs, which will then be consolidated to develop the project-level AWPB. Using IFAD's recommended Excel template and for each Component, the draft consolidated AWPB shall describe:

- the detailed outputs and related physical targets to be achieved in all districts;
- the key activities, sub-activities, and inputs required to deliver these outputs;
- the implementation timetable for key activities;
- the staff/service provider/institution responsible for each activity and sub-activity;
- the financial resources required to implement planned activities and procure necessary inputs.

75. After initial endorsement by the PSC, the draft AWPB (together with the Procurement Plan) shall be submitted to IFAD for no-objection no later than 30 days before the end of the fiscal year (i.e. by end November each year).

76. The final, approved AWPB will constitute a binding document that will guide IFAD's decisions on fund releases and procurement matters throughout the year. The approved AWPB and Procurement Plan may be amended during the year at the request of the PMU, provided that sufficient justification is given for the proposed changes and that IFAD issues a no-objection.

3.6.2 Procurement

77. The initial 18-month procurement plan, and subsequently the annual procurement plans in consistency with the Annual Work Plans and Budgets (AWPB) shall be prepared and obtain IFAD no objection before proceeding with procurement activities. IFAD's Online Procurement End-to-end System (OPEN) will be used for preparation and monitoring implementation progress of project procurement plans. Requests for IFAD prior review and no objection shall be routed through the OPEN system. Data and information of all contracts and related payments shall be listed and updated regularly in the OPEN Contract Monitoring Module. Contract data shall be kept up to date on a regular basis. More detailed information is available in Section 3.7 and Appendix 6.

78. Applicable regulations and procurement arrangements. Procurement using IFAD funds will follow the Law on Public Procurement No. 30/NA (2017) to the extent such are consistent with the IFAD Project Procurement Guidelines and the Project Procurement Arrangement Letter (PPA). In cases there are contradictions between IFAD Project Procurement Guidelines and the national procurement regulations, IFAD Project Procurement Guidelines shall take precedence and govern.

79. The project shall adopt and use the Standard Procurement Documents issued by IFAD for ICB packages of goods, civil works and consulting services with international advertisement and the national standard bidding documents for other methods with additional provisions to meet IFAD's SECAP standards and grievance

mechanisms, the IFAD's Project Procurement Guidelines. This includes adding the IFAD self-certification form at bidding and at contract stage.

80. The PMU will be directly responsible for project procurement activities at national level, consolidate annual procurement plans and submitting to IFAD for review and no objection and to MAE for approval, conduct trainings and provide support to DCUs for carrying out procurement activities at district and village levels. The PMU will have a procurement team including a procurement officer, a procurement assistant. Procurement of farm roads (Output 1.1.3), irrigation schemes (2.1.2) and water supply systems (Output 2.3.1) will be undertaken by DCUs with PMU's oversight and technical supports from Provincial Agriculture and Environment Department (PAED), District Agriculture and Environment Office (DAEO) and District Public Work and Transport Office (OPWT). Partnership Agreements/ Memoranda of Agreement will be signed with the partner financing institutions for implementation of blended finance activities under Outputs 1.2.2 and 2.1.1.

81. The project will consider undertaking advance procurement for selected activities (e.g. recruitment of PMU/DCUs project key staff, recruitment of technical service providers to ensure readiness for project implementation. The contracts for advance procurement activities will be signed rightly after the effective date of the financing agreement.

82. A detailed Project Procurement Arrangement Letter (PPA) will establish the detailed procurement requirements and thresholds for procurement methods and IFAD prior review. The initial 18-month procurement plan, and subsequently the annual procurement plans in consistency with the Annual Work Plans and Budgets (AWPB) shall be prepared and obtain IFAD no objection before proceeding with procurement activities. IFAD's Online Procurement End-to-end System (OPEN) will be used for preparation and monitoring implementation progress of project procurement plans. Requests for IFAD prior review and no objection shall be routed through the OPEN system. Data and information of all contracts and related payments shall be listed and updated regularly in the OPEN Contract Monitoring Module. Contract data shall be kept up to date on a regular basis.

83. Procurement methods. The following procurement methods will be used:

(a) Works and works-related Non-Consulting Services

- International Competitive Bidding (ICB): use of the method is always allowed. The borrower/recipient may apply a margin of domestic preference of 15%;
- Limited International Bidding: Use of the method is always allowed;
- International Shopping: Use of the method is always allowed;
- National Competitive Bidding (NCB): Use of the method is always allowed;
- National Shopping: might be applied to contracts estimated to cost USD 35,000 or less. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification;
- Direct Contracting (DC): All activities with amount greater than or equal to USD 5,000 and all activities exceeding cumulative amount of USD 400,000

will be subject to IFAD's no objection under Prior Review. Use of the method is allowed for activities of amount less than or equal to 5,000 USD. Cumulative sum of estimated amounts of activities using method must be less than or equal to USD 400,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification;

- Community Procurement: All activities with amount greater than or equal to USD 10,000 will be subject to IFAD's no objection under Prior Review. Use of the method is always allowed.

- Force Account: The use of Force Account is not allowed.

(a) Goods and goods-related Non-Consulting Services

- International Competitive Bidding (ICB): Use of the method is always allowed. The borrower/ recipient may apply a margin of domestic preference of 15%;
- Limited International Bidding: Use of the method is always allowed;
- International Shopping: Use of the method is always allowed;
- National Competitive Bidding (NCB): Use of the method is always allowed;
- Shopping: Use of the method is allowed for activities of amount less than or equal to USD 35,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification; and
- Direct Contracting (DC): Use of the method is allowed for activities of amount less than or equal to USD 5,000. Cumulative sum of estimated amounts of activities using method must be less than or equal to USD 200,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification.

(a) Consulting Services and related Non-Consulting Services

- Quality and Cost Based Selection (QCBS): Use of the method is always allowed;
- Quality Based Selection (QBS): Use of the method is always allowed;
- Least Cost Selection (LCS): Use of the method is always allowed;
- Fixed Budget Selection (FBS): Use of the method is always allowed;
- Consultants Qualification Selection (CQS): Use of the method is allowed for activities of amount less than or equal to USD 150,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification;
- Individual Consultants Selection (ICS): Use of the method is always allowed;
- Single Source Selection for Consulting Firm (SSS): Use of the method is allowed for activities of amount less than or equal to USD 5,000. Cumulative sum of estimated amounts of activities using method must be less than or equal to USD 200,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification;
- Single Source Selection for Individual Consultant (SSS): Use of the method is allowed for activities of amount less than or equal to USD 5,000.

Cumulative sum of estimated amounts of activities using method must be less than or equal to USD 100,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification.

(a) Grants:

- Grant Award: All activities with amount greater than or equal to USD 30,000 will be subject to IFAD's no objection under Prior Review. Use of the method is always allowed

84. Prior review requirements. In accordance with IFAD's Project Procurement Guidelines and IFAD's Procurement Handbook, the following are subject to prior review by IFAD:

- Procurement Plans submitted online in the OPEN and any subsequent upgrade of these plans;
- Award of any contract for goods and goods-related non-consulting services estimated to cost USD 150,000 or more;
- Award of any contract for works and works-related non-consulting services estimated to cost USD 350,000 or more; For Community Procurement, all activities with amount greater than or equal to USD 10,000 will be subject to IFAD's no objection under Prior Review.
- Award of any contract for consulting services and related non-consulting services and/or Grants estimated to cost USD 100,000 or more;
- Award of any contract for an Individual Consultant estimated to cost USD 40,000 or more;
- Direct Contracting for works: All activities with amount greater than or equal to USD 5,000 and all activities exceeding cumulative amount of USD 400,000 will be subject to IFAD's no objection under Prior Review.
- Direct Contracting for goods: All activities with amount greater than or equal to USD 5,000 and all activities exceeding cumulative amount of USD 200,000 will be subject to IFAD's no objection under Prior Review.
- Single Source Selection for Consulting Firm: All activities with amount greater than or equal to USD 5,000 and all activities exceeding cumulative amount of USD 200,000 will be subject to IFAD's no objection under Prior Review.
- Single Source Selection for Individual Consultant: All activities with amount greater than or equal to USD 5,000, all activities exceeding cumulative amount of USD 100,000, and exceeding an activity period of 12 weeks will be subject to IFAD's no objection under Prior Review.

85. In addition, the following interim steps of the procurement process for Goods/Works/Services also require IFAD's No Objection for contracts designated for "prior review" in the project's procurement plan. For contracts designated for "post review" instead, IFAD reserves the right to request the review of any of the following interim steps on a sample basis and at any time. No downstream procurement action by the Borrower/Recipient can proceed until prior no objection is

issued by IFAD as to the propriety and compliance of the undermentioned steps with the IFAD project procurement framework:

	Activity / Step of the procurement process for Prior Review Contracts	IFAD No Objection is required
1	Call/Request for Prequalification document and related advertisement	Yes
2	Request for Expression of Interest (REOI) document for consultancy services and related advertisement	Yes
3	Terms of Reference for consultancy services and related non-consulting services	Yes, usually as part of no objection request for issue of the RFP (step 9 below)
4	Technical Specifications for Goods/Works/Non-Consulting Services	Yes, usually as part of no objection request for issue of the bid docs (step 9 below)
5	Composition of evaluation committees	No
6	Prequalification report for Goods/Works/Non-Consulting Services	Yes
7	Shortlisting report for consultants' selection	Yes
8	The use of "prior lists" for shortlisting consultants	Yes
9	Complete Bidding Documents and Request for Proposals (RFPs) and Call for Proposals (CfPs) and related advertisement if applicable	Yes
10	Use of a Performance Guarantee template if other than unconditional, irrevocable and on-demand guarantee	Yes
11	Amendments to the Bidding Documents and RFPs, CfPs	Yes
12	Opening bids/quotes/proposals that are less than 3 (excluding DC/SSS)	Yes, usually as part of step 13, 14 or 15
13	Technical evaluation report (in two envelope procedures)	Yes
14	The combined evaluation report (in two envelope procedures)	Yes
15	The single evaluation report (in one envelope procedures) for Goods/Works/Non-Consulting Services/Consulting Services (SSS)	Yes
16	Decisions concerning abnormally low bids	Yes
17	Draft contract	Yes

18	Minutes of negotiation at award for consultancy services (where applicable) or when using DC for Goods/Works/Non-Consulting Services	Yes
19	Rejection of all bids/proposals and cancellation of the procurement procedure	Yes
20	Failure of negotiations and proceeding to next ranked consultant	Yes
21	Proceeding to next ranked bidder if top ranked fails to sign the contract in Goods/Works/Non-Consulting Services	Yes
22	Determination to reject a bid/proposal because of cross-debarment	Yes, usually as part of steps 13, 14 or 15
23	Amendments to contracts exceeding 10% in value (increase/decrease in quantities as a result of evolutionary changes). Additional unforeseen new items exceeding 10% of the contract value is a new procurement subject to SSS/DC conditions.	Yes
24	Extension of time to contracts exceeding 25% of the original contractual duration in Goods/Works/Non-Consulting Services/Consulting Services	Yes
25	Termination of a contract in Goods/Works/Non-Consulting Services/Consulting Services	Yes
26	The use of Force Account	Yes
27	Meeting minutes of the approval committee/evaluation report for Grants	Yes

86. Other arrangement requirements

87.

- a. Shortlist Threshold for consulting services (ICS, FBS, LCS, QBS, QCBS, CQS): Shortlist required for activities with amount greater than or equal to USD 100,000.
- b. International Advertisement Thresholds (Consulting Services and related Non-Consulting Services): International advertisement is required if the activity estimated amount is greater than or equal to USD 100,000.
- c. Beneficiary Type Thresholds (Grants): Activity estimated amount is greater than or equal to USD 30,000.
- d. Project Parties/Implementing Partners:
 - i. Competitive Recruitment (NGOs / Private Sector): All activities with amount greater than or equal to USD 100,000 USD will be subject to IFAD's NO under Prior Review. Use of the method is always allowed.

- ii. Single Source Selection (NGOs/ Private Sector/ Gov/ UN): All activities with amount greater than or equal to USD 5,000 USD will be subject to IFAD's NO under Prior Review. Use of the method is always allowed

88. While the above procurement and prior review threshold are not elaborated, a detailed PAL (Procurement Arrangement Letter) would be issued to establish the detailed procurement thresholds. These thresholds may be modified by IFAD during Project implementation.

89. Procurement risk assessment for LEAD project shows that the overall inherent procurement risk (Part A and Part B) and the overall residual risk are moderate. The main project procurement risks include: (i) the transition to e-Procurement in the country has only taken its initial step with the completion of the study assessing the country's preparedness for implementing e-Procurement (2023); (ii) there are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP; (iii) no comprehensive databases are available to provide consolidated information on procurement operations by government entities. The procurement function is fully decentralized at the ministry department level. Records are maintained for contracts by each implementing entity and there is neither a system nor database to track data available on procurement and contract management; (iv) Lao PDR has no formal procurement professionalization program, and the main training options are periodical short courses provided by donors; (v) procurement processes (planning, bidding, contract award and contract implementation) are often delayed; and (vi) procuring entities have procedure for reporting allegations of fraud, corruption, and other prohibited practices. However, the sanctions and enforcement system is not systematically applied.

90. Several mitigation measures for project procurement risks are: (i) advertise procurement notices on PPMD's website and EA/IA website; (ii) for ICB and consulting service with international advertisement, IFAD's standard procurement documents will be adopted and used. For other methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption will be adopted; (iii) use the IFAD Online Procurement End-to-end System (OPEN) for monitoring procurement and contract implementation; (iv) projects to organize training courses for procurement staff. Project procurement officers and other staff involved in project procurement to take part in IFAD's BuildProc certification training program; (v) monitoring closely procurement and contract implementation progress with periodic progress reports and follow-up actions; and (vi) request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents. Conduct prior and ex-post reviews including FRICO screening of bidders from the debarred list to strengthen enforcement of the debarment system.

Guidance on environmental and social safeguard measures in procurement

SECAP Criteria	Risk Rating	Consequence	Guidance on safeguard

			measures in procurement
Biodiversity conservation			
1.1 Could the project involve or lead to conversion or degradation of biodiversity, habitats (including modified habitat, natural habitat and critical natural habitat) and/or ecosystems and ecosystem services?	Moderate	Moderate Project will significantly affect modified habitat, but will not impinge on natural habitat or critical natural habitat.	Procurement will integrate environmental safeguards by including ESMP requirements, environmental clauses in bidding documents and contracts, and supervision mechanisms to ensure contractors minimize habitat disturbance and restore affected areas.
1.8 Will the project involve or lead to procurement through primary suppliers of natural resource materials (wood, gravel, sand, etc.)?	Moderate	Moderate Project will require procurement of natural resources through primary suppliers, and resource extraction is tightly regulated.	No major construction envisaged. However, depending on type of construction, project in discussion with PMU will incorporate adequate requirement as part of the bidding documents. These provisions do not need to be incorporated for types of construction work or activities where it is not feasible to obtain nor identify sources of materials in remote rural locations. When purchasing

			natural resource commodities, procurement will be limited to suppliers that can demonstrate that they do not contribute to a significant conversion or degradation of natural or critical habitats.
Resource Efficiency and Pollution Prevention			
2.1 Could the project involve or lead to the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	Low	Minor Construction of rural roads and irrigation systems might cause (i) erosion and run-off to water bodies during earthworks/construction; (ii) temporary traffic blocks and related safety issues during construction and operation; (iii) temporary pollution from construction (e.g. dust, noise, vibration, waste & wastewater generation from workers' campsites); (iv) potential water pollution from sourcing aggregates/construction materials (soil, gravels).	Low risk. No mitigation measure envisaged.
2.3 Will the project involve or lead to significant consumption of raw materials and energy?	Low	Minor Processing for domestic consumption and export of agriculture products will require large volume of raw materials (vegetables, rice and aquaculture, poultry, etc.)	Low risk. No mitigation measure envisaged.
2.5 Will the project involve the use of agrochemicals (pesticides, fertilizers, and other modifying	Low	Minor The project only requires minimal amounts of fertilizer and or pesticides. Nature-based solutions will be introduced and applied for agroforestry activities.	Low risk. No mitigation measure envisaged.

agents) which have potential to pollute soils and water bodies or cause other negative impacts?			
2.6 Will the project involve or lead to primary production of living natural resources through cultivation or rearing of plants, annual and perennial crop farming, etc.?	Moderate	Moderate Project will be fully dependent on production of living natural resources. Project will be sited in an existing agricultural area, with low environmental and/or social sensitivity.	ESMP for each subproject shall identify and incorporate mitigation measures. Subproject procurement to incorporate mitigation measures identified by ESMPs and stakeholder consultations.
Labor and Working Conditions			
5.3 Could the project involve children (a) below the nationally-defined minimum employment age (usually 15 years old) or (b) above the nationally-defined minimum employment age but below the age of 18 in supported activities or in value chains?	Moderate	Minor The project will not operate in sectors or value chains where child labour was evident in the past. The status of child labour regulation is clear.	When necessary, procurement will include strict labor clauses prohibiting child labour in bidding documents and contracts, require contractor compliance with national labour laws, and ensure monitoring during contract implementation to verify adherence.
5.4 Could the project: (a) operate in a sector, area or value chain where	Moderate	Minor The project will operate in a sector, area, or value chain where workers are occasionally	Procurement will include OSH requirements in technical specifications and contracts, require

producers and other agricultural workers are typically exposed to significant occupational and safety risks, and/or (b) promote or use technologies or practices that pose occupational safety and health (OSH) risks for farmers, other rural workers or rural populations in general? (Note: OSH risks in agriculture might include dangerous machinery and tools; hazardous chemicals; toxic or allergenic agents; carcinogenic substances or agents; parasitic diseases; transmissible animal diseases; confined spaces; ergonomic hazards; extreme temperatures; and contact with dangerous and poisonous animals, reptiles and		exposed to OSH risks, and where regulation is known to be effective.	contractors to implement safety measures and provide protective equipment, and ensure supervision to monitor compliance with national OSH regulations.

insects. Psychosocial hazards might include violence and harassment.)			
Community Health, Safety and Security			
6.5 Could the project lead to the potential for gender-based violence, including sexual harassment, exploitation and abuse, as a result of labour influx, land redistribution, or other actions that alter community dynamics?	Low	Minor The project may lead to minor changes to community dynamics but no serious cases of gender-based violence and/or sexual exploitation are expected. Gender-based violence protocols in place.	Low risk. No mitigation measure envisaged.
6.6 Will the project construct, rehabilitate or upgrade rural roads and/or lead to increases in traffic or alteration in traffic flow?	Moderate	Moderate Moderate changes to traffic volumes or alterations to traffic flow. Risk of injury or death is reduced by good design and implementation of safety protocols. New construction, rehabilitation or upgrade of rural roads, with Annual Average Daily Traffic (AADT) below 400.	Procurement will include road safety requirements in design and works contracts, including appropriate signage, traffic calming measures, and safety features, and ensure contractor compliance with safety standards through supervision and contract enforcement.
6.7 Could the project lead to an influx of project workers?	Low	Minor The project will require the employment of new labour, but workers	Low risk. No mitigation measure envisaged.

		can be sourced from local communities, and so influx is kept to a minimum, and risks are effectively managed.	
Financial intermediaries and direct investments			
8.1 Could the investment be granted to an institution that does not have an environmental and social policy and an associated environmental and social management system (ESMS) in place (transparent, publicly available)?	Low	Minor The institution has an ESMS in place. Reports are not publicly available.	Low risk. No mitigation measure envisaged.

3.7. Financial Management

REFER TO ANNEX 10: Financial Management Manual

3.8. Human Resource Management

91. This section provides information on the staff recruitment processes, remuneration, and performance evaluation.

92. Staff Recruitment Process: The LEAD project will engage several different categories of staff for its implementation. The project will use staff from the main implementing agencies such as MAE and MOIC who will be seconded to the project for the project duration after which they will revert to their parent department. In addition, these agencies will competitively recruit staff from the market for specific specialized tasks and will be contracted for the project duration. This category of staff will report directly to the Project Management Unit (PMU) created under the project. A third category of staff will be recruited by service providers, civil society organizations, and other contracted entities, and while they will work for the project they will report to their own company. All staff appointments and recruitments will ensure that the staff is properly qualified academically and has the requisite experience and the agency hiring them complies with Lao PDR labour laws and the guidelines of IFAD and other co-financiers.

93. The PIM provides a preliminary list of staff needed for project implementation with their qualifications and experience. However, this list is provided for guidance and can be refined during implementation with appropriate approvals. Preliminary job descriptions have been prepared for all staff. These terms of reference can be refined over time based on the evolving requirements of the staff at various tiers. All advertisements for positions to be recruited from the market will be properly advertised through channels with a wide outreach such as local media, Government portals, and where required international platforms and websites.

94. All contracts will be for a one-year period extendable annually based on performance up to the project completion. Contracts should specify the completion period to encourage qualified candidates to apply. The salary levels should be able to attract and retain qualified staff. All new staff will be hired on a 3 months' probation period and will be confirmed based on performance. The Project Steering Committee (PSC) will oversee recruitment policies and will approve recruitment of senior positions. Local and IFAD rules will be adopted with respect to working hours, leave rules, salary levels, allowances, extension, performance reviews, termination, etc. An HR manager in the PMU will maintain all records and take the lead role in putting up cases for performance review and extension.

3.9 Monitoring and Evaluation (M&E)

3.9.1 Purpose and overview of the M&S system

95. Purpose. The main purpose of LEAD's M&E system is to provide Project Managers and key stakeholders (MOAE, MOIC, IFAD) with a solid foundation for informed decision-making. It does so through the regular collection and analysis of data, enabling project implementation to be guided by evidence—whether in response to observed challenges or evolving field conditions—and by measuring results against established objectives at defined intervals.

96. More specifically, the M&E system supports stakeholders in tracking field-level progress and determining whether implementation is proceeding as planned or if corrective measures are needed. A critical function of the system is thus the provision of early warnings about emerging implementation issues, allowing timely and efficient mitigation. The system also measures development results and the project's impact on targeted beneficiaries, ensuring that intended groups are effectively reached. In doing so, it enhances the transparency of implementation processes and establishes a clear accountability framework for all actors involved.

97. Ultimately, the M&E system contributes to the generation of practical implementation lessons by capturing information on best practices—and failures—and transforming these insights into knowledge products that can be shared with policymakers and development partners.

98. Overview. The M&E system will fulfill two distinct yet interconnected functions:

- (i) monitoring of project implementation performance (i.e., execution of activities outlined in the AWPB) and outreach (i.e., effectiveness of the targeting strategy),
- (ii) measurement of project results (i.e., progress towards achievement of project goal and objectives)

99. During the first one or two years of implementation, M&E activities will naturally focus on the first aspect, as measurable outcomes and impacts will take time to emerge. In this initial phase, particular attention will be paid to the relevance and quality of goods and services delivered and to beneficiaries' satisfaction. The measurement of project outcomes/impact will become feasible only once a sufficiently large number of outputs has been produced over a certain period of time—typically toward the end of the second or third year of implementation.

100. While the AWPB will serve as the primary reference for monitoring implementation performance—particularly activities, timelines, and resource use—throughout the fiscal year, the project Logframe will function as the main framework for monitoring and measuring results at the output, outcome, and impact levels. Data collection will follow a bottom-up flow, with grassroots implementers and service providers maintaining records and submitting periodic reports to the District Planning Officers, who will consolidate and forward the information to the central Project Management Unit (PMU).

3.9.2 Detailed M&E processes and tools

(A) Monitoring of project execution

101. Monitoring project execution will focus on assessing the extent to which activities planned in the AWPB are being implemented on time and the extent to which planned outputs are being delivered. The annual AWPB and the Logframe will thus be the primary tools used to monitor implementation progress. The data required will be collected by grassroots implementers (District Officers, service providers), transmitted to District Planning Officers for initial consolidation, and ultimately transmitted to the PMU M&E Officer for final validation and consolidation.

102. Monitoring implementation progress will involve the following:

- Tracking the actual pace of implementation and the rate of physical delivery by comparing outputs delivered against planned AWPB targets
- Assessing the quality of implementation processes and outputs
- Ensuring that the selection of target villages and APGs aligns with established criteria and that targeted groups (in particular women, youth and PWD) are effectively reached
- Comparing actual disbursements with budget estimates
- Assessing whether implementation progress remains on schedule

103. Collection of the required data and information will be carried out using the tools and procedures described in the next chapters. The data collected will also inform the preparation of the progress reports outlined in Section 3.12.4. The effective functioning of the entire system will depend largely on the rigor and discipline with which all M&E stakeholders and implementation partners collect and submit the required data at the agreed intervals.

104. LEAD will adopt a phased, capacity-appropriate M&E system that prioritizes essential indicators in Years 1-2 while digital infrastructure develops, then progressively expands as systems mature and district capacity strengthens.

Years 1-2: Core Essential Indicators (Simplified Tracking)

- Outreach: Households reached, disaggregated by gender/youth/PWD
- Infrastructure: Km of roads constructed, irrigation schemes rehabilitated, facilities built
- Organizational: APG clusters formed, cooperatives registered, MSPs established
- Financial: Loan amounts disbursed, repayment rates, grant deposits placed
- Production: Ha under climate-smart practices, PRIPs approved and implemented
- Capacity Building: Persons trained (FEBL, technical practices, financial literacy)

Data Collection Tools (Year 1-2): Simplified Excel templates with drop-down menus for categorical data, pre-filled formulas for automatic calculations, quarterly (not monthly) reporting to manage workload, mobile-friendly formats enabling offline data entry.

Years 3-5: Expanded Indicators (Digital System Operational) Add outcome-level indicators as Digital Farmer Registry (customized from PICSA) becomes operational:

- Production volumes and sales to markets
- Income changes and food security improvements
- Adoption rates of climate-resilient practices
- Service satisfaction and governance participation
- Market access improvements and infrastructure utilization

Years 6-7: Impact Indicators (Survey-Based) Baseline and endline surveys measure higher-level changes:

- Poverty reduction and income increases $\geq 20\%$
- Enhanced climate resilience and reduced water shortage
- Improved nutrition (Minimum Dietary Diversity for women)

Sustained financial inclusion and commercial credit access

Data requirements

Monitoring implementation progress (activities, outputs) will require systematic collection, consolidation and analysis of the data presented in Appendix 4 (M&E Plan)

Data collection tools

This chapter describes the standard data collection tools to be used for monitoring project execution, as summarized in Table 1. These tools ensure that information on outputs, indicators and milestones is collected in a consistent and verifiable way across all sub-components and M&E actors.

The data collection tools described in the next paragraphs ^¾to be fully developed in English and Lao by the M&E Officer at project start-up ^¾are meant to:

- Capture all Logframe output indicators in a structured format.

- Standardize information across districts, value chains and implementing partners.
- Facilitate aggregation and analysis at project, provincial and national level.

Below is an overview of the main tools referenced in Table 1 and how they should be used.

VCIP and PRIP implementation

i. VCIP Tracking Template

Purpose: Track development, validation and implementation of Value Chain Investment Plans.

Key data: VCIP ID, localities, main commodity, number and type of VC actors engaged, dates of meetings, validation, start of implementation, and % implementation progress per quarter.

Use: Completed and updated by district/provincial teams; serves as the primary source for indicators on VCIP preparation and implementation.

ii. MSP Tracking Template

Purpose: Monitor establishment and functioning of Multi-Stakeholder Platforms.

Key data: MSP ID, localities, commodities, participating organizations (AGPs, cooperatives, others), dates of meetings, and number of participants by type of actor.

Use: MSP profile data to be collected once and for all at the time of MSP formation. MSP functionality tracked through collection of data on date and attendance of MSP meetings. Consolidated data is used for annual reporting on MSP establishment and regularity of meetings.

iii. PRIP Tracking Template

Purpose: To monitor the preparation and implementation of PRIPs and track progress of supported AGPs and cooperatives.

Key Data: PRIP ID#, localities, AGPs/cooperatives involved, Dates of preparation meetings, draft completion, and validation, Implementation start date and quarterly progress (%), grant requests, approved/disbursed amounts, and groups receiving support

Use: Updated regularly by district teams and reviewed by the PMU to follow PRIP milestones, track financial support, and provide consolidated data for quarterly and annual reporting.

iv. Infrastructure Construction Tracking Template

Purpose: Monitor the full lifecycle of market, processing, storage and irrigation infrastructure.

Key data: Scheme location, type and size, expected users, key dates (approval, design, contract award, start and completion of works, reception), workforce

deployment, use of equipment, ESS data, execution rates, and quality reservations and their clearance.

Use: Maintained by the engineering teams, using information from District Engineers' records and contractors' reports, to provide technical verification for infrastructure progress and quality assessment. Serve as the primary source of evidence for planned vs. actual delivery of works.

Simplified Field-Level Data Collection Tools:

Tool	Purpose	Format	Frequency	User
APG Tracking Form	Monitor APG membership, production, clustering status	Mobile form (Google Forms) or paper checklist	Quarterly	DAFO, Lao Farmers Association
Infrastructure Progress Checklist	Track construction milestones, completion dates, handover	Photo-enabled mobile form	Monthly during construction	District Engineers, DAFO
PRIP Implementation Tracker	Monitor climate-smart practice adoption, investment completion	Simple Excel with yes/no checkboxes	Quarterly	DAFO, Service Provider
Loan Portfolio Dashboard	Track disbursements, repayments, defaults by cooperative/MSE	Automated Excel dashboard	Monthly	PMU, MFIs
Training Attendance Sheet	Record participants (name, gender, age, topic)	Paper form → monthly Excel consolidation	Per training event	Service Providers, DAFO
MSP Activity Log	Document meetings held, participants, decisions made	Simple template (1-page)	Per MSP meeting	MOIC Provincial, MSP Secretariat

Institutional Strengthening and Capacity Building

i. Training Attendance Sheets

Purpose: Record participation in all training and capacity building events (technical, business, financial literacy, etc.) by capturing participant names, gender, age, group affiliation, and training specifics.

Key data: Date, topic, duration, service provider, and full list of participants (name, sex, age, affiliation, participant type (MSE staff, cooperative member, APG member, WUG member)).

Use: Completed on-site for each training by service provider; later consolidated to produce disaggregated data on numbers of persons trained (men/women/youth/PWD) and numbers of households reached, and to update the MSE/Cooperative/APG/WGU tracking sheets.

ii. MSE Profile and Tracking Template

Purpose: Register all micro and small enterprises supported by the project (organizational characteristics, membership, etc.) and track capacity building efforts.

Key data: MSE ID, sector, type and size, date of establishment, location, owner's sex and age, related value chain, and number of employees, type and date of training/capacity building received, number of persons trained.

Use: Profile data to be collected once and for all at the time of MSE selection. Capacity building efforts thereafter tracked through collection of data on date and type of capacity building support received by each MSE (from training attendance sheets). Used to report annually on the numbers of supported SMEs.

iii. Cooperative Profile and Tracking Template

Purpose: Document characteristics of existing and newly formed cooperatives and track capacity building efforts.

Key data: Cooperative ID, dates of creation and registration, number of APGs and member households, land area, main crops, services provided, governance information (elections, share of women in leadership), type and date of training/capacity building received, number of persons trained.

Use: Profile data to be collected once and for all at the time of cooperative selection. Capacity building efforts thereafter tracked through collection of data on date and type of capacity building support received by each cooperative (from training attendance sheets). Used to report annually on the numbers of cooperatives and cooperative members supported, and the number of new cooperatives established.

iv. APG Profile and Tracking Template

Purpose: Register Agricultural Producer Groups involved in PRIPs and other project activities and track capacity building efforts.

Key data: APG ID, date of creation, membership, land area, main crops, services provided, governance and leadership details, type and date of training/capacity building received, number of persons trained.

Use: Profile data to be collected once and for all at the time of APG selection. Capacity building efforts thereafter tracked through collection of data on date and type of capacity building support received by each APG (from training attendance sheets). Supports indicators on number of APGs supported, members reached, and gender/youth/people with disabilities (PWD) participation.

v. WUG Profile Template

Purpose: Capture profile information for Water User Groups linked to irrigation schemes and track capacity building efforts

Key data: WUG ID, scheme location, date of establishment, number of members by sex and age, frequency of meetings and training participation.

Use: Profile data to be collected once and for all at the time of WGU formation. Capacity building efforts thereafter tracked through collection of data on date and type of capacity building support received by each WUG (from training attendance sheets). Used to track capacity building, participation and functionality of established WUG.

vi. IGA Training Tracking Template & Nutrition Training Tracking Template

Purpose: Record participation, in each selected locality, in specific training and capacity building events targeting vulnerable households

Key data: Locality name, date of training, training topic, training duration, service provider name, number of participants (men/women/youth) by category of beneficiary (vulnerable households/PWD).

Use: Filled by implementing partners and submitted to the District Planning Officers on a quarterly basis for consolidation. Used specifically for livelihood support and nutrition-related activities under sub-component 2.3.

Financial and Blended Finance Tracking Tools

vii. VCIP Blended Finance Tracking Template

Purpose: Track grant deposits and bank/MFI loans associated with VCIP implementation for cooperatives and MSEs.

Key data: Client ID, business plan dates and value, grant amount (earmarked and disbursed), loan amounts (approved and disbursed), expected and actual repayment dates.

Use: Updated when business plans are finalized, grants are disbursed, loans are approved/dispensed, and repayments occur. Used to compute repayment rates and financial leverage.

viii. PRIP Blended Finance Tracking Template

Purpose: Monitor grant deposits and loans linked to PRIP implementation for APGs and cooperatives.

Key data: Number and IDs of APGs and cooperatives submitting grant requests, amounts approved and disbursed (by type of beneficiary), loan values, and repayment dates.

Use: Central for indicators on grant disbursement, number of groups receiving grant deposits, and repayment rates.

Data consolidation and use

The PMU M&E Officer will use the information and data reported in DPOs' quarterly and annual reports (see section 3.12.4) to update the central MIS.

Updated MIS data on key activities and outputs will be consolidated on a regular basis to provide an up-to-date picture of project implementation performance. This data will be analyzed using two complementary tools:

- First, the RO-AWPB template will be used as the central tool for tracking both physical and financial progress throughout the fiscal year. To enable systematic monitoring, additional “achievements” columns will be incorporated into the template alongside each planned physical and financial target (see Appendix 1 for template). Every quarter, these columns will be updated with actual results (physical and financial), allowing direct comparison between targets and achievements at activity, sub-activity, and output levels. The RO-AWPB will thus be used to compare planned physical and financial targets with actual achievements, enabling assessment of progress against annual commitments. Delivery rates will be estimated for each Sub-component as a basis to assess if implementation progress is within schedule. Discrepancies will be explained and discussed in the annual progress report, while remedial actions will be recommended.
- Second, a set of specialized tracking sheets will be used to monitor the capacity-building support provided at group level, capturing details of training and advisory services delivered to MSEs, cooperatives, APGs, WUGs and other beneficiary groups (see Appendix X for examples).

The quarterly tracking sheets—to be fully developed in English and Lao upon project start and appended to the final PIM— include:

- MSE Capacity-Building Tracking Sheet: Records the type and date of training or advisory support provided to each MSE, each year, as well as the number of persons trained.
- Cooperative Capacity-Building Tracking Sheet: Tracks all capacity-building activities delivered to each cooperative each year, including training topics and participation levels, and the number of households and individuals (men/women/youth/PWD) trained.
- APG Capacity-Building Tracking Sheet: Keeps record of the training and support provided to each APG, each year, including training topics, and the number of households and individuals (men/women/youth/PWD) trained. Enables monitoring of outreach, women and youth participation without risk of double-counting beneficiaries.
- WUG Capacity-Building Tracking Sheet: Captures annual updates on training sessions and participation for each WUG linked to irrigation schemes, together with the number of persons (men/women/youth/PWD) trained.
- IGA and Nutrition Training Tracking Sheets: Record participation in livelihood and nutrition-related training events in each selected locality,

each year, including dates, topics and number of households and persons (men/women/youth/PWD) reached.

- VCIP Blended Finance Tracking Sheet: Monitors quarterly updates on grant deposits and bank/MFI loan transactions linked to VCIP support for cooperatives and MSEs. Used to record business plan values and dates, grant amounts earmarked/dispensed, loan amounts approved/dispensed, and expected vs. actual repayment dates. Quarterly updates allow tracking of disbursement progress, repayment performance, and financial leverage.
- PRIP Blended Finance Tracking Sheet: Tracks quarterly grant deposits and loans associated with PRIP implementation for APGs and cooperatives. It records the number and ID of groups submitting grant requests, amounts approved and dispensed, loan values, and repayment dates. The sheet provides essential data on grant delivery, beneficiary coverage, and repayment rates.

Performance evaluation

Project implementation performance will be assessed using three core mechanisms: monthly PMU coordination meetings, quarterly coordination meetings at district level, and annual planning and performance-assessment workshops at both district and central levels.

Monthly PMU Management Meetings

Each month, the PMU will convene a management meeting with key PMU staff and relevant representatives from relevant Departments of the MoAE and the MOIC when needed. Using updated activity tables and financial data, the meeting will review:

- progress against physical and financial targets,
- implementation challenges and bottlenecks, and
- required corrective or mitigating actions.

Brief minutes will be recorded, highlighting decisions and follow-up responsibilities.

Quarterly Coordination Meetings at District/Province Level

Every quarter, district-level (or province-level¹) coordination meetings will be convened to review progress in project implementation and strengthen collaboration among local actors. These meetings will bring together relevant district/province-level staff from the MOAE and the MOIC, as well as selected service providers involved in field activities.

During each session, participants will review quarterly progress against planned physical and financial targets, discuss implementation challenges, and identify corrective actions required for the next quarter. Field observations and feedback from service providers will be shared to ensure timely problem-solving and

¹ The PMU will decide if these coordination meetings are best held at district or provincial level, or if they should be held at both the district and provincial levels.

improved coordination. Key decisions and follow-up responsibilities will be documented in brief meeting minutes and communicated to the PMU for consolidation and further guidance.

Annual Planning and Performance-Assessment Workshops (District and Central Levels)

Once per year, district-level workshops will review implementation performance, compare achievements with annual targets, and identify lessons learned. These workshops will also generate inputs—new physical and financial targets—for the next Annual Work Plan and Budget (AWPB).

A consolidated central-level workshop will then be held with PMU, district representatives, and other relevant stakeholders. This workshop will:

- validate annual achievements,
- assess overall project performance and survey findings,
- discuss cross-cutting issues (e.g., gender, targeting, outreach), and
- finalize the targets and priorities for the upcoming AWPB.
- Following the central workshop, the PMU will prepare the consolidated annual progress report for submission to IFAD.

(B) Monitoring project outreach

96. Outreach monitoring tracks the number of APGs/Cooperatives/SMEs and individuals receiving project services. The project Logframe includes three outreach indicators, all of which require mandatory annual reporting to IFAD (See Table 2):

Mandatory outreach indicators and targets

Indicator	End-line target	Definitions and target calculation
Number of persons receiving project services <i>Disaggregated by:</i>	28 034	The total number of farmers, rural producers, and SME owners or staff who actively participate in project activities and receive project goods (e.g., IGA packages) or services (e.g., training, grants). The focus is on counting intended/targeted beneficiaries. Producers who are not explicitly targeted, but who incidentally use project-supported infrastructure (e.g., a rehabilitated road or irrigation canal) should not be counted unless they have participated in other project activities.
<i>Men</i>	14 017	
<i>Women</i>	14 017	
<i>Youth</i>	2 803	
<i>Persons with disabilities</i>	600	
Number of households reached	14 308	The total number of households actually taking part in project implementation. It is assumed

		that, on average, 1.8 persons per household will participate in project implementation
Number of members in beneficiary households	80 125	The total number of persons or members in beneficiary households. An average household size of 5.6 persons is assumed. The exact number of household members will not be tracked; instead, it will be estimated using this average.

In the project context, proper monitoring of outreach requires recognizing that the “number of members” reported by APG or cooperative leaders—or by district staff—usually refers to the number of households belonging to the group, not the number of individual participants². To address this issue, service providers or district staff will record both the number of individuals attending each APG or cooperative training event and the number of households they represent.

Further, and to minimize double-counting of project participants (e.g., when one person receives multiple types of training over the years), the primary accounting unit for all training or input provision activities will be the “APG” (or “cooperative”, “SME”, or “WUG”), except for subcomponent 2.3 where the primary M&E accounting unit will be the “locality”. Each APG/cooperative/SME/WUG will be assigned a unique identification number, and District Officers will be required to record, for each APG/cooperative/SME/WUG supported, the date and type of support provided together with the number of households, men, women, youth, and PWD receiving direct support.

Due to limited PMU staffing, the signed training attendance sheets of each implemented activity—containing the name, gender, age group, and original signature of each individual supported—will be kept exclusively as hard-copy records at the district level. The central M&E database will therefore track APG/Cooperative/SME/WGUs (or localities for component 2.3) only—specifically the types of support each APG/Cooperative/SME/WGUs (or locality for component 2.3) receives and the total number of persons (disaggregated by men/women/youth) receiving each type of support.

To keep track of outreach under subcomponent 2.3., the PMU will track centrally the total number of households and total number of individuals (men/women/youth/PWD) receiving support in each selected locality, assuming that the same households/individuals will be targeted each time a new activity takes place in selected localities.

Further, and again to minimize the risk of double-counting of project participants, District Planning Officers will distinguish between “new groups/localities receiving support for the first time” and “groups/locality previously supported in earlier years” when reporting annual results to the PMU.

(C) Measuring outcomes and impact

² For example, an APG reporting as having 50 “members” may actually represent up to 100 persons.

The measurement of project outcomes and impact will be undertaken through three key evaluation exercises—the baseline survey, the mid-term survey, and the completion impact survey—which are expected to provide rigorous and comparable data on changes in project results and beneficiary living conditions. Through these exercises, the Logframe indicators and associated targets will serve as the principal reference framework for questionnaire development, analysis and reporting.

In parallel, rolling baseline and APG/Cooperatives records will constitute a useful complementary data source for outcome tracking and impact measurement.

Data requirements

The next table shows which key variables shall be collected during the three surveys in relation to each outcome and impact Logframe indicators (list to be expanded, as relevant).

Key variables required for outcome and impact measurement

Indicator	Primary Data / Variables Required	Collected at Baseline	Collected at Mid-term	Collected at Completion
% of target households reporting an increase in income of at least 20%	Total annual household income; Disaggregated income by source; Total annual households' expenditures	Yes	Yes	Yes
	Perceived change in income	No	Yes	Yes
% of households reporting enhanced food security	HFIAS or food security score; Months of food insecurity	Yes	Yes	Yes
	Perceived change in food security	No	Yes	Yes
% of households reporting increased volumes of production sold to markets	Quantities produced; Quantities sold; Buyers and sales channels	Yes	Yes	Yes
	Perceived change in volumes of production sold to markets	No	Yes	Yes
% of households reporting enhanced resilience to climate change	Exposure to shocks; Coping strategies; Adoption of resilience practices	Yes	Yes	Yes

Key variables required for outcome and impact measurement

Indicator	Primary Data / Variables Required	Collected at Baseline	Collected at Mid-term	Collected at Completion
	Perceived change in resilience to climate change	No	Yes	Yes
% of supported rural enterprises reporting an increase in profit	Enterprise revenues; Enterprise costs; Net profit	Yes	Yes	Yes
	Perceived change in profitability	No	Yes	Yes
% of households satisfied with project-supported services	Satisfaction levels with services; Quality rating (Likert scale)	No	Yes	Yes
% of supported rural producers' organizations reporting new or improved services	Types of services received from APG or cooperative	Yes	Yes	Yes
	Perceived improvements in service delivery	No	Yes	Yes
% of households reporting improved access to markets, processing and storage facilities	Distance/time to market; Distance/time to processing and storage; Transport means; Post-harvest losses; Transportation costs	Yes	Yes	Yes
	Perceived change in access to markets and marketing infrastructure	No	Yes	Yes
% of households reporting using rural financial services	Types of financial services used; Frequency; Amount; Purpose of loans; Interest rate; Providers	Yes	Yes	Yes
	Perceived change in access to finance	No	Yes	Yes
Total value of loans accessed by SMEs and cooperatives	Administrative data: loan amounts disbursed to SMEs/coops	No	No	No
Number of persons with new	Employment/IGA status; Short-term and	Yes	Yes	Yes

Key variables required for outcome and impact measurement

Indicator	Primary Data / Variables Required	Collected at Baseline	Collected at Mid-term	Collected at Completion
jobs/employment opportunities	permanent staff (SMEs) or agricultural laborers (farmers) employed			
	Number of new SMEs employees, agricultural laborers or self-employed; Type of employment and duration; Link to project	Yes	Yes	Yes
% of households reporting reduced water shortage	Water availability for production; Frequency/severity of shortages	Yes	Yes	Yes
	Perceived change in irrigation water availability	No	Yes	Yes
% of households reporting an increase in production	Production volumes per crop/livestock	Yes	Yes	Yes
	Perceived change in production	No	Yes	Yes
% adopting climate-resilient technologies/practices	Types of CC-resilient practices adopted; Number of practices; Year of adoption	Yes	Yes	Yes
Hectares under climate-resilient management	Land area under climate-resilient practices; Type of practice	Yes	Yes	Yes
% of women reporting Minimum Dietary Diversity ³	Nutrition background and diet diversity (See IFAD COI questionnaire- Nutrition module)	Yes	Yes	Yes

Data collection tools

³ The Service Provider shall use the standard questions proposed for the Nutrition Module in IFAD COI guidelines.

The measurement of project outcomes and impact will rely primarily on three key evaluation exercises: the baseline survey, the mid-term survey, and the completion impact survey. The baseline survey will establish the initial conditions against which progress will be assessed, while the mid-term survey will provide evidence on emerging trends, effectiveness, and any necessary adjustments to implementation. The completion impact survey will measure endline outcomes and overall project impact. These surveys will generate rigorous and comparable data to assess changes in project outcomes and to determine the extent to which the project has contributed to improvements in the living conditions of beneficiary households.

To effectively measure project outcomes and strengthen business management capacities, all participating APGs, cooperatives and SMEs will also be required to maintain accurate and consistent records. These records will form the foundation for monitoring progress along the value chain and supporting beneficiaries in operating more efficient and sustainable enterprises, while providing useful additional data on outcomes and impact.

Baseline data

The PMU will contract a specialized service provider to design and implement the baseline and survey in accordance with IFAD's Core Outcome Indicators (COI) measurement guidelines⁴ and recommended questionnaire⁵. These surveys will use harmonized methods, sampling strategies, and indicator definitions to ensure comparability over time and alignment with IFAD corporate reporting requirements. In addition, a rolling baseline data collection system will be implemented.

Baseline Survey

Purpose

The baseline survey will establish the pre-intervention status of the project's target population and geographic areas. Consistent with IFAD's COI measurement guidance and recommended questionnaire, the baseline will:

- Document the socio-economic, demographic, and livelihood characteristics of households prior to any project-supported activities.
- Generate the required data baseline data for key impact indicators (e.g., COI 1—Household assets; COI 2—Production; COI 3—Market participation; COI 4—Food security; COI 5—Women's empowerment), which will be used as reference points for future comparisons.

⁴ IFAD COI guidelines are available at:

https://www.ifad.org/documents/38714170/42870514/coim_guidelines_e.pdf/bed6993e-1a1a-6683-bd3c-6fc9bb0e5aac?t=1619708052741

⁵ The IFAD COI standard questionnaire (to be adapted to the specific country/project context) is available at:

https://www.ifad.org/documents/38714170/42870514/coim_guidelines_appendix_e.pdf/9982a2d3-e38f-5b88-e0f7-81baf5e509a0?t=1619708054014

- Provide the analytical foundation for evaluating project contribution to changes in outcomes and impacts, using a clear counterfactual or comparison approach where feasible.

Process

Shortly after project start-up, the contracted service provider will undertake the baseline survey following IFAD's recommended methodological steps:

- Survey design: For the quantitative survey, adapt IFAD's standardized COI questionnaire to the project and country contexts while preserving mandatory indicators, definitions, and sequencing. Develop interview guides for qualitative tools (Focus Group Discussions, Key Informants Interviews) to complement the findings of the main quantitative survey.
- Sampling: Develop a statistically robust sampling frame aligned with IFAD's guidelines (typically stratified random sampling across project areas), ensuring adequate representation of target groups, including women and youth.
- Enumerator training and piloting: Train data collectors on use of survey questionnaire, digital data collection tools, and interviewing techniques. Conduct a pilot test to refine instruments.
- Data collection: Implement household and individual surveys before the start of any project interventions to avoid upward bias in COI values. Conduct focus groups' discussions and interviews with key informants to provide additional insights.
- Data cleaning and analysis: Apply IFAD's prescribed analysis methods to generate baseline estimates for all required indicators and disaggregate results by gender and age.
- Reporting: Produce a baseline report that provides baseline values in relation with all Logframe outcome and impact indicators.

Rolling baseline

The PMU will implement a rolling baseline data collection system for all APGs, cooperatives, and SMEs at the time they are formally selected to receive project support or enter project implementation. This system complements the project-wide baseline survey, which will be conducted at the early stages of the program when final beneficiaries may not yet be identified.

At the core of the rolling baseline system are the APG and cooperative profile templates, which serve as the primary tools for capturing standardized baseline information. These profiles are completed during the selection process and document the initial status of each beneficiary group or enterprise prior to receiving project support. The templates capture key information including legal and registration status, membership size and composition (including gender and youth), governance and management structures, production systems and volumes, access to land and infrastructure, asset ownership, financial access, and existing market linkages. Similar standardized profiling templates will be

used for SMEs, capturing business registration, turnover, employment, production capacity, and supply chain linkages.

Data collected through the profiles will be reviewed and validated by the M&E unit and entered into the project MIS at the time of APG/cooperative/SME selection. The rolling baseline data will function as a complementary, beneficiary-specific baseline, enabling accurate before-and-after comparison of performance indicators, strengthening attribution of project results, and supporting outcome and impact evaluations. Used together with the baseline survey, the rolling baseline ensures that both the broader project context and the specific performance of supported APGs, cooperatives, and SMEs are systematically measured.

Impact data

Mid-Term and Completion Impact Surveys

Purpose

The mid-term and completion surveys will assess changes in all Logframe outcome and impact indicators over time, using the baseline data as the reference point. Following IFAD COI guidance⁶, these surveys are intended to:

- Measure progress toward project outcomes at mid-term and measure impact measurement at project completion.
- Identify emerging or realized changes attributable to project interventions, such as increased incomes, improved food security, productivity gains, or enhanced women's empowerment.
- Provide evidence for adaptive management during implementation (mid-term) and for evaluative learning and accountability at closure (completion).

Process

The MT and completion surveys will be administered before the Mid-Term Review (MTR) mission and prior to the Project Completion Report (PCR) mission respectively. The service provider will follow the following steps:

- Instrument consistency: Use the same questionnaire and interview guides (for FGD and KII), definitions, and sampling methodology applied at baseline, as mandated by IFAD's COI guidelines, to ensure data comparability across survey rounds.
- Sampling revisit: Re-interview the same households (panel approach) whenever feasible; if not possible, use replacement households from the same sampling strata, following IFAD protocols.
- Enumerator training: Conduct refresher training emphasizing consistency in measurement and strict adherence to indicator definitions.

⁶ IFAD COI guidelines are available at: https://www.ifad.org/documents/38714170/42870514/coim_guidelines_e.pdf/bed6993e-1a1a-6683-bd3c-6fc9bb0e5aac?t=1619708052741

- Data collection and quality assurance: Collect household and individual data, applying IFAD-recommended digital data capture standards and quality control protocols.
- Data analysis: Compare mid-term and completion results with baseline values to assess outcome-level progress and impacts. Use the analytical framework prescribed in IFAD COI guidelines, including disaggregation and significance testing where applicable.
- Reporting: Produce MT and completion survey reports that document changes in Logframe indicators, interpret trends, and provide inputs for the MTR, PCR, and project evaluation exercises.

Producers' records

As part of LEAD's value chain development approach, all participating APGs, cooperatives, and SMEs will be required to maintain clear, accurate, and up-to-date records. These records are essential for tracking progress and assessing changes in productivity and profitability. Strengthening record-keeping practices will also help establish a culture of sound business management, improving the ability of producer groups and enterprises to operate efficiently, and make informed business decisions.

At the same time, these records will serve as a key source of data to measure early project outcomes and impact. Until the Digital Farmers' Registry is fully functional, comprehensive data collection from all groups will be neither practical nor necessary. Instead, the PMU will apply a sampling approach, using samples of these records to periodically measure early outcomes—at least annually. This method ensures that reliable insights can be drawn while minimizing work and efforts

Record-keeping modules will be integrated into all training and capacity-building packages delivered under the project. At a minimum, it is expected that the following records should be kept:

Agricultural Producers Groups (APGs): APGs should keep records on:

- Production volumes (per crop or commodity)
- Sales volumes and revenues
- Input use and input costs
- Group savings, expenditures, and net profit
- Membership contributions and participation in group activities

Agricultural Cooperatives: Cooperatives should maintain records on:

- Aggregated production and collection volumes
- Sales volumes, revenues, and pricing
- Operational costs (including transport, storage, processing, and administration)

- Cooperative savings, loans issued to members, and repayment performance
- Profit and loss statements

Small and Medium Enterprises (SMEs): SMEs engaged in processing, trading, aggregation, input supply, or services should maintain records on:

- Quantities of raw materials or products purchased and/or processed
- Sales volumes, buyer profiles, and revenues
- Operational and overhead costs
- Investments in equipment or infrastructure
- Profitability and cash flow

3.9.3 Data management and MIS

105. The main MIS used for M&E will be the Digital Farmer Registry (DFR), a government-owned digital system used to register farmers, households, land, and production data in a single, centralized platform. Initially piloted within the IFAD-funded PICA project using an open-source platform, the system was developed for two main purposes: (i) as a foundation for value chain management by linking registered farmers and producer groups to production volumes, crop types, aggregation points, buyers, and service providers along the chain; (ii) as a core tool for project-level M&E, by supporting digital baseline registration, beneficiary tracking, and longitudinal monitoring of key outcome indicators such as land use, crop production, and food security. The system enables real-time aggregation of results, gender and vulnerability disaggregation, and verification through time-stamped records collected by field staff.

106. Pending the full operationalization of the DFR under Sub-component 2.3—which shall be customized to track AWPB implementation and all Logframe indicators—the collected data will be compiled and managed in a simple Excel database maintained by the M&E Officer at the central level.

107. It is also expected that, using open-source tools and low-cost mobile data collection, GIS will be used to map VCs, targeted localities, AGP/cooperatives/SMEs location, and the location of project-rehabilitated infrastructure.

108. To reduce the risk of double-counting individuals who may participate in multiple activities over the years and the PMU not having the resources to track all individuals supported, the project will use groups—APGs, cooperatives, SMEs, and WUGs—as the primary reporting unit for all training and input distribution activities, except under Sub-component 2.3, where “targeted locality” will be the main unit of record. Each group will thus be assigned a unique identification number, and District Officers will record the types and dates of support provided to each group, along with the number of households, men, women, youth, and persons with disabilities who directly benefited. When reporting annual results, District Planning Officers will also be required to differentiate between APGs receiving support for the first time in the current fiscal year and those that were also supported in previous years. The central M&E database will therefore track

information at the group level—the types of support each group receives and the total number of households and persons supported each time, disaggregated by sex and age category— while detailed lists of individual beneficiaries (including names, gender, age group, and original signatures) will be maintained only as hard-copy files at district offices (but with copies appended to the annual district progress reports).

109. Data quality and reliability will be randomly verified by the M&E Officer through periodic field visits—sometimes jointly with other PMU staff—and through random checks of district staff records and APG documentation. To ensure smooth operation of the M&E system, the PMU shall organize regular training on the use of standard monitoring and reporting templates by District Officers.

3.9.4 Reporting requirements

Purpose of Reporting

110. Reporting provides a structured mechanism for documenting implementation progress, financial performance, and early results. It ensures that routine monitoring data is translated into clear evidence for management, accountability, and learning.

111. Reports consolidate information already available through the MIS, routine monitoring activities, and financial reporting. No separate or additional data collection exercises should be required specifically for reporting purposes. All reports should provide concise, factual updates supported by data, complemented by brief narrative analysis where needed.

112. Reporting requirements (e.g. template, content, frequency, dates of submission) will be clearly specified in all Service Providers' contract, in MoUs between district offices and the PMU, and in relevant district and PMU staff' Terms of Reference.

Types of Reports

i. Service Provider (SP) Progress Reports

SPs will prepare periodic reports (monthly or quarterly, depending on contractual requirements) summarizing key activities undertaken at grassroots-level. These reports represent the first layer of monitoring data and feed directly into district-level reporting. SP reports will be submitted using standard SP Progress Reporting Templates (*to be developed upon project start*).

Minimum content:

- Activities implemented and outputs delivered
- Beneficiary participation (i.e. number of households and men/women/PWD reached)
- Data related to agreed indicators and targets (or programme of work)
- Expenditures against agreed budget
- Challenges and proposed solutions

ii. District Quarterly, Six-Monthly and Annual Progress Reports

District Planning Officers will consolidate SP reports into district-level progress reports submitted to the PMU every quarter. District reports must be prepared using the District Progress Report Template (*to be developed upon project start*). The second and fourth quarterly progress reports of the year will constitute the six-monthly and annual progress reports, respectively, and will present consolidated/cumulative progress from the start of the fiscal year, in addition to quarterly progress.

Minimum content:

- Summary of activities and outputs achieved in each quarter
- Progress against AWPB targets
- Data related to agreed indicators and targets
- Disbursement status and projections (for the mid-year and annual report)
- Challenges and corrective actions (for the mid-year and annual report)

iii. PMU Six-Monthly and Annual Progress Reports

Each year, the PMU M&E Officer will compile district-level information and other MIS data and prepare two mandatory reports for IFAD and the MOAE: a semi-annual (six-monthly) progress report and an annual progress report.

The semi-annual progress report will provide a concise analysis of progress achieved to date against the AWPB targets and timeline, highlighting key outputs delivered, implementation status, and any emerging issues requiring management attention. The annual progress report will present a more comprehensive assessment of overall project performance, including achievement of planned targets, beneficiary outreach, gender and youth inclusion, use of resources, key challenges encountered, lessons learned, and proposed corrective actions for the subsequent implementation period. The annual progress report shall follow the outline provided in Appendix 3 (including mandatory annexes).

The 6-monthly report shall be submitted to IFAD by 31 July, while the annual progress report will be submitted as per the Financing Agreement schedule.

iv. IFAD ORMS reporting

The regular tracking of all relevant Logframe indicators, among others, will allow the PMU to report annually on annual and cumulative results as part of IFAD's Operational Results Management System (ORMS), which serves as IFAD's official corporate platform for tracking project performance and results. The project Logframe and its associated output, outcome, and impact indicators will form the core of all ORMS reporting, ensuring full alignment between project monitoring and IFAD's corporate results framework.

Each year, and using the required template, the project will thus report on:

- Annual achievements against annual targets for all relevant Logframe output indicators, as identified in the AWPB, and using verified data generated through the project M&E system. The three outreach indicators will also be included. When this becomes relevant and data is available (i.e. upon conduction of the MT and completion survey), outcome and impact data will also be reported.
- In addition to annual results, the project will also report on cumulative achievements to date against end-line targets for all relevant output indicators and the three outreach indicators. Cumulative reporting enables IFAD to assess overall progress toward development objectives and final outcomes over the life of the project.

All data submitted must be validated, properly disaggregated (including gender and youth), and fully consistent with the approved PDR Logframe indicators and targets prior to submission. The project will not directly enter data into the ORMS platform but will submit to IFAD a standardized Excel-based reporting table containing updated values for all relevant Logframe indicators. IFAD will then be responsible for entering the data into ORMS.

v. Project Completion Report (PCR)

Towards project completion, the PMU will prepare a Project Completion Report (PCR) to document project overall results and performance and serve as a core reference document for accountability and learning.

The report will follow the standard IFAD recommended outline⁷:

- Factual description of the project context, design, components, financing, target groups, and implementation arrangements.
- Core performance assessment using IFAD's six evaluation criteria: relevance, effectiveness (outputs, outcomes and outreach), efficiency, rural poverty impact, sustainability, and innovation, scaling-up and knowledge management. Each criterion will be assigned a numerical rating on the IFAD six-point scale⁸ and will be justified with clear reference to measured results and field evidence.
- Assessment of cross-cutting themes, notably gender equality, youth inclusion, climate change and environmental sustainability, and nutrition, based on disaggregated indicators.
- Performance of project management, M&E, and fiduciary systems.
- Performance of key partners, including government and IFAD.
- Budget and expenditures.
- Overall assessment of project achievement and concise set of validated lessons learned and recommendations. These lessons are drawn directly

⁷ See IFAD PCR guidelines: [PCR Guidelines for Projects v2.3](#)

⁸ From 6: Highly satisfactory to 1: Highly unsatisfactory

from documented implementation experience and are intended to inform future project design, scaling strategies, and policy dialogue.

The PCR will be based entirely on existing M&E evidence generated throughout the project life cycle, including baseline and impact surveys.

3.9.5 Detailed M&E roles and responsibilities

113. Effective implementation of the M&E system depends on clearly defined roles and responsibilities across all M&E actors. Each stakeholder contributes to systematic data generation, validation, analysis, reporting, and learning to ensure timely, accurate, and credible performance information for decision-making and accountability.

114. All Service Providers' contracts and district MOUs shall include clearly defined M&E and reporting requirements, specifying the data to be collected, reporting templates to be used, and submission timelines.

115. All stakeholders involved in implementation and monitoring must:

- Use the official project templates prepared by the PMU (no parallel ad hoc formats).
- Complete all mandatory fields, including ID numbers, dates, sex and age disaggregation.
- Keep tools up to date and securely stored (physically and/or electronically).
- Ensure that data is supported by evidence (e.g. signed attendance sheets, pictures of construction sites, etc.).

Project Management Unit (PMU)

116. The Project Management Unit (PMU) holds overall responsibility for the strategic planning, coordination, quality assurance, consolidation, analysis, and reporting of all M&E information. The PMU leads the development and operationalization of the project M&E framework, including the results framework, indicators, reporting formats, digital data collection systems, and data quality standards.

117. The PMU oversees the preparation of the AWPB (including annual output targets), provides training and guidance on the use of M&E tools, consolidates M&E data submitted by districts, conducts routine data quality checks, identifies discrepancies, and provides structured feedback to Provincial and District teams on results and performance. The PMU also conducts regular field verification missions to confirm the existence and quality of outputs, check APG records, validate beneficiary numbers, and gather feedback on service delivery effectiveness. The PMU prepares and submits semi-annual annual progress reports to IFAD and the MOAE, prepares results dashboards, analytical briefs on performance and knowledge products. The PMU also uses M&E evidence to support adaptive management, learning, and strategic decision-making.

Provincial Agriculture and Forestry Offices (PAEOs)

118. The Provincial Agriculture and Forestry Offices (PAEOs) provide oversight of district-level implementation and ensure consistency and technical quality of M&E practices across the province. PAEOs supervise district reporting performance, provide technical backstopping to District and DAEO teams, and participate in joint verification missions with the PMU.

119. PAEOs review progress against provincial targets, identify implementation or capacity gaps, and support corrective actions to improve results delivery and data reliability.

District Planning Officers (DPOs)

120. District Planning Officers (DPOs) serve as the primary M&E focal points at field level. They are responsible for routine data collection coordination, verification, consolidation, storage, and timely transmission of all district-level M&E data.

121. This includes validation of:

- Beneficiary groups' registration
- Training and service delivery records
- Input distribution
- Infrastructure construction progress
- Producer groups' performance
- Output indicators

122. DPOs ensure completeness, accuracy, and consistency of all district data before submission to the PMU. They maintain official M&E files (including signed training attendance sheets), support field verification activities, and facilitate feedback and performance review with service providers and producer groups.

Microfinance Institutions (MFIs)

123. Partner MFIs are responsible for monitoring and reporting on LEAD financial inclusion outputs. MFIs shall collect, manage, and report data using project-approved templates and reporting cycles to allow aggregation at the project output level.

124. MFIs are responsible for collecting, at a minimum, the following:

- Number of business plans validated
- Number of loan proposals accepted
- Number of AGPs, cooperatives, and SMEs accessing LEAD-supported financial services
- Number of persons (men, women, youth) accessing LEAD-supported financial services, disaggregated by district
- Type and volume of financial products provided (approved and disbursed)

- Expected and actual repayment dates
- Repayment rate

125. MFIs shall ensure the accuracy, completeness, and timeliness of all data prior to submission to the PMU and shall maintain verifiable source documentation. MFIs shall also facilitate access to clients, staff, and records for routine output verification missions, spot checks, and project reviews.

Training Service Providers (TSPs)

126. Training Service Providers are responsible for monitoring and reporting on LEAD technical training outputs. This includes technical training in production, processing, and business plan development delivered to AGPs, cooperatives, and SMEs. TSPs shall integrate M&E into routine training delivery and comply with project-defined output indicator definitions and reporting schedules.

127. TSPs are responsible for collecting, at a minimum, the following:

- Number of AGPs, cooperatives, and SMEs trained
- Number of persons (men/women/youth) trained
- Number of households trained
- Date, type, duration, and technical content of training delivered

128. TSPs shall ensure that all output indicator data are supported by complete and verifiable source documents (the training attendance sheets with the original signature of each trainee) and shall provide access to training records, trainers, and trainees for routine verification, project reviews, and audits. TSPs shall use M&E findings to improve the planning, targeting, and delivery of technical training services under the project.

Infrastructure Contractors

129. Infrastructure contractors are responsible for monitoring and reporting on the physical implementation of all civil works financed under the project, including the construction and rehabilitation of processing and storage facilities, rural access roads, and irrigation canals. Contractors shall establish routine site-based monitoring systems to track progress against approved designs, bills of quantities, work plans, and construction schedules.

130. Contractors are responsible for collecting, at least, the following types of data:

- Physical progress of works against the approved construction schedule
- Quantities of works completed by type (e.g. length of roads and canals, number and capacity of facilities)
- Location and technical characteristics of completed infrastructure
- Workforce deployment and use of equipment, where required
- ESS safeguard incidents, where applicable

131. Contractors shall submit regular construction progress reports in accordance with the reporting schedule defined by the PMU and shall ensure that all reported information is accurate, complete, and supported by verifiable site records. Contractors shall maintain proper documentation, including site diaries, measurement sheets, engineer's certifications, and photographic evidence. They shall facilitate access to construction sites and records for supervision missions, technical inspections, monitoring visits, and audits. Any major delays, technical defects, safety incidents, or environmental and social risks shall be reported immediately through the project's established reporting and safeguard procedures.

Agricultural Producer Groups (APGs) and cooperatives

132. APGs and cooperatives serve as the primary source of production and commercialization data. They are responsible for maintaining accurate and up-to-date records on:

- Membership
- Crop production
- Input use
- Aggregation and storage
- Sales volumes, prices, and buyers

133. These records serve as the foundational source documents for value chain performance monitoring and outcome measurement.

International Fund for Agricultural Development (IFAD)

134. IFAD provides implementation oversight and technical guidance on M&E through regular supervision and implementation support missions. IFAD reviews project performance and results reporting, assess MIS functionality and data reliability, validates progress against the APWB and the Logframe, supports methodological improvements in M&E systems, and ensures alignment with corporate Results-Based Management standards and fiduciary requirements.

135. The project will establish three-tier coordination mechanisms with clear frequency, agendas, and outputs:

- Monthly PMU Coordination Meetings: PMU technical staff (MAE and MOIC representatives) review implementation progress, resolve operational issues, prepare for quarterly meetings. Standing agenda: AWPB progress, procurement pipeline, upcoming activities, problem-solving.
- Quarterly Inter-Agency Coordination Meetings: PAEO/DAEO representatives, PMU, selected service providers review achievements against quarterly targets, validate data, identify bottlenecks, adjust implementation plans. Standing agenda: review quarterly reports, approve next quarter's procurement, address service provider performance, coordinate field activities between MAE and MOIC.

- Annual Project Steering Committee Meetings: PSC reviews annual progress against AWPB and logframe, approves next year's AWPB, makes strategic decisions on scaling or adjustments. Standing agenda: Annual Progress Report review, AWPB approval, policy issues, partnership opportunities.

Decision Rights Matrix:

Decision Type	Approval Authority	Review / Input Required
PRIPs (individual APG cluster)	PAEO Review Committee	DAEO technical review, PMU quality assurance
VCIPs (value chain plans)	MOIC Provincial Office + PAEO endorsement	MSP validation, PMU review
Infrastructure designs < USD 50K	PAEO/MOIC Provincial (technical)	DAEO/district technical review
Infrastructure designs > USD 50K	PMU Director	PAEO/MOIC technical review, PSC notification
Cooperative grants via blended finance	PAEO Committee (Component 2) / MOIC (Component 1)	Financial institution assessment, PMU verification
MSE grants	MOIC Provincial Office	MSP recommendation, PMU due diligence
Service provider contracts < USD 100K	PMU Director	MAE/MOIC technical clearance
Service provider contracts > USD 100K	PSC	PMU recommendation, IFAD no-objection

Joint MAE-MOIC Implementation Protocols: A Joint Implementation Manual will be developed in Year 1 covering:

- Activity coordination: Clear division where MAE leads Component 2 field activities (PRIPs, irrigation, vulnerable households) and MOIC leads Component 1 activities (VCIPs, MSPs, MSE support), with joint planning for activities requiring both (e.g., APG assessments informing both PRIPs and VCIP development).
- Procurement coordination: PMU Procurement Officer manages centralized procurement for both ministries, avoiding duplication. MAE and MOIC technical staff provide specifications and quality assurance, but procurement processes follow unified procedures.
- M&E integration: Single consolidated reporting system managed by PMU M&E Specialist. PAEO and DAFO provide data on Component 2, MOIC

provincial offices on Component 1, PMU consolidates into unified quarterly and annual reports.

Escalation Procedures: Clear escalation pathways will be established:

- Operational issues (service provider delays, procurement bottlenecks, data quality): DAEO/MOIC district → PAEO/MOIC provincial → PMU Coordinator → PSC (if unresolved within 30 days)
- Inter-ministerial coordination issues: PMU Coordinator convenes joint MAE-MOIC troubleshooting meeting → PSC escalation if agreement not reached within 15 days
- Fiduciary or safeguards concerns: Immediate escalation to PMU Director and IFAD Country Office

These measures ensure manageable M&E demands, clear decision-making authority, and effective MAE-MOIC coordination while maintaining accountability and quality standards essential for IFAD-financed operations. M&E Data Informing Adaptive Management:

Quarterly Adaptive Management Review Process:

Step 1: Data Compilation & Analysis (PMU M&E Specialist)

- Consolidate quarterly data from all sources (DAEO, MOIC, MFIs, service providers)
- Generate performance dashboards comparing actual vs. planned targets
- Identify red flags: activities <50% of target, loan repayment rates <80%, infrastructure delays >3 months, low participation by women/youth

Step 2: Root Cause Analysis (PMU + Implementing Agencies)

- Convene quarterly coordination meetings with PAEO, MOIC, service providers
- Investigate causes of underperformance: capacity constraints? Design issues? External factors?
- Solicit field-level explanations from DAEO and APG representatives
- Distinguish systemic problems requiring design adjustments from temporary implementation delays

Step 3: Adaptive Actions (PSC Approval if Major)

- Operational adjustments (PMU authority): Reallocate service provider resources to underperforming districts, adjust training schedules, intensify technical support
- Design modifications (PSC approval required): Revise targeting criteria, adjust loan terms, modify infrastructure specifications, reallocate budget between activities
- Escalation (IFAD engagement): Request no-objection for major changes (>10% budget reallocation, logframe revisions, extension of timelines)

Step 4: Implementation & Monitoring (All Parties)

- Document agreed adaptive actions in quarterly meeting minutes with clear responsibilities and deadlines
- Track implementation of corrective measures in subsequent quarterly reports
- Review effectiveness of adaptive actions in next quarterly review cycle

Examples of Adaptive Management Triggers:

Performance Issue	Trigger Threshold	Potential Adaptive Action
Low MSP participation	<40% of value chain actors attending meetings	Adjust meeting times/locations, provide transportation support, increase private sector outreach
Cooperative loan defaults	Repayment rate <80% for 2 consecutive quarters	Intensify FEBL training, provide business mentoring, review loan amounts for appropriateness
Limited women participation	<30% women in FEBL training after Year 1	Target outreach through Women's Union, adjust training times, provide childcare support
Infrastructure delays	>30% of planned roads/irrigation behind schedule	Review contractor performance, simplify approval processes, increase supervision
Low PRIP approval rates	<50% of submitted PRIPs approved	Strengthen PRIP development support, clarify approval criteria, provide PAEO training on assessment

3.10. Knowledge Management

3.10.1. Purpose and integration with M&E

136. Knowledge Management (KM) under the Project aims to systematically generate, document, share, and use knowledge derived from implementation experience in value chain development, climate-resilient agriculture, or livelihood support. KM contributes to adaptive project management, scaling-up of proven approaches, and evidence-based policy engagement. It supports both IFAD's corporate learning and scaling agenda and national policy development in Lao PDR.

137. Through KM, the Project will generate practical evidence

138. on models, tools, and approaches such as the Productive Rural Infrastructure Package (PRIP), Value Chain Investment Plans (VCIPs), and blended finance instruments. These will be used to inform institutionalization within MAE and the MOIC, and to enable replication and scaling by other development partners. cKM shall be fully integrated with the M&E system to

ensure that learning is evidence-based, credible, and grounded in implementation reality. Routine monitoring data, supervision findings, implementation reviews, and evaluations provide the primary source of evidence for KM. Where learning questions require deeper analysis, such as issues related to regulatory bottlenecks, cooperative governance, or market system constraints, routine M&E data will be complemented by focused studies, thematic reviews, or policy analyses. This ensures that KM goes beyond information sharing and contributes to strategic learning and policy-relevant evidence generation.

3.10.2. Knowledge Generation and Analysis

139. KM shall be fully integrated with the M&E system to ensure that learning is evidence-based, credible, and grounded in implementation reality. Routine monitoring data, supervision findings, implementation reviews, and evaluations provide the primary source of evidence for KM. To guide systematic learning and policy engagement, the PMU will develop a Learning and Policy Engagement Agenda and a Knowledge Management and Communication Plan. These instruments shall be prepared within twenty-four (24) months of project effectiveness and will be developed through structured consultations with government institutions, implementation partners, private sector actors, and development partners.

140. These instruments shall define:

- Priority learning and policy themes linked to value chains, market access, food safety, cooperative development, or climate resilience
- Key learning questions that guide evidence generation, such as drivers of producer graduation or effectiveness of blended finance instruments
- Target audiences and the most appropriate KM products and dissemination channels for each stakeholder group

141. These planning instruments shall be updated periodically to reflect evolving implementation experience and emerging national and IFAD corporate priorities.

142. Knowledge will be generated through routine project implementation, M&E activities, supervision missions, and learning studies. This includes operational experience from:

- Value chain and market systems development
- Climate-resilient agricultural practices
- Cooperative and producer group development
- Access to finance and blended finance mechanisms
- Rural infrastructure and post-harvest investments

Collected knowledge will be analyzed to identify what works, for whom, under what conditions, and why. Analysis will focus on identifying success factors, constraints, risks, and enabling institutional and market conditions that affect performance and scalability.

C. Knowledge Products and Dissemination

143. Knowledge generated under the project will be packaged into a range of KM products tailored to different audiences and learning objectives. This will include digital, print, multimedia, and interactive learning formats.

144. Digital platforms will serve as repositories for value chain information, market intelligence, and performance data of agricultural producer groups, including the Farmers' Registry when operational. These platforms will support data-driven learning, monitoring, and collaboration.

145. Printed and digital KM products will include policy briefs, case studies, technical notes, learning reports, and operational guidelines. These products will synthesize field experience into actionable knowledge for practitioners and decision-makers. Multimedia tools, including farmer-to-farmer videos and short learning clips, will be used to document good practices, innovations, and success stories in formats that are accessible to rural audiences and frontline service providers. Learning will also be promoted through structured learning events, such as technical workshops, policy dialogues, exchange visits, and multi-stakeholder platforms, consistent with IFAD's emphasis on partnership-based learning and South-South and Triangular Cooperation (SSTC).

146. In addition, lessons and evidence generated through the project's innovative approaches, including e.g. blended finance mechanisms, PRIPS and the three-tier MSPs, will be shared with IFAD beyond the country level through the IFAD Lao PDR Country team and relevant regional and corporate knowledge-sharing processes, virtually and in-person. This may include the synthesis of implementation lessons through supervision and implementation support missions, participation in peer-to-peer learning events (online or in person) and KM fairs, and the development of practical knowledge products such as implementation notes, how-to-briefs, manuals, and case studies, in collaboration with IFAD Country Team and Project Delivery Team (PDT), as relevant.

147. Additional communication channels will include social media, government portals, and national and local media outlets to broaden outreach and visibility.

3.10.3 Use of Knowledge for Adaptive Management and Policy Engagement

148. Knowledge generated under the Project shall be systematically used for adaptive management, scaling of successful approaches, and policy engagement. KM findings will thus inform revisions to implementation strategies, annual work planning and budgeting, and targeting approaches.

149. Validated models and tools, including value chain approaches, financial instruments, and cooperative support mechanisms, will be documented to support institutionalization within government systems and scaling through national programmes and partner investments. At the policy level, KM products will contribute to evidence-based policy dialogue with MAE, MOIC, and related institutions on value chains, food safety, cooperatives, rural finance, and climate resilience. The PMU shall ensure that KM outputs are strategically linked to national planning cycles and IFAD-supported policy engagement processes.

Reporting

150. The PMU, in coordination with MAE and MOIC as the two key implementing agencies, will formulate an Annual Work Plan & Budget based on the annual physical targets from the implementation plan which will be approved by the PSC and IFAD. The draft AWPB report must be submitted to IFAD no later than sixty

(60) days before the start of the implementation period it covers. The AWPB is a formal planning document and key management tool guiding day-to-day implementation and serving as the benchmark for performance monitoring.

151. Consistent with the AWPB, reporting formats will be developed for monthly statistical reports, quarterly statistical and narrative reports, and Annual Progress Reports (APRs) by the M&E staff of each executing agency and coordinated at the PMU level into one consolidated report. Reports consolidate information from all implementing partners including MAE, MOIC, PAEO, DAEO, and contracted service providers.

152. Quarterly reports (statistical and narrative) should be concise and provide a clear overview of implementation progress and achievements against the AWPB. They must contain consolidated data tables detailing financial and physical progress and should explain deviations from planned targets. Quarterly reports are due two weeks after the end of the relevant quarter.

153. Annual Progress Reports (APRs) are mandatory consolidated documents prepared by the PMU M&E Specialist documenting progress towards achieving the indicators in the Logical Framework. APRs will contain narrative updates on the progress of each output and outcome envisaged at the project level, assess implementation against annual physical and financial targets set out in the AWPB, and contain consolidated data tables detailing both financial and physical progress. APRs are submitted to the PSC and IFAD on an annual basis for the period ending on 31 December within sixty (60) days after the end of the relevant annual period.

154. Outcome Indicators (COI Surveys) survey reports: Results for outcome-level core indicators will be captured through rigorous surveys carried out three times by an external service provider in alignment with IFAD guidelines: at project baseline (Year 1), mid-term (Year 3), and completion stages (six months prior to end of project). The PMU M&E Specialist, once the full M&E Matrix has been finalized, should expedite the terms of reference for an external service provider to complete the baseline survey.

155. The contracts with each implementing agency will specify their reporting responsibilities, the frequency of reports to be produced, and provide them with the formats to be used. All partners will be required to review and report on the implementation and indicators related to gender, youth, and persons with disabilities. All data will be disaggregated by sex, age, and disability status to enable an assessment of progress in inclusion. All implementing partners will be required to provide information on the core indicators, impact, outcome and output level indicators specified in the Project Management Framework (PMF). The identification and documentation of lessons learned will be led by the M&E Specialist of the PMU. The Knowledge Management and Communication Specialist will be responsible for synthesizing and disseminating these lessons through the development of appropriate knowledge products and communication channels.

Types of Reports	Reporting Timeline	Responsibility
Baseline Survey	Year 1	Independent Third Party

Types of Reports	Reporting Timeline	Responsibility
Annual Work Plan and Budget	Two months prior to the start of the relevant project year	PMU, MAE, MOIC
Quarterly Statistical and Narrative Reports on physical and financial progress	Two weeks after the end of the relevant quarter	PMU M&E Unit, PAEO, DAEO, Service Providers
Annual Progress Report on outputs and key performance indicators	Sixty (60) days after the end of the relevant project year	PMU M&E Unit, MAE, MOIC, Service Providers
Supervision Missions	Annual	IFAD and Government of Lao PDR
Environmental & Social Safeguards Quarterly Report	Two weeks after the end of the relevant quarter	Environmental and Social Safeguards Specialist
Beneficiary Feedback Analysis disaggregated by gender, age, and disability	On a regular basis at the completion of key project investments	PMU M&E Unit, PAEO, DAEO, Service Providers
Learning and Knowledge Products	Periodically	Knowledge Management and Communication Specialist, M&E Specialist
Mid-Term Review	Year 3	IFAD
Final Impact Survey	Six months prior to end of the project in Year 7	Independent Third Party
Completion Report	Three months prior to the project end in Year 7	IFAD

3.12. Risk Management

156. The risks associated with the implementation of LEAD project are identified in this section together with the risk mitigation and adaptation measures incorporated in the project design and any residual risks that may affect the project's implementation and success (PDR Annex 9 - IPRM). The broad inventory of potential risks also draws from the SECAP Review Note (PDR Annex 5) which examines risks from the social, environmental and climate perspective. The risk analysis is used to define the way the design is adapted to the critical risks and the mitigation measures that are incorporated in the project design.

157. Risks external to the project: These include country risks, sector strategies and policy risks, and overall environment and climate risks. The project design will adapt to these risks as it cannot influence them significantly. Lao PDR faces development challenges including infrastructure gaps and limited rural market access. The country's graduation from Least Developed Country (LDC) status will require strengthening domestic productive capacity and export competitiveness.

Lao PDR is highly vulnerable to climate risks including floods, droughts, and erratic rainfall patterns affecting agricultural productivity. LEAD will help address these challenges through a resilience-building approach focused on climate-smart agriculture, market-oriented value chains, and diversified production systems. External risks include market volatility affecting commodity prices and export opportunities, climate variability impacting production, and policy implementation challenges.

158. Project risks: The inherent risks of the project include climate and environmental risks emanating from droughts, floods, and erratic rainfall that can reduce agricultural productivity and cause crop losses. Risks due to land degradation and deforestation in watersheds. Climate-induced pest and disease outbreaks affecting crops and livestock. A key set of risks are associated with economic and market risks caused by fluctuating agricultural commodity prices and limited buyer commitments that could undermine cooperative viability. Weak enforcement of cooperative regulations under Decrees 536 and 606 leading to governance challenges. Limited access to finance constraining cooperative and MSE growth despite blended financing mechanisms. Social and institutional risks include gender disparities with limited access for women to resources and leadership positions despite project quotas. Traditional resistance to new practices leading to slow adoption of climate-smart agriculture and cooperative consolidation. Elite capture of project benefits excluding vulnerable households and persons with disabilities. Land tenure insecurity leading to limited investment incentives. Residual risks at the project level include climate unpredictability leading to some production losses despite adaptation measures. Limited adoption rates as some farmers may resist consolidation into cooperatives or adoption of new practices due to traditional behaviors or risk aversion. Market access challenges if value chains fail to achieve projected volumes or quality standards.

159. Targeting and inclusion risks: Concerns about reaching the targeted beneficiaries will be addressed by selecting project target villages with clear criteria and a well-specified targeting strategy. The target districts in Savannakhet and Khammouane have been finalized based on agricultural potential, poverty rates, market access, and climate vulnerability. The PIM identifies a very clear approach for beneficiary selection through participatory APG assessments, transparent cooperative selection, and specific provisions for vulnerable households (1,700 livelihood packages) and persons with disabilities (400 enhanced packages). The project approach will put in place mechanisms for building transparency and effective communication with key stakeholders at all levels through Multi-Stakeholder Platforms, monitoring of beneficiary lists, and grievance redress mechanisms. This will help in dealing with risks of elite capture and ensuring that grievances are addressed and resolved.

160. Coordination risks: In order to address risks regarding lack of coordination among implementing agencies, the project has designed implementation arrangements that entail frequent coordination and collaboration through the Project Management Unit. The project envisages close coordination between the Ministry of Agriculture and Environment, the Ministry of Industry and Commerce, PAEO, DAEO, NAFRI and contracted service providers. This concern will be addressed by identifying clear roles and responsibilities in Memoranda of

Understanding, establishing the Project Steering Committee for cross-agency coordination, organizing regular coordination meetings at national, provincial and district levels, and ensuring implementing partners work collaboratively rather than in silos during implementation. Sustainability will be integrated into all key components by identifying clear exit strategies, supporting APG graduation into cooperatives, transitioning from grants to commercial credit through blended financing, and specifying operation and maintenance responsibilities for all infrastructure investments (irrigation schemes, farm roads). The Project Coordinator will ensure coordination, consolidated progress reporting, and compilation of financial and physical performance across all implementing agencies.

161. Procurement and financial management risks: Procurement and financial management risks have been assessed and will be managed by hiring qualified staff, proper staff training on IFAD procedures, and routine assessment with prompt corrective action. To address procurement concerns, the project has developed the Project Implementation Manual to ensure consistency with country systems and IFAD requirements, develop a Project Procurement Strategy emphasizing proper procurement planning, build capacity of project procurement staff, strengthen internal audit functions, and require accountability and transparency in procurement. The financial management systems will be strengthened by ensuring recruitment and retention of qualified staff and setting up effective and reliable accounting practices and software. A Financial Management Manual has been developed. The project will establish mechanisms to ensure strong coordination between implementing units by adopting standardized accounting software and reporting templates, including LEAD in the internal audit plan coordinated with other IFAD projects in Lao PDR, and maintaining strong external audit oversight. While operational risks will be significantly reduced with the mitigation and adaptation strategies in place, some residual risks will remain and will continue to be monitored for mitigation and adaptation through the project's adaptive management approach.

3.13. Sustainability Strategy

162. LEAD's sustainability strategy addresses economic, institutional, technical, environmental, and financial dimensions to ensure project benefits continue well beyond the seven-year implementation period. This comprehensive approach enables sustained commercialization of agricultural value chains while building resilience in smallholder farming systems across Savannakhet and Khammouane provinces.

163. Economic Sustainability is achieved through market-driven value chain development, establishing Multi-Stakeholder Platforms linking APGs to MSEs, traders, and formal markets, ensuring commercially viable returns. Transitioning APGs from informal groups to registered cooperatives with commercial credit access builds sustainable economic models. Institutional Sustainability consolidates APGs into formal cooperatives with economies of scale, supporting Government Decrees 536 and 606 to embed producer organization support within national frameworks. Technical Sustainability is secured through extensive capacity building of government staff, service providers, and lead farmers, with

action research innovations embedded in NAFRI's national systems and farmer-to-farmer learning continuing post-project. Environmental and Climate Sustainability integrates climate-resilient production, sustainable watershed management, diversified farming systems, and rehabilitation of existing irrigation infrastructure with embedded O&M mechanisms. Financial Sustainability establishes partnerships with regulated financial institutions, using blended financing (blocked grants as fixed deposits) to build credit histories, enabling cooperatives and MSEs to access commercial credit independently.

164. LEAD's scaling strategy builds on PICSA and AFN-II interventions, creating a strategic corridor across southern Lao PDR. Innovation testing with NAFRI scales through training service providers, e-learning videos, lead farmer networks, and cross-cluster exchanges. Partnership scaling shares lessons with ADB, World Bank, and development partners through the Agriculture and Rural Development Sector Working Group. Multi-Stakeholder Platforms, blended financing mechanisms, and APG graduation frameworks are designed as replicable approaches adaptable to other contexts within Lao PDR's agricultural sector.

165. LEAD's exit strategy centers on establishing self-sustaining institutions, commercially viable producer organizations, and functional market systems operating independently after seven years. From Year 1, the project builds ownership and capacity within MAE, MOIC, PAEO, DAEO, and producer organizations rather than parallel structures. Multi-Stakeholder Platforms anchor within chambers of commerce with private sector leadership. The final two years focus on systematic transition with handover protocols, best practice documentation, and capacity assessments ensuring independent operation. By closure, cooperatives are expected to generate sufficient surplus, access commercial credit, and participate in value chains without project facilitation, marking transition to a phase where agricultural commercialization is driven by market forces, supported by government services, and financed through commercial channels.

Measures to Build Sustainability and Exit

Entity	Sustainability Aspects	Exit Plan
APG Clusters and PRIPs	- Build APG capacity for participatory planning, climate-smart agriculture - Collect member contributions for investments - Integrate plans into cooperative business plans - Economic viability through market linkages	- Project provides capacity building and blended financing through PRIPs - APGs transition to cooperatives under Decrees 536/606 - Cooperatives access commercial credit independently - M&E periodically monitors selected cooperatives post-project

Entity	Sustainability Aspects	Exit Plan
Cooperatives (34 total)	- Build governance, business management, FEBL capacity - Economic: sustainable revenue through commercial operations, value addition, collective marketing - Institutional: integrate into district/provincial development plans - Financial: three loan cycles building credit history	- Register as legal entities under Decrees 536 and 606 - LEAD provides FEBL training, business planning, blended financing - Link to chambers of commerce and MSPs for ongoing support - After three loan cycles, access commercial credit independently - Financial institutions continue lending based on commercial viability
MSEs (68 total, primarily women/youth)	- Business skills, quality management capacity - Economic: sustainable revenue models - Financial: transition from grants to commercial credit - Technical: value addition, processing capabilities	- Shift from grants to blended financing to commercial loans - Link with financial institutions for ongoing credit access - Link with MSPs for market opportunities - Facilitate long-term commercial contracts with cooperatives and buyer
Multi-Stakeholder Platforms (10-12 total)	- Institutional: governance with private sector leadership - Economic: sustainable coordination mechanisms - Technical: digital platforms for value chain transparency, market intelligence - Build capacity for value chain coordination, collective action	- Anchor in chambers of commerce with clear governance structures - Transition facilitation from project to commercial associations - Integrate VCIP review and coordination into regular chamber activities - Digital platforms maintained by chambers or MOIC - MSPs convene regularly with industry association leadership
Farm Roads (~100 km)	- Institutional: clear ownership (district / government) - Technical: O&M capacity, maintenance agreements	- Sign O&M agreements with district government before construction - Build district capacity for road maintenance

Entity	Sustainability Aspects	Exit Plan
	- Financial: district budget allocation for maintenance - Environmental: climate-resilient design	- Transfer infrastructure to government at completion with formal handover - District government commits ongoing budget for maintenance
Irrigation Schemes (20 total)	- Institutional: Water User Groups as legal entities with by-laws, governance - Technical: O&M plans, fee collection mechanisms, routine maintenance capacity - Financial: user fees financing O&M - Environmental: sustainable watershed management, climate-resilient design	- WUGs registered with district authorities - WUGs establish O&M funds, fee collection systems, bank accounts - Train WUG members on routine maintenance, conflict resolution - Formal handover after verification of WUG functionality - Link WUGs to district irrigation services for technical backstopping
Private Infrastructure (aggregation centers, processing, storage)	- Institutional: cooperative/MSE ownership clearly established - Economic: sustainable business models, financial viability - Technical: operation capacity, quality management - Financial: revenues cover operating costs, debt service	- Formal ownership agreements signed before project co-financing released - Infrastructure registered as cooperative/MSE assets - Cooperatives/MSEs demonstrate financial viability through business plans - Trained members manage operations independently
Blended Financing and Financial Inclusion	- Financial: partnerships with regulated financial institutions (banks, MFIs) - Institutional: simplified loan products, procedures for rural clients - Economic: credit histories enabling commercial credit access	- Cooperatives/MSEs complete three loan cycles building credit historie - Blocked grants released to borrowers after successful three cycles - Financial institutions strengthened, continue lending independently based on commercial viability

Entity	Sustainability Aspects	Exit Plan
	- Build capacity of financial institution staff in agricultural lending	- Knowledge and systems integrated into financial institutions' standard practices
Climate-Resilient Agriculture and Innovations	- Technical: test and validate innovations with NAFRI - Institutional: integrate into national extension systems - Economic: improved productivity, climate adaptation - Build extension staff capacity, lead farmer networks - Create e-learning materials for dissemination	- NAFRI integrates proven innovations into national research and extension systems - Government extension staff continue support through regular MAE programs - E-learning videos and training materials available for ongoing use - Lead farmer networks continue peer learning independently - NAFRI continues research and scaling through government channels
Vulnerable Households (1,700 packages) and PWD (400 packages)	- Economic: build productive capacities through livelihood packages - Institutional: progressive integration into value chains - Social: nutrition training (4,600 households), community water supply (10,000 households) - Link to markets and APG clusters as suppliers	- Households transition from consumption to market-oriented production - Link to APG clusters and cooperatives for continued market access - Civil society organizations maintain support networks for PWD - Community water systems managed by water user committees with fee collection
Value Chain Investment Plans	- Institutional: MSP ownership, annual reviews - Economic: market-driven investment priorities - Technical: private sector engagement strategies - Financial: coordinated investment by multiple actors	- VCIPs reviewed annually through MSPs with stakeholder input - MSPs assume VCIP monitoring and updating responsibilities - Private sector actors implement investment commitments independently - MOIC integrates VCIP approach into regular

Entity	Sustainability Aspects	Exit Plan
		value chain development work - VCIPs inform provincial and district development planning

3.14. Supervision and Implementation Support (SIS)

166. IFAD designs its projects in close coordination with implementing partners, ensuring continuity between design and implementation. At the outset, IFAD will orient key project staff from MAE, MOIC, PAEO, DAEO, and the PMU on its implementation and fiduciary procedures, including financial management, procurement, and monitoring and evaluation (M&E). IFAD will maintain oversight of the result-based Annual Work Plan and Budget (AWPB), physical and financial progress, and adherence to fiduciary, procurement, and safeguard standards. Strict compliance with the Social, Environmental and Climate Assessment Procedures (SECAP) will be ensured with alignment with national regulations and regular review of all investment decisions. The project logframe will serve as the main tool for tracking progress and IFAD will monitor the quality of deliverables, conduct procurement reviews, manage fiduciary risks, and assess project performance and value for money. IFAD will also oversee the project's targeting strategy to ensure that intended beneficiaries, particularly women, youth, persons with disabilities, and marginalized groups including ethnic minorities, are effectively reached. It will review and approve the M&E framework, reporting formats, survey scope, and community feedback and grievance mechanisms. IFAD will provide supervision and implementation support throughout the project period. Missions will be organized by IFAD's Asia and the Pacific Division in coordination with the implementing agencies and with support from the PMU. One full supervision mission will take place every year and, when possible, will coincide with the review of the Annual Work Plan and Budget. It will focus on: (1) assessing overall physical and financial performance against AWPB targets and logframe indicators; (2) ensuring fiduciary and safeguard compliance; and (3) addressing implementation bottlenecks. Mission teams will include relevant technical, fiduciary, environmental, gender and social inclusion, and M&E specialists, with composition tailored to the project's needs. In addition to supervision missions, IFAD will organize implementation support missions when necessary to provide targeted assistance to the project in areas requiring additional attention or improvement, such as value chain development, cooperative strengthening, blended financing mechanisms, or climate-smart agriculture.

167. The project logframe will serve as the main tool for tracking progress and IFAD will monitor the quality of deliverables, conduct procurement reviews, manage fiduciary risks, and assess project performance and value for money. IFAD will also oversee the project's targeting strategy to ensure that intended beneficiaries, particularly women, youth, persons with disabilities, and marginalized groups including ethnic minorities, are effectively reached. It will

review and approve the M&E framework, reporting to the Government of Lao PDR. A Mid-term review: A Mid-Term Review (MTR) will be carried out during the third or fourth year after project start-up. It will review implementation progress and likelihood of achieving the project development objectives through evaluation of results against the logframe indicators. It will also assess: (i) the performance of implementing partners (MAE, MOIC, PAEO, DAEO, NAFRI, service providers); (ii) the relevance of the project design and Theory of Change; (iii) the functionality of Multi-Stakeholder Platforms and value chain coordination mechanisms; (iv) progress in APG consolidation into cooperatives and transition to commercial credit; and (v) the extent to which the project can deliver sustainable results beyond project completion. The results of the mid-term Core Outcome Indicators (COI) survey are critical for the MTR to fulfil its objectives and should be made available before the mission. If required, the MTR will advise on corrective actions, including possible restructuring, to be put in place in the remaining implementation period before completion.

168. Project completion process and report: The project completion review will be undertaken by the Government of Lao PDR, in close coordination with IFAD, at the end of the implementation cycle and after finalization of the completion survey. The main purposes of the review are to promote accountability, reflect on project performance, produce lessons learned to inform new programme/project designs in Lao PDR and the region, and define and strengthen an exit strategy for sustainability of cooperatives, Multi-Stakeholder Platforms, blended financing partnerships with financial institutions, and infrastructure operation and maintenance. The learning dimension of the completion process will be emphasized since it provides useful information for improvements in future programme/project designs and programming, particularly regarding market-led value chain development, cooperative consolidation, financial inclusion through blended financing, and climate-resilient agricultural systems.

Chapter 4: Detailed Project Implementation Plan

4.1. Overview

169. The goal of LEAD is to contribute to the reduction of rural poverty and improving the income, food safety and security of smallholder farmers and rural producer households in target provinces by supporting climate-resilient, diversified, and value-added agricultural production, aligned with the national Green Growth Strategy. Its development objective is to promote inclusive agricultural and food value chains for national and export markets and enhance climate resilience. LEAD will mark a clear shift to a commercialization-driven approach that directly supports Lao PDR's economic transformation vision. The project focuses on market access, value addition, Multi-Stakeholder Platforms, financial inclusion through blended financing mechanisms, and business development services.

170. The project duration is seven years and comprises two interlinked components: Component 1: Inclusive Value Chains Development; and Component 2: Climate-resilient technologies and diversification *in farming systems*.

171. Component 1: Development of Inclusive value chains: The objective of this component is to transition existing APGs and agricultural cooperatives (AC) of smallholder farmers into sustainable and commercially viable business entities by strengthening their post-harvest value addition, facilitating access to finance and markets and effectively integrating them into selected value chains (VC). This will include dedicated investment for reducing post-harvest losses and developing scalable agri-food processing technologies tailored to smallholder contexts. Additionally, this component will support the development of agri-food MSEs engaging in these selected VCs, invest in climate-resilient infrastructure including market infrastructure, and create enabling environments for sustainable, inclusive and climate-resilient value chains development. This will be achieved through three subcomponents.

172. Component 2: Promotion of Climate-resilient Technologies and Diversification in Farming Systems: The objective of this component is to increase the climate and market shock resilience of farming systems and improve the productivity and product quality of inclusive APGs engaged in the value chains supported in Component 1, as well as consider technological innovation and research to enhance resilience of farming systems, reduce post-harvest losses, as well as promote value addition practices and processing techniques for wider adoption. This component will also support the poorest households in transitioning from subsistence farming and building their capacities to engage with or become members of the APGs or establish micro enterprises in short value chains. This will be achieved through three subcomponents.

4.2 Implementation Arrangements and Sequencing of Project activities

Component 1 Development of Inclusive value chains

173. Objective of Component 1: Development of Inclusive Value Chains is to increase the resilience to climate and market shocks, improve productivity and product quality, and strengthen market integration of inclusive Agricultural Producer Groups (APGs), cooperatives, and value-chain-linked micro and small enterprises (MSEs) operating in selected priority value chains.

174. The component focuses on enabling smallholder farmers and producer organisations to transition from semi-commercial or subsistence-oriented activities towards commercially viable, market-oriented and climate-resilient value-chain participation. This is achieved through coordinated investments in market access facilitation, enterprise development and financial inclusion, and an enabling policy and regulatory environment. Key emphasis is placed on reducing post-harvest losses, promoting value addition and small-scale processing, strengthening access to finance, and improving coordination among producers, MSMEs, financial institutions, and public agencies.

175. Consistent with the project's targeting strategy, Component 1 adopts a dual pathway approach:

(i) supporting existing APGs, cooperatives, and MSMEs with demonstrated commercial potential to scale up and integrate into markets through self-selection and demand-driven mechanisms; and
(ii) creating graduated entry points for poorer and more vulnerable households, including women, youth, ethnic groups, and persons with disabilities, to transition from subsistence production into APGs, cooperatives, or micro-enterprises operating in short value chains, supported by capacity building and risk-mitigating financial instruments. Component 1 is implemented through three mutually reinforcing sub-components:

1. Market Access Facilitation;
2. Enterprise Development and Financial Inclusion; and
3. Policy Engagement and Market Integration.

176. Alignment with Government Decrees (536/606) and COSOP Strategic Objective

177. Component 1 operationalises Government Decrees No. 536 (2023) on Associations and No. 606 (2024) on Groups and Unions, which provide the legal framework for APG registration, consolidation, graduation, and cooperative development. The component translates these decrees into practice by supporting organisational strengthening, clustering and consolidation of APGs, cooperative formation, business development, and access to formal finance—key requirements for sustainable producer institutions.

178. The component directly contributes to COSOP Strategic Objective 2, which focuses on inclusive and climate-resilient value-chain development, improved market access, and empowerment of smallholder farmers and agribusiness MSMEs. By linking producer institutions to value-chain investment plans, multi-stakeholder platforms, and blended finance mechanisms, Component 1 provides the operational bridge between COSOP-level priorities and field-level implementation, while maintaining strong alignment with IFAD's inclusion, nutrition, youth, disability, and climate finance priorities

Target Groups and Geographic Scope

179. Component 1 targets beneficiaries in Savannakhet and Khammouane provinces, located along the East–West Economic Corridor (EWEC), selected based on their high concentration of smallholder farmers, market access potential, climate vulnerability, poverty incidence, and existing institutional capacity at provincial and district levels. District selection will be finalised during start-up using the advanced targeting matrix already applied under AFN II and PICSA, ensuring consistency and phased geographic focus. The primary target groups under Component 1 include:

- Inclusive APGs and cooperatives seeking to transition from semi-commercial to commercial operations and formalise under Decrees 536/606;
- Women- and youth-led MSEs/MSMEs engaged in aggregation, processing, logistics, input supply, and other value-chain services; and
- Poor and vulnerable households, including food-insecure households, ethnic groups, households of persons with disabilities, and land-constrained families, who will be supported to join APGs, cooperatives, or establish micro-enterprises as entry points into value chains.

180. Targeting will follow a combination of direct targeting (using poverty data, Decree 348 classifications, disability and social inclusion indicators, and community-based selection) and self-targeting for market-oriented APGs and MSMEs that voluntarily opt into value-chain and enterprise support. This ensures that Component 1 balances inclusion of the poorest with commercial viability and sustainability of supported value chains.

Linkages with Other LEAD Components and IFAD Portfolio (AFN II, PICSA)

181. Component 1 functions as the market integration and enterprise pillar of LEAD, translating productivity, climate resilience, nutrition, and livelihood gains generated under other components into sustainable income, employment, and market outcomes. Climate-resilient production systems, PRIPs, nutrition-sensitive interventions, and livelihood investments supported elsewhere in LEAD are linked under Component 1 to aggregation, processing, marketing, and finance.

182. The component builds directly on institutional systems, targeting approaches, and digital tools developed under AFN II and PICSA, including APG formation methodologies, farmer registries, geographic phased targeting, and nutrition-sensitive programming. Multi-Stakeholder Platforms (MSPs) and Value Chain Investment Plans (VCIPs) under Component 1 provide convergence mechanisms to align LEAD interventions with ongoing IFAD-financed operations, avoid duplication, and strengthen sustainability through coordinated engagement with government, private sector, and financial institutions

Lessons Learned from IFAD Lao PDR Portfolio and Design Responses

183. Experience from IFAD's ongoing and completed portfolio in Lao PDR—including AFN, AFN II, PICSA, and COSOP implementation reviews—highlights a set of recurring structural and operational challenges in inclusive value chain development. Component 1 has been explicitly designed to address these lessons through targeted institutional, financial, and coordination mechanisms.

Key Portfolio Lessons Relevant to Inclusive Value Chains

184. Across the portfolio, IFAD-supported projects have demonstrated strong results in organising producers and improving production, but more mixed outcomes in sustained market integration, enterprise growth, and access to finance. Key lessons include:

- APG formation alone is insufficient to ensure sustainability or income growth unless groups are embedded in functioning value chains with reliable buyers, aggregation, and post-harvest systems.
- Fragmented support—where production, enterprise development, finance, and policy engagement are addressed separately—limits scale and durability of outcomes.
- Weak coordination among value chain actors (producers, traders, MSMEs, financial institutions, and government) constrains investment, price transparency, and risk sharing.
- Limited access to appropriate finance remains a binding constraint, particularly for first-time borrowers and newly formed cooperatives, despite strong demand and business potential.

185. Component 1 addresses these systemic issues through integrated value chain investment planning, structured MSPs, enterprise development linked to finance, and policy engagement.

Lessons on APG Sustainability, Market Access, and Enterprise Engagement

186. Portfolio lesson: Many APGs supported under previous projects remained small, informal, and dependent on project facilitation, with limited incentives or capacity to transition into commercially viable cooperatives. Where APGs lacked scale, aggregation functions, or enterprise linkages, market access gains were short-lived.

Design response in Component 1:

- Introduction of Value Chain Investment Plans (VCIPs) to anchor APG and cooperative support within market-driven, costed, and sequenced investment frameworks.
- Explicit focus on APG clustering and consolidation pathways, enabling economies of scale, stronger bargaining power, and eligibility for commercial finance.

- Targeted support to cooperatives and MSMEs rather than individual farmers, creating institutional anchors within value chains.

Operational procedures for APG clustering, cooperative formation, and graduation are provided in Annex VIII (APG Clustering and Cooperative Formation Framework).

Lessons on Rural Finance, Risk-Sharing, and Graduation Pathways

187. Portfolio lesson: Previous IFAD operations highlighted that traditional grant-based support or standalone credit lines did not sustainably crowd in financial institutions. Financial institutions remained risk-averse to agricultural lending, while producers lacked credit history, collateral, and bankable proposals.

Design response in Component 1:

- Adoption of a blended finance mechanism using blocked deposits, explicitly designed to de-risk first-time borrowers while preserving financial discipline.
- Introduction of a graduation pathway based on successful completion of multiple loan cycles, allowing cooperatives and MSMEs to build credit histories and transition to fully commercial lending.
- Integration of business planning, FEBL training, and bankable proposal development as preconditions for accessing finance, aligning producer readiness with lender requirements.

Detailed design, safeguards, and operational rules for the blended finance and blocked deposit mechanism are provided in Annex 19 (Rural Finance Technical Annex).

Lessons on MSPs, Policy Engagement, and Coordination

188. Portfolio lesson: Earlier projects showed that ad hoc stakeholder meetings and informal coordination mechanisms were insufficient to resolve systemic bottlenecks such as quality standards, logistics, contract enforcement, and policy constraints. Policy dialogue was often disconnected from field-level realities.

Design response in Component 1:

- Establishment of commodity-specific Multi-Stakeholder Platforms (MSPs) at district and provincial levels, with a structured link to a national-level platform convened with LCCI.
- Clear escalation pathways from operational issues (district) to coordination and investment planning (provincial) to policy dialogue (national).
- MSPs positioned as guardians of VCIPs, responsible for monitoring implementation, coordinating investments, and generating evidence-based policy inputs.

MSP governance, meeting cycles, escalation tools, and reporting formats are detailed in Appendix 14 (MSP Operational Procedures).

How Component 1 Design Addresses these Lessons

Component 1 integrates portfolio lessons into a coherent operational system, rather than isolated interventions:

- VCIPs address fragmentation by aligning infrastructure, enterprise development, finance, and policy actions within each priority value chain.
- APG clustering and cooperative formation respond directly to sustainability and scale constraints observed in earlier projects.
- MSP-based coordination institutionalises dialogue, investment sequencing, and policy feedback loops.
- Blended finance with graduation pathways addresses long-standing access-to-finance barriers while avoiding grant dependency.
- Targeting and inclusion mechanisms, aligned with the project Targeting Strategy, ensure that poorer households, women, youth, ethnic groups, and persons with disabilities can progressively enter and benefit from value chains without undermining commercial viability.

189. Together, these design features ensure that Component 1 builds on IFAD Lao PDR portfolio experience while addressing its key limitations, positioning LEAD to deliver sustainable, inclusive, and market-linked value chain outcomes.

Outreach, Target Groups, and Inclusion Criteria

190. Component 1 targets organized smallholder producers, cooperatives, and micro and small enterprises (MSEs) operating in selected value chains in Savannakhet and Khammouane provinces. The focus is on market-facing actors with the potential to transition from semi-commercial to commercially viable operations, while embedding strong inclusion requirements for women, youth, poor households, ethnic groups, and persons with disabilities.

191. Outreach under Component 1 is selective and catalytic, prioritising groups and enterprises that can anchor inclusive value chain upgrading and generate spill-over benefits for a wider number of smallholder households through aggregation, processing, services, and market access. Targeting combines direct targeting (through eligibility criteria, quotas, and scoring) and self-targeting (for commercially oriented APGs, cooperatives, and MSEs opting into market-oriented support).

192. Component 1 contributes directly to the project's overall outreach of 14,308 households by strengthening cooperatives and MSEs that serve as aggregation, processing, and service hubs for member households and surrounding producers. While some activities under Component 1 (e.g. MSPs, VCIPs, market infrastructure) do not generate direct household counts, they are essential enablers of inclusive market participation and income growth.

Target group	Planned outreach (Component 1)	Inclusion criteria and safeguards

Cooperatives (graduated or transitioning APGs)	34 cooperatives (2 per district across target districts) supported through FEBL, business planning, quality standards, and access to finance	• Must comply with Decrees 536/606 or be on a defined graduation pathway • Minimum 30% women and 10% youth participation in membership and governance • Priority to cooperatives integrating poor households, ethnic groups, and climate-vulnerable producers
Micro and Small Enterprises (MSEs)	8 MSEs (4 per district), primarily value-addition, aggregation, processing, and service providers	• Explicit prioritisation of women- and youth-led MSEs • 15% scoring weight in selection for women and youth ownership/management • Engagement in priority value chains and linkages with APGs/cooperatives
APGs (as members/beneficiaries via cooperatives)	Indirect outreach to 13,708 member households through strengthened cooperatives and enterprises	• APGs must demonstrate willingness to consolidate or formalise • Inclusion of poor households, ethnic groups, and persons with disabilities assessed during organisational capacity assessments
Women	Minimum 50% of direct beneficiaries across Component 1 activities	• Embedded in VC prioritisation criteria • Quotas in FEBL participation and cooperative governance • Priority access to MSE support and finance
Youth (15–35 years)	Minimum 10% of direct beneficiaries	• Dedicated 15% scoring weight for youth-led MSEs • Priority in short-cycle, service-oriented, and value-addition activities
Persons with disabilities	Included through targeted screening and adapted support pathways	• Disability-sensitive targeting during assessments • Accessible training formats and linkages to livelihood support under Component 2
Ethnic groups & poor households	Mainstreamed across all Component 1 interventions	• Village-level screening and MSP validation • Prioritisation of food-insecure and land-constrained households

Sub-component 1.1: Market Access Facilitation

193. Sub-component 1.1 aims to systematically improve market access for inclusive APGs, cooperatives, and value-chain-linked MSMEs by establishing structured mechanisms for value chain prioritisation, coordinated investment planning, and multi-stakeholder engagement. The sub-component addresses a key constraint observed across the IFAD Lao portfolio—namely that producer organisations often improve production but remain weakly integrated into markets due to fragmented investments, weak coordination among actors, and lack of strategic planning.

194. The core instrument under this sub-component is the Value Chain Investment Plan (VCIP), which provides a market-driven, costed, and sequenced roadmap for value chain development in each province and for each selected commodity. VCIPs guide infrastructure investments, enterprise development support, access-to-finance interventions, and policy engagement, and serve as the reference framework for coordination through Multi-Stakeholder Platforms (MSPs).

195. Sub-component 1.1 therefore provides the planning and coordination backbone for Component 1, ensuring that market access interventions are demand-driven, inclusive, climate-resilient, and aligned with private sector engagement and public investment priorities.

Output 1.1.1 Value Chain Investment Plans Developed

Value Chain Prioritisation Methodology

196. Value chain prioritisation under Output 1.1.1 applies a structured, transparent, and inclusion-responsive multi-criteria assessment, as detailed in Annex I: Value Chain Technical Annex (para no 25 to 30). The methodology ensures that selected commodities demonstrate strong market potential while also offering meaningful participation pathways for smallholders, women, and youth, and remaining resilient to climate and environmental risks. The prioritisation process follows four sequential steps: (a) commodity long-listing and screening; (b) weighted multi-criteria scoring; (c) composite score calculation and ranking; and (d) validation and governance.

(a) Commodity long-list and screening

197. A provincial commodity long-list is first prepared for Savannakhet and Khammouane provinces, reflecting existing production systems, market opportunities, and agro-ecological conditions. The long-list is developed using provincial statistics, market intelligence, and consultations with PAEO, DAEO, producer groups, traders, and 6 other value chain actors.

198. Prior to scoring, commodities are screened to ensure alignment with IFAD policy and LEAD objectives. Commodities that are non-compliant with IFAD policy (e.g. tobacco) or that present low inclusiveness, high environmental risk, or weak relevance to smallholder-based value chains (such as feed maize, industrial cassava, sugarcane, and large livestock systems) are excluded at this stage. This screening ensures that only policy-compliant and strategically relevant commodities proceed to detailed assessment.

(b) Weighted multi-criteria scoring matrix

Eligible commodities are assessed using an eight-parameter weighted scoring matrix, as defined in the Value Chain Technical Annex. Each criterion is scored on a 1–5 scale based on standardised scoring rules and evidence sources, and then multiplied by its assigned weight to generate a weighted score. The eight criteria and weights are:

- Export potential (0.15)
- Import substitution potential (0.15)
- Profitability / return on investment (0.20)
- Women's inclusiveness (0.10)
- Nutrition relevance (0.10)
- Value-addition potential (0.10)
- Climate resilience (0.10)
- Youth engagement potential (0.10)

199. Scoring is applied consistently across commodities using a combination of market data, value chain diagnostics, cost–return benchmarks, and stakeholder consultations. For example, export potential draws on trade records and trader consultations; profitability uses indicative benefit–cost ratio thresholds; climate resilience differentiates short-cycle or controlled systems from climate-sensitive production; and youth engagement reflects entry barriers, capital requirements, and production cycle length. The feasibility of post-harvest upgrading and SME participation informs value-addition scores.

200. By embedding women's participation, youth engagement, nutrition, and climate resilience directly into the scoring framework, the methodology ensures that prioritisation reflects both commercial strength and inclusion objectives, in line with the project Targeting Strategy.

(c) Composite score calculation and ranking

201. For each commodity, a final composite score is calculated as the sum of weighted scores across all eight criteria:

$$\text{Final Value Chain Score} = \sum (\text{Score} \times \text{Weight})$$

202. The resulting scores generate a ranked list of commodities, which is then grouped for operational decision-making into high-priority, medium-priority, and lower-priority value chains. In the application of this methodology documented in the Value Chain Technical Annex, commodities such as mixed vegetables and local poultry emerge as high-priority value chains due to their combined performance across market demand, profitability, inclusion, and youth engagement criteria. Other value chains, including integrated rice–aquaculture systems, also rank strongly due to nutrition and income potential, while requiring targeted risk management related to climate and water exposure.

203. This ranking informs decisions on which value chains proceed to Value Chain Investment Plan (VCIP) development, as well as the sequencing and intensity of project support.

(d) Validation and governance of prioritisation results

Preliminary prioritisation results are validated through provincial and district-level multi-stakeholder consultations, conducted as part of the VCIP preparation process. These consultations are used to confirm:

- (i) market realism and demand assumptions;
- (ii) feasibility of upgrading, aggregation, and value addition;
- (iii) inclusion pathways for women and youth; and
- (iv) climate and environmental risk implications.

Validation ensures that the prioritisation remains evidence-based while grounded in implementer and market-actor realities, recognising that value chains in the project areas are often fragmented and require coordinated upgrading.

The prioritisation framework is designed to be iterative. Commodities may be re-assessed periodically using the same criteria, weights, and scoring rules as market conditions, climate risks, and APG or cooperative readiness evolve, ensuring consistency, transparency, and comparability over time.

Reference: Annex I – Value Chain Technical Annex.

Participatory Value Chain Selection and Validation

204. Following the application of the value chain prioritisation methodology described in Section 3.2.1, a participatory selection and validation process will be undertaken to ensure that analytically ranked value chains are market-realistic, institutionally feasible, and locally owned. This step translates technical prioritisation results into operational decisions on which value chains will be supported through Value Chain Investment Plans (VCIPs).

205. The participatory process is designed to:

- (i) validate the prioritisation results against on-the-ground market and production realities;
- (ii) confirm the feasibility of upgrading, aggregation, and value addition within selected value chains;
- (iii) assess inclusion pathways for women, youth, and poorer households; and
- (iv) secure commitment from key public and private stakeholders required for implementation.

(a) Provincial-level validation

206. Provincial validation workshops will be convened in Savannakhet and Khammouane following completion of the initial scoring exercise. These workshops will bring together representatives from PAEO, DAEO, MOIC provincial offices, APGs and cooperatives, private sector actors (traders, processors, MSMEs), financial institutions, Lao Chamber of Commerce and Industry (LCCI), and other relevant stakeholders.

During the workshops, the prioritisation results will be presented, including the relative ranking of commodities and the key drivers behind their scores. Participants will be invited to assess and discuss each shortlisted value chain against the following validation criteria:

- consistency with current and emerging market demand;
- feasibility of aggregation, quality upgrading, and value addition at scale;
- readiness and organisational capacity of existing APGs or cooperatives;
- opportunities and constraints for women's and youth participation; and

- exposure to climate and environmental risks and feasibility of mitigation measures.

207. The objective of provincial validation is not to re-score commodities, but to confirm or refine prioritisation outcomes by incorporating practical market knowledge, institutional capacity considerations, and implementation risks that may not be fully captured through quantitative scoring alone.

(b) District-level consultations

208. District-level consultations will be conducted in priority districts where shortlisted value chains are concentrated. These consultations will involve APGs, potential MSMEs, village authorities, local traders, processors, and service providers.

District consultations serve to:

- verify that proposed value chains align with local production systems and farmer capacities;
- assess willingness of APGs and cooperatives to participate in upgrading, clustering, or consolidation processes;
- identify district-specific constraints related to logistics, infrastructure, labour availability, or seasonality; and
- confirm inclusion pathways for poorer households, women, and youth at the community level.

209. Feedback from district consultations will be documented and fed back into provincial discussions to refine final selection decisions.

(c) Final selection and endorsement

210. Based on the prioritisation scores and participatory validation outcomes, 4–5 priority value chains per province will be formally selected for VCIP development. Selection decisions will aim to balance:

- concentration on a limited number of value chains to ensure depth and impact; and
- diversification across commodities to manage market and climate risks.

211. Final selections will be formally endorsed by MOIC provincial offices and PAEO, providing institutional ownership and alignment with provincial development priorities. Endorsed value chains will then proceed to Value Chain Investment Plan (VCIP) preparation .

(d) Triggers for inclusion of additional value chains

212. While initial prioritisation and selection will occur in Year 1, the project retains flexibility to include additional value chains in later years, subject to clearly defined triggers. These include:

- demonstrated success and commercial viability in initially supported value chains;
- emergence of new market opportunities supported by credible private sector demand;

- readiness of APGs or cooperatives requesting support for additional commodities; and
- availability of project implementation capacity and financing.

213. Any proposal to add new value chains will be reviewed by the Project Steering Committee, based on evidence presented by MOIC and MSPs, and will apply the same prioritisation and validation methodology to ensure consistency and transparency.

VCIP Development Process and Standard

214. Following value chain prioritisation (Section 3.2.1) and participatory validation and selection (Section 3.2.2), Value Chain Investment Plans (VCIPs) will be developed for each selected priority value chain in Savannakhet and Khammouane provinces. VCIPs translate analytical findings and stakeholder validation into sequenced, costed, and institutionally anchored investment packages that guide implementation under Component 1.

215. The VCIP development process is grounded in a clear separation between diagnosis and planning. Detailed value chain diagnostics, mapping, and identification of improvement areas are undertaken in accordance with Annex II: Value Chain Analysis, Mapping, and Identification of Improvement Areas, while investment planning, packaging, and implementation arrangements follow the standard structure set out in Annex III: Value Chain Investment Plan (VCIP) – Technical Standard Template with Analytical Frameworks.

(a) Analytical foundation and scope definition

216. VCIP development begins with the preparation of a value chain diagnostic package based on Annex II. This includes value chain mapping, node-based constraint analysis, identification of financial and non-financial improvement areas, and geographic differentiation at district and cluster levels (value chain maps and analysis for vegetable, poultry, Rine +Fish is given in the Appendix 11, para no 43 to 51) . The diagnostic phase establishes a shared analytical baseline across implementing agencies, service providers, and MSP members, ensuring that investment decisions respond to clearly identified bottlenecks rather than ad hoc proposals

217. Based on this analysis, the geographic scope (districts and clusters), target actors (APGs, cooperatives, MSMEs), and priority upgrading pathways (production, aggregation, processing, marketing) for each VCIP are defined.

(b) Establishment of VCIP working groups

218. For each priority value chain, a VCIP Working Group will be established under the relevant provincial Multi-Stakeholder Platform (MSP). The Working Group will include representatives of APGs/cooperatives, MSMEs and traders, PAEO and DAEO, MOIC provincial offices, financial institutions, LCCI, and relevant service providers. Where relevant, women and youth representatives will be explicitly included

219. The Working Group is responsible for guiding VCIP preparation, reviewing analytical findings, agreeing on investment priorities, and ensuring alignment with provincial development plans and market realities.

(c) Development of investment packages and action plans

220. Using the standard VCIP structure and analytical tables set out in Annex III, the Working Group, supported by the contracted service provider, will develop a complete VCIP covering:

- priority public and private investments responding to identified constraints;
- sequencing of non-financial (capacity building, coordination, standards) and financial (infrastructure, equipment, working capital) interventions;
- financing pathways, including linkages to blended finance and access-to-finance mechanisms;
- institutional roles and implementation arrangements; and
- monitoring indicators and risk mitigation measures.

221. Investment packages will distinguish between quick-win interventions (typically within 12–18 months) and medium-term investments (3–5 years), ensuring realistic pacing and absorptive capacity.

(d) Draft review and participatory validation

222. Draft VCIPs will be reviewed through structured validation processes at both provincial and district levels. Provincial validation workshops will assess the coherence, feasibility, and financing logic of the VCIP, while district-level consultations will confirm relevance to local production systems, inclusion pathways, and implementation capacity.

223. Validation will explicitly test:

- (i) alignment between diagnostic findings (Appendix 12) and proposed investments;
- (ii) market realism and private sector commitment;
- (iii) inclusion of women, youth, and poorer households; and
- (iv) adequacy of climate and environmental risk mitigation.

224. Feedback from these consultations will be incorporated into revised VCIPs prior to finalisation.

(e) Endorsement, use, and updating of VCIPs

225. Final VCIPs will be formally endorsed by MOIC provincial offices and PAEO, confirming government ownership and alignment with provincial plans. Endorsed VCIPs become the primary reference documents for:

- selection and prioritisation of infrastructure investments;
- enterprise and MSME support under Sub-component 1.2;
- facilitation of access to finance; and
- MSP annual action planning and monitoring.

226. VCIPs are treated as living documents. They will be reviewed annually through MSP processes and updated as market conditions, climate risks, or APG and cooperative readiness evolve, applying the same analytical standards and templates to ensure consistency over time.

Output 1.1.2 Inclusive Multi-stakeholder Platforms Established and Operational

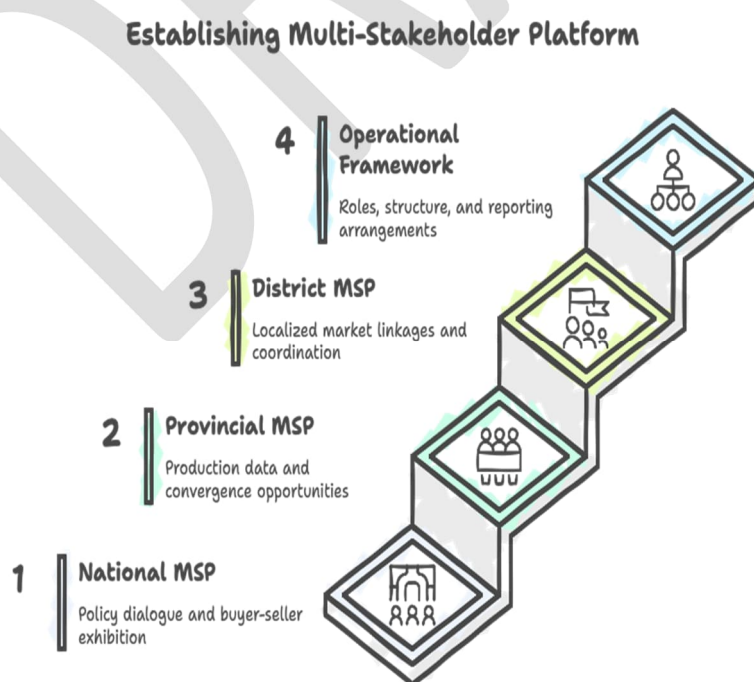
Activities

(i) Facilitate the formation of inclusive commodity-specific Multi-Stakeholders Platforms (MSPs)

227. Multi-Stakeholder Platforms (MSPs) are the primary coordination and governance mechanism for value chain development under Component 1. MSPs bring together producers (APGs and cooperatives), MSMEs, traders, financial institutions, government agencies, and service providers to address structural coordination failures that currently limit market access, value addition, and access to finance for smallholders.

228. MSPs play a central role in:

- translating value chain analysis (Appendix 12) into coordinated action;
- guiding preparation, validation, and updating of Value Chain Investment Plans (VCIPs) (Section 3.2.3; Appendix 13);
- facilitating buyer–seller linkages, enterprise engagement, and access to finance; and escalating systemic constraints and policy issues across district, provincial, and national levels.



229. MSPs are therefore not stand-alone dialogue forums, but operational platforms embedded in planning, implementation, and monitoring processes.

230. Multi-Stakeholder Platforms will be established for each priority value chain in both provinces (4-5 MSPs per province, 8-10 total initially) bringing together all value chain actors to coordinate development and address systemic constraints. The project will adopt a programmatic approach, working in close collaboration with other IFAD-financed projects—including AFN-II and PICSA—to ensure coherence, shared learning, and unified policy engagement at National Level. MSPs at the commodity/provincial level will feed into the national-level MSP, which will be convened with support from Lao Chamber of Commerce and Industry (LCCI) to address national -level issues, buyer engagement, policy reforms, and broader market access opportunities for APGs, cooperatives, and MSMEs.

231. The national-level MSP will adopt a programmatic approach across all IFAD-financed projects, convening half-day sessions with policy panel discussions and commodity exhibitions. Policy issues raised will be consolidated into briefs and shared with relevant ministries and platforms. At provincial level, MSPs will focus on data-driven planning, quality parameters, and integration with government schemes. At district level, MSPs will support micro-level coordination and market-linkage logistics.

Programmatic approach and multi-level MSP engagement

Level	Focus	Key Functions
National MSP (LCCI convening)	Portfolio-wide policy dialogue & learning platform	Policy-level reforms; ease-of-doing-business; national buyer-seller exhibition; preparation of policy briefs after each national session
Provincial MSPs	Value-chain coordination & production planning	Seasonal production planning; quality standards; convergence with provincial budgets & donor programs; networking among APG/cooperative leaders
District MSPs	Practical localized market linkage solutions	Buyer-seller meetings; contract facilitation; operational issue resolution

MSP Formation - Steps and Implementation Arrangements

Step	Activities	Implementation Arrangements
1. Map existing platforms and stakeholders	- Review existing platforms, associations, coordination mechanisms	Lead: MOIC provincial offices with LCCI Support: Contracted MSP service provider, PAEO,

Step	Activities	Implementation Arrangements
	- Identify all value chain actors for each commodity - Ensure comprehensive representation including women, youth, ethnic minorities, MSEs	DAEO, chambers of commerce Coordination: PMU
2. Inception meetings and formation workshops	- Present MSP concept, benefits and develop MSP objectives aligned with VCIPs - Design governance structures with mandatory quotas - Establish Steering Committees (8-12 members) - Develop initial action plans - Facilitate initial meetings until MSPs functional	Lead: MOIC provincial offices with LCCI Facilitation: Contracted MSP service provider Participants: Value chain actors, PAEO, DAEO, chambers of commerce, women's and youth groups Documentation: PMU
4. Establish multi-level MSP coordination	- Convene national-level MSP with LCCI - Establish linkages between district, provincial, national levels	Lead: LCCI Support: MOIC, MAE, PMU Coordination: PMU
5. Progressive transition to sustainability	- Gradually reduce external facilitation as MSPs become functional - Build sustainability mechanisms (member fees, chamber hosting)	Lead: MSP Steering Committees progressively assuming leadership Support: LCCI, provincial chambers of commerce Monitoring: PMU tracks functionality and sustainability

(ii) Build organizational, management and leadership capacities of MSPs

232. MSP Steering Committee members and key participants will receive capacity building to ensure platforms function effectively and sustainably. Training will cover facilitation skills, conflict resolution techniques, strategic planning, organizational management, leadership development particularly for women and youth representatives, and business literacy for producer representatives. MSPs will serve as guardians of VCIPs, ensuring implementation and updates. They will organize regular dialogue sessions to share market intelligence, identify bottlenecks, discuss quality standards, coordinate production planning, and address disputes. Annual joint planning workshops will review VCIP implementation progress, develop annual MSP action plans, and coordinate investment priorities.

MSP Capacity Building - Steps and Implementation Arrangements

Step	Activities	Implementation Arrangements
1. Capacity building for MSP Steering Committees	- Train on facilitation skills for inclusive, productive meetings - Train on conflict resolution techniques (mediation, negotiation for pricing disputes, contract breaches, quality complaints) - Train on strategic planning (annual action plans, target setting, monitoring) - Train on organizational management (basic financial management, record-keeping, communication, membership engagement) - Build leadership skills for women and youth representatives (confidence, negotiation, articulating priorities)	Lead: Contracted MSP service provider Support: MOIC provincial offices, LCCI, gender and youth specialists Delivery: Workshops, mentoring, peer learning exchanges Participants: MSP Steering Committee members, technical subcommittee members
2. Ongoing mentoring and peer learning	- Provide hands-on support during initial MSP meetings (Years 1-3) - Organize peer learning exchanges between MSPs - Facilitate cross-provincial learning visits - Gradually reduce external support as MSPs become functional	Lead: Contracted MSP service provider Support: LCCI, chambers of commerce Participants: MSP Steering Committee members

233. Each MSP will prepare a 12–24 month rolling business plan within the first six months of operation, detailing core functions (brokerage, market intelligence, policy facilitation), annual activity plans, cost structure, and revenue streams.

234. MSPs will implement a financing model combining (i) annual membership contributions, (ii) service-based fees for brokerage and transaction facilitation, and (iii) co-financing from public and private partners for specific value chain initiatives.

235. MSPs will adopt an appropriate legal form (e.g. hosted within LCCI, association, or service platform entity) based on their functional role, with registration completed where required under Lao PDR regulatory frameworks.

236. A performance and functionality scorecard will be applied annually, including indicators such as number of business linkages facilitated, value of transactions supported, participation of private sector actors, frequency of meetings, and progress toward financial self-sufficiency.

237. By Years 4–5, MSPs will operate with reduced external facilitation, with LCCI and MSP Steering Committees assuming full responsibility for governance, resource mobilisation, and operational management.

238. MSPs will serve as a pipeline platform for access to finance, identifying and validating bankable APGs, cooperatives, and SMEs, and facilitating linkages with financial institutions under the project's blended finance mechanism.

239. To ensure that MSPs remain demand-driven and avoid functioning solely as coordination forums, the design emphasises a clear value proposition for private sector participation. MSPs will play a practical role in facilitating business linkages, aggregating market demand, and supporting deal-making between APGs, cooperatives, SMEs, and buyers. This includes identification of market opportunities, facilitation of supply contracts, and coordination of value chain investments aligned with VCIPs.

240. MSPs are also directly linked to the project's access to finance strategy, serving as a platform to generate and validate a pipeline of bankable enterprises. By connecting producer groups and cooperatives with buyers and financial institutions, MSPs contribute to reducing market and credit risks, thereby supporting the effectiveness of the blended finance mechanism.

241. To mitigate the risk of MSPs becoming inactive or purely consultative platforms, their performance will be regularly assessed against defined outputs, including the number of business partnerships facilitated, value of transactions supported, and engagement of private sector actors. This results-oriented approach ensures that MSPs remain operationally relevant and financially viable beyond the project period.

242. To reinforce sustainability, MSP governance will be anchored in stakeholder ownership, with LCCI and MSP Steering Committees progressively assuming responsibility for convening, agenda-setting, and performance oversight. Continued engagement of private sector actors will be driven by the tangible business value generated through MSPs, including access to market opportunities, transaction facilitation, and reduced coordination costs across the value chain.

(iii) Design/customise a digital platform for value chain transparency

243. Agricultural value chains in Lao PDR face persistent challenges related to limited transparency, fragmented data, weak coordination among stakeholders, and high transaction costs, particularly for smallholder farmers participating in domestic and export markets. While the Government of Lao PDR has initiated a foundational digital farmer registry system using OPEN SPP, its current scope is limited and does not yet integrate broader value chain actors, transactions, or multi-stakeholder coordination mechanisms. At the same time, emerging policy priorities such as contract farming regulation, digital economy development, food systems transformation, and export quality compliance require robust, government-owned digital infrastructure that can support traceability, accountability, and inclusive market access.

244. This project proposes to scale and extend the existing farmer registry into a comprehensive Value Chain Transparency System (VCTS), piloted in Savannakhet and Khammouane provinces, while establishing a sustainable institutional and economic model for national expansion.

245. This is well aligned to Laos National Digital Economy Development Vision (2021-2040) and accompanying shorter-term digital strategies that encourage use of digital technology across sectors, including agriculture as well as the Agriculture Development Strategy 2025 and National Action Plan on Sustainable Food Systems which emphasize food security, market access, and resilience. The national decree 56/gov on contract farming aims to increase fairness, transparency, and protect smallholders providing a strong legal impetus for tracking VC transactions digitally.

Background and Key Objectives:

246. The Ministry of Agriculture and Environment (MAE) implemented the Lao Digital Farmer Registry Pilot building on OpenSPP, a Digital Public Good (DPG) for agriculture management. Open SPP is a DPG hosted by Association pour la Cooperation Numérique (ACN) a not for profit organisation based in France which has among its members several companies that use DPGs for social registry systems. The pilot consolidated data from IFAD supported project (PICSA) and ADB supported projects and covered 353 Agriculture Production Groups (APGs), 13 219 households and 59 486 individuals across six northern provinces. It delivered:

- A functioning Lao Digital Farmer Registry focusing on APGs and associated households
- DataCollect, an offline-first mobile data collection application in Lao and English
- A minimum viable dashboard showcasing the aggregated data

The pilot showed that the Lao Digital Farmer Registry can serve as a core digital public infrastructure for agriculture in Lao PDR. For the LEAD project, the intention is to reuse and extend this foundation in two provinces Savannakhet and Khamouanne and build a use case to enable VC transparency covering additional stakeholders, while ensuring that MAE and the project can operate the system independently over time. The same service provider which worked with PICSA is hence suggested to work with LEAD both for continuity of existing work and experience in country.

Objectives: The proposed work would aim to:

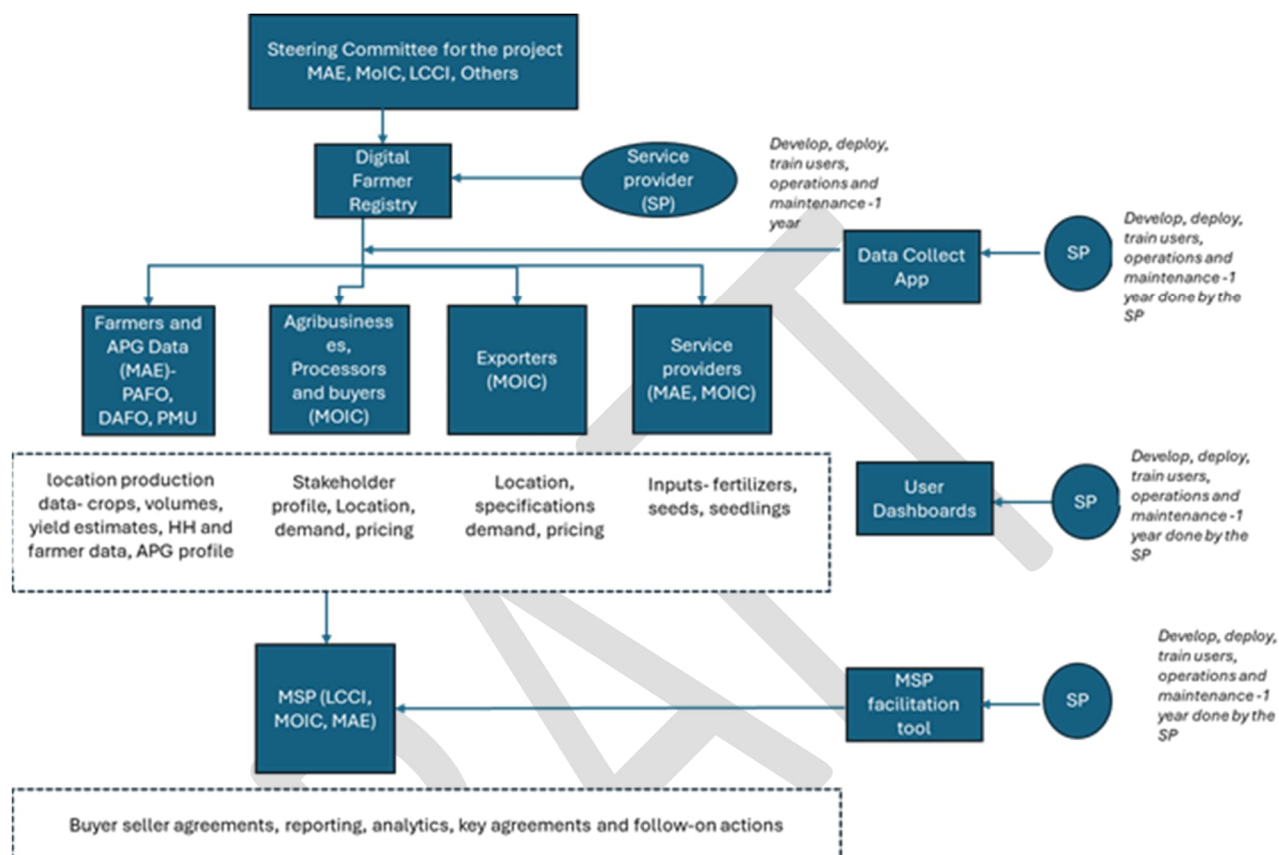
- Use the Farmer Registry to manage data on a targeted 24 cooperatives (~400 APGs), including crop varieties and commodities, production volumes by location and a mapping of key value chain stakeholders.
- Use the already developed DataCollect for offline-first mobile application for data collection in the two target provinces covering around 14 000 households
- Develop user-based dashboards that make this information accessible and transparent for Lao National Chambers of Commerce and Industry (LNCCI), MAE and Ministry of Industry and Commerce (MOIC)

- Support a minimum Multi-Stakeholder Platform (MSP) pilot by using shared data to support collaboration, track progress, record key outputs and generate simple narrative reports directly from the system
- Build capacity of MAE to operate the Lao Digital Farmer Registry, DataCollect, and associated tools independently after an initial period

Key Stakeholders/Role

Key stakeholder	Role
Ministry of Agriculture and Environment (MAE) – System Owner	Own and manage the digital farmer registry including its extension in Savannakhet and Khammouane. Assign a technical focal point for capacity building and handover of the management and use of dashboard
Ministry of Industry and commerce	Use and manage the dashboard and provide data on value chain stakeholders. Be responsible for data update and management as needed.
Ministry of Technology and communication	Support long term hosting is organised in Lao PDR, either in a government environment or through an approved national provider.
Provincial and District Agriculture & Forestry Offices (PAEO/DAEO)	Responsible for field data collection (through province, district and project staff
OPEN SPP (technical backbone)	ACN (Open SPP) will be responsible for the configuration, integration, national hosting and onsite technical support, working under MAE guidance. Training, capacity building to be done using ToT model.
Project Management Unit (jointly staffed by Government & Project)	PMU to designate a focal technical staff for design, testing, training and validation that will work with ACN designated project manager. This could be the VC specialist of SP supporting MSP process. PMU to dedicate M&E resources for field data collection and coordination with APGs. Designate staff to receive training.

Lao Chambers of Commerce and Industry	MSP Facilitation. Assign focal point for user training on digital MSP process and use of dashboards and user reports



Draft VC Transparency Portal Scope and Flow

Key Activities

The work will be structured in three technical Steps.

Step 1 – Farmer Registry and Data Collection

Activities:

- Adapt and document the configuration of the Farmer Registry already developed and deployed under PICSA for the two provinces under LEAD. The configuration will allow data capture of APGs, households, farmers, crops and value chain stakeholders
- Further develop, configure and test Data Collect to be used operationally in the two provinces
- Data Collect can also be utilised to support the M&E process of the LEAD project, and the farmer registry will also support the data needs for LEAD.
- The data collection activities will be fully supported by PAEO, DAEO, project PMU staff as well as service providers for VCIPs and MSP process.

Step 2 – User based dashboards for transparency and decision support
Activities:

- Design, together with LEAD and MAE, a concise set of dashboards for three main user groups, MAE and LEAD PMU, LCCI, and MOIC
- The main features of the dashboard will include data on production volumes, households, APGs profile, location as visibility for market potential including demand projections and market pricing (if data is made available). This is with the objective to support buyer-seller linkages.
- Configure dashboards using the existing reporting stack, with secure web access, and role-based permissions

Step 3 – MSP support features and monitoring in the Farmer Registry
Activities:

- Agree with MAE and LEAD on the minimum information that needs to be captured from MSP meetings, for example date, location, commodity or thematic focus, participating organisations from the public and private sectors, offers and demands, decisions and follow up actions
- Develop an MSP module with forms and fields aligned to LEAD MSP templates and VCIP data
- Develop basic MSP dashboards and reports that summarise meetings, commitments and follow up actions
- The proposed product will be a minimum viable product with core functionality built in. Additional financing if available will be used to enhance the product further.

Step 4: Governance, Capacity Building

Objective: Ensure long-term institutional and financial sustainability.

Key Activities

- Joint governance structure (Government–Project) will be developed
- Business model development (cost-sharing, service fees) and scale-up roadmap prepared
- Training and capacity building of PAEO, DAEO, PMU staff as well as key service providers responsible for data collection will be done by the SP for the VC Transparency portal
- Training and capacity building of technical manager assigned by LEAD PMU and MAE focal person will also be done by SP for VC transparency portal.
- Training and capacity building of all stakeholders on the management and use of the dashboard.

Digital Platform Development - Steps and Implementation Arrangements

Step	Activities	Implementation Arrangements

1. Design and customize platform	- Assess PICSA farmer registry system architecture - Design data aggregation for APG-level data and value chain stakeholders - Design shared dashboards with role-based access - Develop MSP coordination tools - Ensure scalability and mobile-responsiveness	Lead: Contracted digital platform service provider Coordination: PMU, MOIC Input: MSP service provider, PAEO, DAEO, LCCI, PICSA project team
2. Develop, test and refine	- Build platform, creating user-friendly interfaces and dashboards - Pilot test with selected MSPs, APGs, PAEO/DAEO - Refine based on user feedback	Lead: Contracted digital platform service provider Testing: MOIC provincial offices, PAEO, selected APGs, MSP members
3. Train data collectors and users	- Develop data collection tools and training materials - Train PAEO/DAEO staff, APG leaders on data collection - Train MSP Steering Committee members on coordination tools - Train traders/MSEs, government staff on platform use	Lead: Contracted digital platform service provider Training coordination: MOIC provincial offices, PAEO Participants: MSP members, APG leaders, traders/MSEs, PAEO/DAEO/MOIC/LCCI staff
4. Deploy and establish complementary mechanisms	- Deploy platform across target provinces and districts - Establish messaging app groups and SMS systems - Create printed report templates for offices - Ensure inclusivity through offline mechanisms	Lead: MOIC provincial offices with digital platform service provider Support: PAEO, LCCI, MSP Steering Committees Coordination: PMU
5. Ongoing maintenance and sustainability	- Provide ongoing technical support - Update platform based on feedback	Lead: Contracted service provider Support: PMU, MOIC/PAEO IT

	- Maintain data quality and system security - Identify proper hosting (to MOIC/LCCI by Years 6-7)	staff

Implementation Arrangements

- ACN (Open SPP) will be responsible for the configuration, integration, national hosting and on-site technical support, working under MAE guidance
- MAE and IFAD will designate a focal technical staff for design, testing, training and validation that will work with ACN designated project manager. This could be the VC specialist of SP supporting MSP process
- Long term hosting is organised in Lao PDR, either in a government environment or through an approved national provider under MAE oversight.
- MAE and IFAD will be responsible for field data collection (through province, district and project staff) as well as MSP facilitation costs.
- Training, capacity building will be done using ToT model and piggy back on other ongoing capacity building activities to minimise costs.
- The aim is to fully integrate the various modules of this solution into existing government processes.
- The same working group that will be developed under component 1 and include representatives of APGs/cooperatives, MSMEs and traders, PAEO and DAEO, MOIC provincial offices, financial institutions, LCCI, and relevant service providers will also support the implementation and coordination aspects for the Value Chain Transparency portal.

Sustainability & Scalability Framework

To ensure your system lasts beyond project life and scales from two districts to the national level, integrate economic, institutional, and ecosystem sustainability.

A. Economic Sustainability

- The first aim of the system would be to establish a clear value proposition for the different stakeholder which could be in lower transaction costs-manpower, time easier access to information that can enable reduced disputes, contract farming and market intelligence. This could be done through both training programme as well as joint launch workshop which can be supported by the project.
- The second aim would be establishing a revenue model in a phased manner. These will include 1) Government subsidies through agricultural development budgets to ensure system data updates continue; 2) service subscriptions for data access, fee for enabling buyer-seller transaction, MSP facilitation and targeted advertising by various VC stakeholders. The phased revenue model should be developed from the time of deployment of the VC

transparency portal and should be formalised and operationalised within 1-2 years of its operations.

B. Institutional Sustainability

- Embed system within appropriate ministries (Ministry of Agriculture & Environment; planning departments)
- Joint management team with government & project responsible and focal points assigned.
- Training programs for government administrators and MSP facilitator

C. Governance Structures

- Multi-stakeholder steering committees at district/province/national levels
- Data-sharing agreements & privacy governance protocols

Indicative budget

On this basis, the total budget would be around 300,000 USD. These costs don't include data collection but cover project management, development, customization, training and handover costs.

Risks and Mitigation

Risk	Mitigation
Limited digital literacy	Targeted training and user-friendly interfaces
Weak private sector uptake	Clear value proposition and early buyer engagement
Data privacy concerns	Strong data governance and consent mechanisms

Output 1.1.3 Strategic Market Infrastructure Constructed

Activities

(i) Conduct infrastructure prioritization

247. Infrastructure needs will be identified through VCIPs using participatory consultations with value chain actors via Multi-Stakeholder Platforms. MSPs will assess critical infrastructure bottlenecks constraining market access and value chain development, considering constraints identified in value chain analyses, producer and trader priorities on accessibility and logistics, processing and storage needs for quality maintenance and value addition, and geographic distribution ensuring equitable access across target districts. In addition, its recommended that every candidate investment must be accompanied by a standardized, VCIP-linked business case that demonstrates: verified buyer demand or offtake commitments; expected throughput and utilization (MT/month) and utilization-rate targets; a basic 10–15 year financial model showing revenues, operating and O&M costs; a proportional SECAP/ESMP screening and climate-risk check; a simple

sensitivity analysis (eg. to utilization and energy cost); and a short inclusion plan for women, youth and persons with disabilities. The PMU will rank and prioritise investments using a transparent multi-criteria decision analysis (MCDA) scorecard to produce a time-phased investment pipeline (suggested illustrative weights: market demand 30%, financial viability 20%, climate resilience 15%, technical feasibility 15%, inclusion 10%, complementarity/duplication avoidance 10%).

248. Prioritization will distinguish between public goods (farm roads as market access infrastructure benefiting multiple users and communities) and private goods (aggregation centers, processing facilities, cold storage benefiting specific APGs or cooperatives who will own and operate them). The Project will be investing in around 100 km of farm road rehabilitation/upgrading. The prioritization criteria will include: impact on market access for multiple APGs and communities, reducing transportation costs and time to markets; number of participants (households, APGs, villages) served by the road; current road condition and feasibility of rehabilitation versus new construction (prioritizing rehabilitation of existing roads); strategic connectivity linking production zones to district markets, processing facilities, or main highways enabling provincial and export market access; climate vulnerability of current routes (impassability during rainy season, erosion risks) and potential for climate-resilient improvements; complementarity with other infrastructure investments avoiding duplication with government or other development partner road programs; and cost-effectiveness considering construction costs relative to expected benefits in market access and commercialization.

249. For private infrastructure (aggregation centres, processing units, cold storage, drying facilities), prioritization criteria will include: demonstrated demand from APGs or cooperatives with business plans showing financial viability and market justification for investments; technical and organizational capacity of APGs/cooperatives to manage and operate infrastructure; market linkages justifying processing or storage capacity; strategic value chain impact addressing critical bottlenecks identified in VCIPs that prevent value addition or market access; and replicability and scalability showing potential to serve as models for other APGs/cooperatives. Private infrastructure proposals should include these minimum technical and commercial elements before approval:

- a compact business plan with throughput assumptions, utilisation targets, simple cashflow (revenue, operating cost, energy cost, O&M), and a 10–15 year break-even projection;
- clear operator/governance model (cooperative/PPP/municipal unit), evidence of legal capacity to own/manage the asset, and a draft by-law or contract defining roles and fees;
- food-safety and processing brief and a plan for basic certification where market-required;
- energy solution options (evaporative cooling, modular cold-rooms, or solar-assisted refrigeration) with an indication of energy autonomy
- a preliminary spare-parts list, local maintenance capability assessment, and a simple O&M cash reserve plan.

250. Infrastructure priorities will be endorsed by MSPs, validated through provincial stakeholder consultations including assessment of APG/cooperative

readiness to assume ownership and operation, and formally approved by the Project Steering Committee before proceeding to detailed technical designs and procurement. MSP endorsement should be formalised by a short validation memo that: (a) confirms buyer demand and MSP commitments to utilize the facility, (b) records APG/cooperative readiness (management capacity, initial capitalization for O&M), (c) summarises key SECAP risks and mitigation, and (d) lists required pre-contract conditions (approved O&M plan, legal entity for ownership, evidence of user contributions). This memo will form part of the procurement file and be required for PSC approval.

(ii) Develop infrastructure feasibility studies and detailed technical designs for public investments (roads)

251. For prioritized public infrastructure investments (farm roads), feasibility studies and detailed technical designs will be developed incorporating climate-resilient features where feasible and appropriate. Feasibility studies will assess: technical feasibility including terrain conditions, construction requirements, and material availability; economic viability analyzing cost-benefit ratios, traffic projections, time savings, and market access improvements; social impacts including number of participants, inclusion of vulnerable households, land acquisition or resettlement requirements (to be avoided where possible), and community support for investments; environmental considerations including environmental screening per SECAP requirements, drainage and erosion control measures, and mitigation of construction impacts on water sources or sensitive ecosystems; and climate resilience features such as flood-resistant design for roads in flood-prone areas, proper drainage systems handling increased rainfall intensity, erosion protection on slopes and embankments, and use of durable materials withstanding climate stresses. Technical briefs and procurement packages should require a selection among standard cross-section alternatives with justification (e.g., single-track gravel, double-track gravel, or paved), crown and side-drain specification, and embankment protection, specification of drainage design criteria (design storm, scour protection, headwall and culvert design) and materials suitable for local availability and climate exposure, explicit climate-proofing measures (reinforced embankments, geotextiles, slope terracing) and a 10–15% physical contingency allowance in cost estimates; and a construction quality assurance plan (site testing, materials acceptance, daily supervision logs) and community safety measures for worksites.

252. Detailed technical will be prepared by qualified engineers following Government technical standards and IFAD requirements, specifying construction methods, material specifications, quality standards, climate-proofing measures, cost estimates with contingencies, and implementation schedules. Designs will undergo technical review by PAEO or provincial public works departments ensuring compliance with national standards, and community consultations presenting designs to target communities for feedback on alignment with needs and identification of any concerns before finalization

(iii) Sign agreements with public entities defining responsibilities for operation, maintenance, and asset management

253. Before farm road construction commences, formal agreements will be signed with relevant public entities and target communities defining responsibilities for operation, maintenance and asset management ensuring infrastructure sustainability beyond project completion. Agreements will be signed with district authorities (district public works departments or district agriculture offices) specifying: ownership and management responsibilities with roads formally transferred to government custody upon completion; operation and maintenance obligations including routine maintenance schedules (grading, drainage clearing, pothole repairs), budget allocation for maintenance from district budgets or road funds, and quality standards to be maintained; target community contributions potentially including organized labour for routine maintenance activities, establishment of road user committees monitoring condition and coordinating repairs, and cost-sharing arrangements for major rehabilitation in future; and conflict resolution mechanisms for disputes over road use, maintenance responsibilities, or damage. technical briefs and procurement packages should require; selection among standard cross-section alternatives with justification (e.g., single-track gravel, double-track gravel, or paved), crown and side-drain specification, and embankment protection, specification of drainage design criteria (design storm, scour protection, headwall and culvert design) and materials suitable for local availability and climate exposure, explicit climate-proofing measures (reinforced embankments, geotextiles, slope terracing) and a 10–15% physical contingency allowance in cost estimates; and a construction quality assurance plan (site testing, materials acceptance, daily supervision logs) and community safety measures for worksites.
254. Implementation arrangements: For farm roads, the Project Management Unit will work with the Department of Public Works and Transport (DPWT) and PAEO to implement the infrastructure investments. An engineering firm will be contracted to conduct feasibility studies and prepare detailed technical designs for the farm roads, ensuring technical quality and compliance with DPWT and IFAD standards. The PMU will manage procurement of civil works contracts following IFAD procedures, with DPWT participating in contractor selection, providing technical supervision during construction, and certifying completion before handover. Civil works contractors will be competitively procured following IFAD procurement procedures for farm road construction, with contracts including performance bonds and retention payments ensuring quality completion.

Sub-component 1.2: Enterprise Development and Financial Inclusion

255. The aim of this sub-component is to strengthen the business and financial management capacities of cooperatives and MSEs through Financial Education and Business Literacy (FEBL) training, support for developing business plans and bankable business plans that enable access to formal credit, and facilitation of APG consolidation into larger cooperatives to achieve economies of scale. By focusing support exclusively on cooperatives and MSEs rather than individual APGs, the sub-component incentivizes APG consolidation as envisioned in Government Decrees 536 and 606, encouraging smaller groups to merge into viable commercial entities capable of accessing formal finance and competing in markets.

Output 1.2.1 Business development skills strengthened

Activities

(i) Conduct organizational capacity assessments of APGs and cooperatives

256. Organisational capacity assessments will be conducted for all APGs, cooperatives, and eligible MSEs operating within the selected value chains to determine their institutional maturity, service readiness, and suitability for consolidation, enterprise development, and access to finance.

257. The assessment will be undertaken using the standardised APG Maturity Assessment Tool (presented in Appendix 15), which applies a structured, score-based methodology covering governance, inclusiveness, financial management, service provision, partnerships, and readiness for scaling. The tool combines qualitative verification with quantitative scoring, producing an overall maturity score out of 100.

(a) Assessment dimensions and scoring framework

The APG Maturity Assessment Tool evaluates organisational performance across six core dimensions:

1. **Inclusiveness and Membership Management:** Assessment of non-discriminatory membership criteria, transparency of member admission, representation of women and youth in governance structures, and openness to new members.
2. **Governance, Planning, and Internal Communication:** Review of general assembly practices, board structure and term limits, legal status, governance transparency, decision-making processes, internal communication mechanisms, and accountability arrangements.
3. **Financial Management and Administrative Capacity:** Evaluation of basic financial systems, including record-keeping, budgeting and planning documents, existence of bank accounts, revolving funds, and internal financial controls.
4. **Services Provided to Members and Operational Assets:** Assessment of collective services delivered to members, such as input procurement, shared equipment, storage and processing facilities, access to technical services, and training or capacity-building support.
5. **Market Linkages and Partnerships:** Review of engagement with buyers, private sector partners, service providers, and financial institutions, including existence of contracts or informal trading arrangements.
6. **Readiness for Consolidation and Scaling:** Evaluation of willingness and preparedness to engage in clustering, consolidation into cooperatives, or participation in joint ventures and commercial arrangements.

Each section includes explicit scoring guidance, ensuring consistent application across districts and provinces. Scores are validated through document checks, interviews with APG leadership and members, and verification by DAEO staff.

(b) Classification and targeting logic

Based on the total maturity score, APGs will be classified into three broad categories for targeting purposes:

- Strong APGs: Demonstrating sound governance, basic financial discipline, active member services, and market engagement. These APGs may be eligible for direct transition to cooperative status, advanced business development support, and early engagement with financial institutions.
- Medium-capacity APGs: Demonstrating partial organisational functionality but lacking scale, systems, or market depth. These APGs will be targeted for cluster-based consolidation, structured capacity building, and phased preparation for cooperative formation.
- Weak APGs: Demonstrating limited organisational capacity, weak governance, or minimal service provision. These APGs will receive foundational capacity building and mobilisation support and will not immediately access enterprise or finance instruments.

This classification ensures that project resources are sequenced according to readiness, reducing implementation risk and avoiding premature exposure of weak organisations to financial obligations.

(c) Use of assessment results in programme implementation

Results from the organisational capacity assessment will be used to:

- select cooperatives eligible for FEBL training and business development support;
- identify candidates for APG consolidation and cooperative formation;
- determine eligibility for participation in blended finance and access-to-credit mechanisms;
- inform VCIP investment prioritisation and sequencing; and
- establish baseline organisational performance indicators for monitoring progress over time.

Assessment results will be recorded in a central database and periodically updated to track organisational progression and graduation outcomes.

(d) Institutional roles and quality assurance

The assessments will be conducted by a contracted service provider, in close collaboration with DAEO and PAEO staff, using the standard tool in Annex V. DAEO will verify field-level information and certify assessment findings, while PAEO and MOIC provincial offices will review results for consistency and endorsement. The Project Management Unit will provide quality assurance, ensure uniform application of scoring criteria, and consolidate assessment results for programme-wide planning and monitoring.

(ii) Deliver Financial Education and Business Literacy (FEBL) training

Differentiated Framework for Cooperatives and SMEs

258. Financial Education and Business Literacy (FEBL) support under Sub-component 1.2 is designed to ensure that both cooperatives and small and medium enterprises (SMEs) use credit as a productive business instrument rather than as short-term consumption finance. While the overarching objective of FEBL is common, the content, depth, and application differ significantly between cooperatives and SMEs, reflecting their distinct organisational structures, decision-making processes, and financial responsibilities.

259. FEBL is a mandatory prerequisite for access to all project-supported financing instruments and is delivered through tailored learning tracks for cooperatives and SMEs, aligned with their respective graduation pathways.

FEBL for Cooperatives (Including APGs Transitioning to Cooperatives)

(a) Objective of Cooperative-Focused FEBL

FEBL for cooperatives aims to build collective financial discipline and governance-linked credit use, enabling cooperatives to manage borrowed funds responsibly on behalf of their members and sustain repayment capacity across multiple production and marketing cycles.

Specifically, FEBL will ensure that cooperatives are able to:

- understand credit as a collective business obligation, not an individual entitlement;
- distinguish between member-level household needs and cooperative-level business finance;
- manage pooled cash flows arising from aggregation, storage, processing, or collective marketing;
- calculate cooperative-level costs, margins, surplus, and distributable earnings;
- plan loan utilisation and repayments aligned with seasonal production and sales cycles; and
- progressively establish a credible financial track record with formal financial institutions.

(b) Core FEBL Content Areas for Cooperatives

Cooperative FEBL will be structured around six core competency areas, using simplified tools and real cooperative operating examples from priority value chains.

1. Cooperative Money vs Member Money

- Difference between cooperative funds and individual member funds
- Why cooperative bank accounts and financial separation matter
- Fiduciary responsibility of the Board and management

2. Use of Credit at Cooperative Level

- What cooperative loans should and should not be used for

- Matching loan size to cooperative scale, turnover, and governance capacity
- On-lending vs direct cooperative investments (e.g. storage, processing)

3. Costing, Margins, and Surplus Management

- Cooperative operating costs (aggregation, transport, storage, labour)
- Margin calculation at collective marketing level
- Understanding surplus vs profit distribution

4. Cash Flow Management and Seasonality

- Managing seasonal inflows from member produce and buyer payments
- Timing of loan repayments relative to sales cycles
- Avoiding liquidity stress during lean periods

5. Risk, Loss, and Collective Accountability

- Common causes of cooperative losses (price drops, side-selling, delays)
- Managing risk without defaulting
- Building reserves and contingency buffers

6. Preparing Cooperatives for Formal Finance

- What banks assess in cooperative borrowers
- Minimum financial records and governance standards
- Responsibilities of Boards across repeated loan cycles

(c) Delivery Approach for Cooperatives

FEBL for cooperatives will be delivered through:

- group-based classroom sessions for Board members and key management;
- practical exercises using cooperative cash-flow and aggregation examples;
- simplified cooperative bookkeeping templates;
- on-site coaching during actual aggregation or marketing operations; and
- peer learning across cooperatives at similar maturity levels.

Training will prioritise Board members, treasurers, and managers, with simplified orientation sessions for general members.

(d) Linkage with Cooperative Financing and Graduation

Completion of cooperative FEBL is mandatory for:

- access to blocked-deposit and blended finance mechanisms;
- development of cooperative-level business and investment plans; and

- progression through the cooperative credit graduation pathway.

FEBL outcomes will be verified through practical checks (e.g. ability to explain loan use, surplus calculation, or repayment planning) rather than formal examinations.

Financial Education and Business Literacy (FEBL) for SMEs and MSMEs

(a) Objective of SME-Focused FEBL

The FEBL programme for SMEs is designed to equip entrepreneurs with the practical financial, managerial, and compliance skills required to operate and scale commercially viable enterprises within priority value chains. Unlike cooperatives, SME FEBL focuses on enterprise-level decision-making, ensuring that credit, grants, and owner capital are deployed efficiently to strengthen unit economics, manage risk, and sustain growth over multiple business and loan cycles.

The SME FEBL track aims to ensure that supported enterprises are able to:

- use credit and grants strictly for productive business investment rather than consumption;
- separate household and business finances and maintain basic financial discipline;
- understand the full unit economics of their business (costs, margins, break-even);
- formalize operations and comply with licensing, tax, and regulatory requirements;
- manage cash flows and repayment obligations across seasonal and market cycles; and
- progressively build credibility and readiness for formal and commercial finance.

(b) Structure of SME FEBL: Classroom Training and Mentoring

FEBL support for SMEs will be delivered through a two-stage, sequenced capacity-building model:

1. Stage 1: Seven-Day Structured Classroom Training (Mandatory)
2. Stage 2: One-Year Post-Training Coaching and Mentoring

Completion of Stage 1 is mandatory before access to project-supported financing instruments. Stage 2 supports application and consolidation of skills during actual business operations.

(c) Seven-Day Classroom Training Programme for SMEs

The seven-day training programme will be highly practical and aligned with the requirements of enterprise formalization, business planning, and investment readiness. Training content will be adapted to the maturity of the enterprise (existing vs start-up MSMEs).

Key training modules will include:

1. Understanding Business Finance and Credit Use

- Difference between household money and business money
 - Purpose of credit and grants in business development
 - Matching loan and grant size to business scale and capacity
 - Understanding interest, fees, repayment schedules, and obligations
2. Business Costing, Pricing, and Unit Economics
- Identification of fixed and variable costs
 - Costing of products and services at unit level
 - Pricing strategies to cover costs and generate profit
 - Break-even analysis and margin management
3. Cash Flow Management and Working Capital
- Managing timing gaps between expenses and sales
 - Planning cash flows under seasonal or fluctuating demand
 - Ensuring repayment capacity during low-income periods
4. Profit, Loss, and Risk Management
- Common causes of losses in agri-business and rural enterprises
 - Market, production, price, and operational risks
 - Risk mitigation strategies and contingency planning
5. Business Formalization and Regulatory Compliance
- Business registration and licensing requirements
 - Tax identification and basic compliance obligations
 - Opening and operating a business bank account
 - Introduction to food safety, quality, and labelling requirements (where applicable)
6. Business Planning and Investment Readiness
- Structuring a realistic business plan based on actual capacity
 - Linking investment needs to projected revenues and cash flows
 - Understanding responsibilities under milestone-based financing
7. Preparing for Growth and Formal Finance
- What banks and financial institutions look for in SME borrowers
 - Financial records and documentation required for lending

- Responsibilities across repeated loan and grant cycles
- Transition from project-supported finance to commercial finance

(d) One-Year Coaching and Mentoring Support

Following completion of classroom training, all selected SMEs will receive structured coaching and mentoring for a period of up to 12 months. This phase is designed to translate training into practice, supporting entrepreneurs as they implement their business plans and manage real operational challenges.

Mentoring support will focus on:

- fine-tuning and updating business plans based on actual performance;
- supporting business formalization, including completion of licenses, permits, and registrations;
- improving financial record-keeping, costing, and pricing discipline;
- monitoring cash flow, profitability, and repayment capacity;
- identifying and addressing operational and market risks as they emerge;
- supporting market linkages, buyer negotiations, and supplier management; and
- preparing enterprises for repeat borrowing and commercial finance.

Mentoring will be delivered through:

- periodic on-site visits and one-to-one coaching sessions;
- remote follow-ups where appropriate;
- review of simple financial records and performance indicators; and
- problem-solving support linked to actual business decisions.

(e) Linkage with Access to Finance and Graduation

Completion of the seven-day classroom FEBL training is a mandatory eligibility condition for:

- submission of bankable business plans;
- access to matching grants, blended finance, and credit facilitation; and
- entry into the project's credit and enterprise graduation pathway.

Continued access to financing tranches and project support is contingent upon active participation in mentoring, demonstrated application of FEBL principles, and compliance with agreed business and financial practices.

(iii) Support development of comprehensive business plans for cooperatives and MSEs and (iv) Provide technical assistance in developing bankable business proposals

260. Business planning and bankable proposal development under Sub-component 1.2 is designed to translate financial literacy and enterprise intent into investment-ready propositions that can be credibly appraised by financial institutions. This support focuses on enabling cooperatives and MSEs to

articulate commercial logic, financing needs, repayment capacity, and risk mitigation, in line with VCIP-identified upgrading pathways.

261. Preparation of business plans and bankable proposals is selective and sequenced, following completion of FEBL training and confirmation of organisational readiness through the APG Maturity Assessment (Appendix 15).

(a) Objectives of business planning support

The objectives of this activity are to ensure that supported cooperatives and MSEs are able to:

- define a clear business model linked to priority value chains and market demand;
- identify and cost investment and working capital requirements;
- demonstrate financial viability and repayment capacity;
- understand and manage business and market risks; and
- present proposals in a format acceptable to partner financial institutions.

(b) Targeting and eligibility

Business planning support will be provided only to entities that meet the following minimum conditions:

- completion of FEBL training with demonstrated financial competence (Section 3.6.2);
- classification as strong or medium-capacity registered cooperatives, or eligible MSEs based on Appendix 15;
- inclusion within an endorsed VCIP, ensuring alignment with market demand, infrastructure investments, and MSP coordination; and
- commitment to contribute own resources (financial or in-kind) to the proposed investment.

This targeting ensures that business planning resources are focused on entities with realistic prospects for commercialisation and finance access.

(c) Business plan development process

Business plans will be developed using the standard Business Plan Format provided in Appendix 16 for cooperatives and Appendix 18 MSEs (appendix 16 for MSEs business plan format), which is already aligned with financial institution appraisal requirements. The development process will follow a structured sequence:

1. Business concept validation
 - o Confirmation of products, services, and target markets
 - o Alignment with VCIP upgrading pathways and buyer requirements
2. Operational and production planning
 - o Production volumes, input requirements, and capacity assumptions

- o Quality standards and compliance requirements
- 3. Investment and cost structuring
 - o Identification of fixed investment and working capital needs
 - o Cost estimates and phasing of investments
- 4. Financial projections
 - o Simple income statements and cash-flow projections
 - o Break-even analysis and sensitivity checks
- 5. Risk identification and mitigation
 - o Market, price, production, and operational risks
 - o Mitigation measures linked to MSP support, infrastructure, and technical assistance

Business plan preparation will combine group workshops with one-to-one coaching, ensuring ownership and understanding by the enterprise or cooperative leadership.

(d) Development of bankable business proposals

Business plans will be translated into bankable proposals suitable for submission to partner financial institutions. Bankable proposals will include:

- an executive summary highlighting the commercial opportunity;
- financing request (loan amount, purpose, tenor);
- repayment capacity analysis based on projected cash flows;
- proposed risk-mitigation measures (including use of blended finance instruments);
- governance and management arrangements; and
- supporting documentation (registration, financial records, contracts where available).

Proposals will be prepared in close coordination with partner financial institutions, ensuring alignment with their appraisal criteria and reducing transaction costs during loan processing.

(e) Linkage with access-to-finance mechanisms

Business planning and proposal development is directly linked to the blended finance and blocked-deposit mechanisms described under Output 1.2.2 and detailed in the Technical Paper Rural Finance Appendix 19. Business plans must explicitly demonstrate:

- how loan funds will be used for productive investment;
- how projected cash flows will support repayment across loan cycles; and
- how enterprises will progress along the credit graduation pathway.

Only business plans and proposals that meet minimum bankability standards will proceed to financing facilitation.

(f) Institutional arrangements and quality assurance

Business planning support will be delivered by the FEBL and enterprise development service provider, under the coordination of MOIC and the PMU. PAEO and DAEO staff will support data validation at field level, while MSPs will provide market-level feedback on feasibility and buyer alignment.

(iv) Strengthen quality management capacities including food safety standards, certification requirements and export compliance.

262. Strengthening quality management and compliance with food safety and market standards is a core prerequisite for sustainable market access, price realization, and financial viability of cooperatives and MSEs supported under Sub-component 1.2. This activity addresses one of the most persistent constraints identified in value chain diagnostics—namely, inconsistent quality, post-harvest losses, and non-compliance with buyer and regulatory requirements—which limit access to higher-value domestic and export markets. Quality management support will be value chain-specific and geography-specific, guided by VCIP priorities and buyer requirements identified through MSP processes.

(a) Objectives

The objectives of quality management and standards support are to ensure that cooperatives and MSEs are able to:

- consistently meet buyer-defined quality parameters;
- comply with applicable food safety and hygiene requirements;
- reduce post-harvest losses and quality degradation;
- access higher-value domestic and cross-border markets; and
- integrate quality compliance costs and benefits into their business and financing plans.

(b) Scope of quality and standards support

Quality management support will be tailored to the requirements of each priority value chain and may include, as applicable:

1. Production-level quality and safety practices

- o Good Agricultural Practices (GAP) and livestock health management
- o Input use, residue management, and traceability basics
- o Climate-resilient production practices linked to quality outcomes

2. Post-harvest handling and processing

- o Grading, sorting, cleaning, and packaging standards
- o Storage, cold-chain, drying, and handling protocols
- o Hygiene and contamination prevention measures

3. Processing and value-addition standards

- o Good Manufacturing Practices (GMP)
- o Basic Hazard Analysis and Critical Control Point (HACCP) principles (as relevant)
- o Equipment operation and sanitation procedures

4. Certification and compliance (where market-justified)

- o National food safety requirements
- o Voluntary standards (e.g. GAP certification, organic) where demand exists
- o Export and phytosanitary requirements for cross-border trade

Support will be proportionate to market opportunity, avoiding over-specification where compliance costs outweigh expected benefits.

(c) Delivery approach

Quality and standards support will be delivered through a combination of technical assistance, practical demonstrations, and on-site mentoring, including:

- value chain-specific training modules delivered at production sites and facilities;
- demonstration of proper handling, grading, and processing techniques;
- coaching of cooperative and MSME staff on routine quality control;
- development of simple quality checklists and standard operating procedures; and
- linkage with government inspection and extension services where relevant.

Support will be sequenced with infrastructure investments and enterprise development, ensuring that physical facilities and equipment are in place before higher-level standards are introduced.

(d) Integration with business planning and finance

Quality management requirements and compliance costs will be explicitly incorporated into business plans and bankable proposals (Appendices 16-17)), including:

- investment costs for quality-related equipment and facilities;
- operating costs associated with compliance and certification;
- quality-linked price premiums or market access benefits; and
- risk mitigation measures related to rejection or non-compliance.

This ensures that quality improvements contribute directly to financial viability and repayment capacity, rather than creating unfunded obligations.

(e) Role of MSPs and buyers

MSPs will play a critical role in aligning quality support with actual market demand, including:

- facilitating dialogue with buyers on quality specifications;
- validating whether proposed standards are commercially justified;
- coordinating collective compliance approaches where feasible; and
- resolving quality-related disputes between producers and buyers.

Buyer engagement through MSPs will ensure that standards support is market-led rather than supply-driven.

(f) Institutional responsibilities

Quality management and standards support will be coordinated by MOIC, in close collaboration with MAE through PAEO and DAEO. A specialised service provider will deliver technical assistance and training, working alongside government extension and inspection services where appropriate. The PMU will ensure coordination with VCIP implementation, enterprise development support, and access-to-finance mechanisms.

Foster consolidation of APGs into larger cooperatives to access economies of scale and de-risking advantages

263. The project adopts a sequenced and capacity-based approach to strengthening producer institutions, recognising that Agricultural Producer Groups (APGs) differ significantly in organisational maturity, market engagement, and financial readiness. Rather than promoting immediate formalisation, Sub-component 1.2 supports APG clustering and cooperative formation as a graduation pathway, ensuring that collective enterprises reach sufficient scale, governance strength, and commercial viability before legal registration and exposure to financial risk.

264. This approach directly reflects lessons from the IFAD Lao PDR portfolio, which show that cooperatives formed prematurely—without aggregation scale, stable market linkages, or internal financial discipline—often remain inactive or collapse once external support ends. The project therefore prioritises function before form, using clustering to build commercial substance prior to legal transformation.

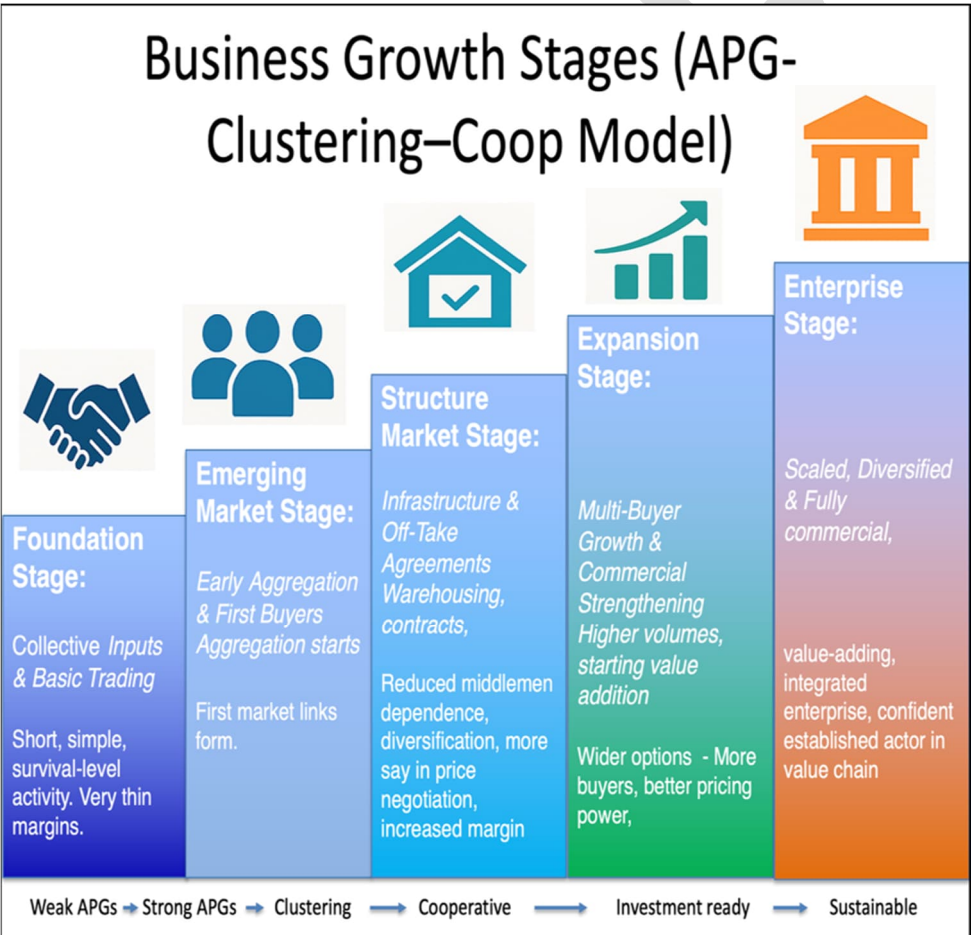
265. The detailed methodology, analytical tools, and procedural steps for APG clustering and cooperative formation are set out in Appendix 17: Working Paper on APG Clustering to Cooperatives, which serves as the authoritative operational reference for this activity.

266. Strong APGs that demonstrate sound governance, basic financial management, and active market engagement may transition directly to cooperative status where clustering does not add material value. Medium-capacity APGs, which show operational potential but lack scale or systems, will be organised into clusters, typically comprising five to six APGs linked around an anchor commodity and a defined market outlet. Weaker APGs will receive foundational

support and will not be prioritised for clustering until minimum readiness thresholds are achieved.

267. Cluster formation is not automatic; it is justified through structured analysis of production volumes, geographic proximity, logistics feasibility, buyer demand, and governance readiness, in line with the analytical framework in Annex VIII. Where APGs of different maturity levels are clustered, a hub-and-spoke model will be applied, with a stronger APG or newly formed cooperative acting as the hub responsible for aggregation, market engagement, and financial interfacing, while other APGs participate as suppliers and gradually strengthen their capacity.

268. Once clustering has resulted in sufficient operational cohesion, scale, and commercial engagement, eligible groups may proceed to formal cooperative registration under the 2024 Cooperative Law and Decrees 536 and 606. Legal formation is treated as a culmination of readiness, not an entry point. The stepwise legal process—covering member registration, share capital mobilisation, governance arrangements, first general assembly, and registration with PAEO—is fully detailed in Annex VIII and will be followed without deviation.



269. The project will work exclusively with existing APGs rather than forming new groups. This approach builds on already established social and economic

structures, where basic levels of organisation, trust, and collective activity are in place, thereby reducing start-up risks and improving the likelihood of sustained engagement. It also ensures that participation is demand-driven rather than incentive-driven, avoiding the creation of groups solely for project support and strengthening long-term viability.

270. The graduation pathway is not designed as a linear or uniform process for all APGs. Instead, the project adopts a portfolio-based and performance-driven approach, where progression depends on demonstrated capacity, governance, market integration, and financial readiness rather than a fixed timeline. Only a subset of high-performing APGs is expected to transition into cooperatives, while others will continue to operate as strengthened commercial groups or participate in value chains through clustering arrangements.

271. APGs that do not meet the thresholds for cooperative formation will remain fully integrated in the system, particularly through the hub-and-spoke model, where stronger APGs or cooperatives act as aggregation and market interface nodes, and other APGs participate as suppliers while progressively strengthening their capacity. This ensures that no group is excluded due to slower progression or temporary setbacks.

272. The design recognises that external factors (such as climate variability and market fluctuations) and internal factors (including governance and coordination challenges) may influence progression. Accordingly, graduation is treated as performance-based rather than time-bound, with flexibility to adapt support modalities. A structured assessment of APG progression and cooperative development will be undertaken at Mid-Term Review, with scope to recalibrate targets and sequencing based on implementation experience.

273. IFAD FEAT Tool will be used for the assessment and pathway of these APGs and Cooperatives.

274. Following registration, newly formed cooperatives enter a post-formation consolidation phase, focusing on operationalising aggregation and marketing functions, strengthening financial controls, embedding governance routines, and preparing for investment and access to finance. This phase is mandatory and explicitly linked to business planning, quality management, and financing readiness under Sections 3.6.3 and 3.6.4.

275. Only cooperatives and clusters that demonstrate stable operations, transparent governance, and basic financial discipline will be prioritised for infrastructure investments under VCIPs, business plan financing, and blended finance mechanisms. This ensures that institutional strengthening translates directly into commercial performance and repayment capacity, reinforcing the project's graduation logic from informal groups to sustainable, market-oriented cooperatives.

276. Implementation responsibilities follow a coordinated institutional arrangement. DAEO will lead field-level mobilisation, clustering facilitation, and monitoring; PAEO will provide provincial oversight and legal registration support; DAEC will ensure technical alignment with national cooperative development frameworks; and MOIC and the PMU will ensure integration with VCIPs, MSP processes, and financial institution engagement. MSPs will provide an additional

coordination layer, particularly in validating market linkages and sequencing cooperative integration into value chains.

277. Micro and Small Enterprises (MSEs): Selection, Incentivisation, and Support Pathway

278. Micro and Small Enterprises (MSEs) are critical actors in strengthening inclusive value chains under Component 1, as they provide the aggregation, processing, logistics, service provision, and value-addition functions that link APGs and cooperatives to markets. Experience from the IFAD Lao PDR portfolio demonstrates that without locally embedded and commercially viable MSEs, producer groups struggle to translate increased production into sustained income gains. Sub-component 1.2 therefore provides a dedicated and structured pathway for supporting MSEs operating within the priority value chains identified through VCIPs.

279. Support to MSEs under LEAD is governed by a sequenced, transparent, and performance-based framework detailed in Appendix 18 MSE Support Manual, which serves as the authoritative operational reference for identification, screening, appraisal, capacity building, financing, and monitoring.

280. MSE support is strictly value-chain anchored. Only enterprises operating within endorsed VCIPs and contributing to priority commodity clusters—such as processing, aggregation, cold storage, transport, input supply, food safety services, or digital market solutions—are eligible. Enterprises outside these value chains or geographic areas are not considered, ensuring that MSE support reinforces, rather than fragments, value chain upgrading efforts.

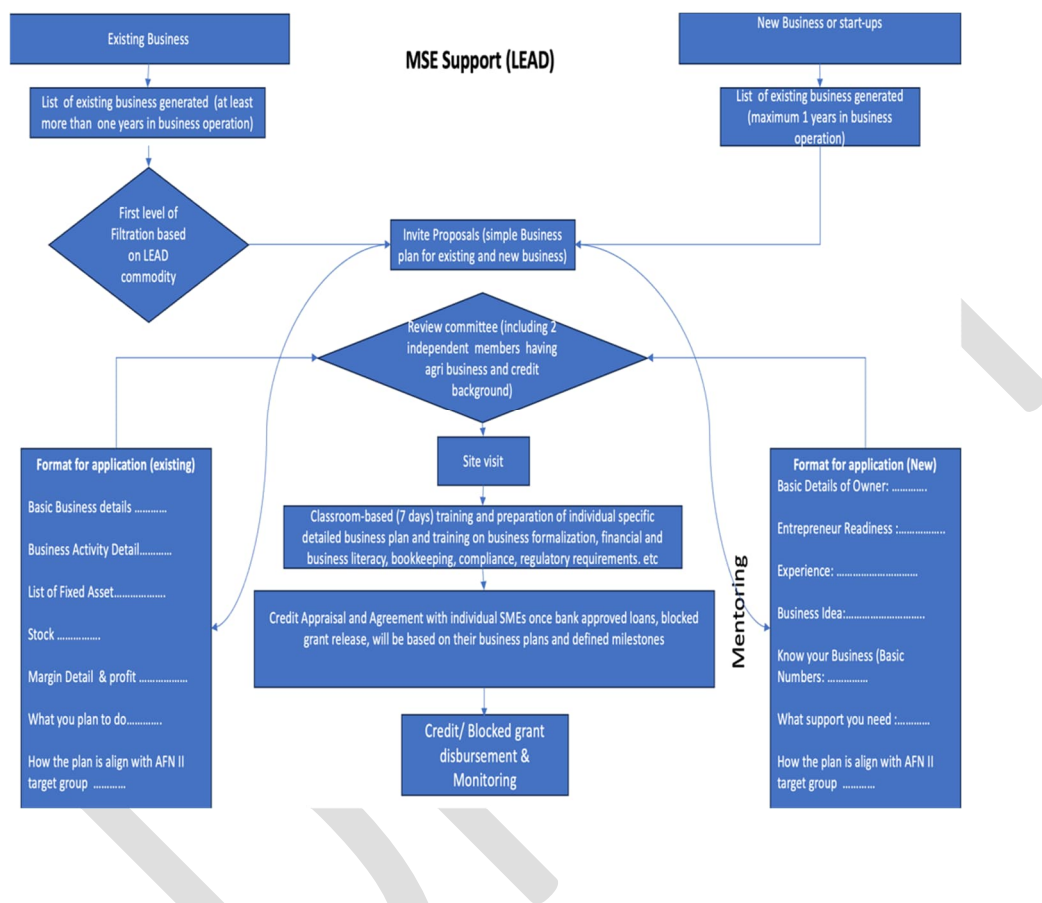
281. The project differentiates between existing MSEs (operational enterprises with at least one year of activity) and new or start-up MSEs (early-stage entrepreneurs or enterprises operating for less than one year). While both categories are eligible, they follow differentiated assessment and support pathways reflecting their maturity, risk profile, and capacity needs, as detailed in Annex 18.

282. Selection of MSEs follows a multi-stage screening and validation process beginning with district-level identification in collaboration with DAEO, MOIC provincial offices, APGs, cooperatives, women and youth associations, and local business networks. Preliminary screening confirms geographic eligibility, value chain alignment, and basic readiness before enterprises are invited to submit simple applications. Shortlisted candidates undergo field verification and independent scoring by a Review Committee comprising government representatives, financial sector practitioners, and agribusiness experts, ensuring objectivity and market realism.

283. A core feature of the MSE selection framework is the explicit incentivisation of women and youth participation. The standardized evaluation matrix applied by the Review Committee allocates 15% of the total score to social inclusion, with specific emphasis on women-owned and youth-led enterprises, employment generation for women and youth, and linkages with APGs and cooperatives. This scoring weight is sufficiently material to influence selection outcomes, ensuring

that inclusion objectives are embedded in decision-making rather than treated as secondary considerations.

284. Beyond selection, inclusion incentives are reinforced throughout the support pathway. Women- and youth-led enterprises receive priority access to capacity building, mentoring, and milestone-based grant financing, provided minimum commercial viability thresholds are met. This approach balances inclusion with financial discipline, avoiding the risk of supporting enterprises that are socially desirable but commercially unsustainable.



285. Support to MSEs is delivered through a sequenced package of non-financial and financial interventions. Non-financial support includes business literacy and FEBL training, business plan development using the standard format, structured mentoring over an extended period, assistance with business formalisation, and support for quality, food safety, and standards compliance. Financial support is provided through milestone-based matching grants, disbursed in tranches against verified progress, rather than upfront lump sums. This design promotes investment discipline, reduces misuse risks, and strengthens enterprise management capacity.

286. Importantly, MSEs are not treated as isolated beneficiaries. Enterprises supported under this pathway are expected to demonstrate active or emerging linkages with APGs, cooperatives, and MSPs. Preference is given to MSEs that source from producer groups, provide services to clusters, or invest in shared

infrastructure and services that benefit multiple actors within the value chain. This reinforces the project's systemic approach to value chain development.

287. Monitoring and accountability are integral to the MSE support framework. Supported enterprises are required to submit simple quarterly performance data, covering sales, costs, employment (disaggregated by gender and youth), use of grant-funded assets, and market linkages. This information supports adaptive mentoring, early problem identification, and evidence-based decision-making on continued support or graduation.

288. Through this structured and incentivised approach, Sub-component 1.2 ensures that MSE support contributes directly to inclusive value chain upgrading, employment creation for women and youth, and sustainable market integration, while maintaining strong commercial and financial discipline.

Output 1.2.2. Cooperatives and MSEs supported to access rural financial services

Simplify Loan Application Procedures

289. Access to rural finance for cooperatives and Micro and Small Enterprises (MSEs) is constrained by procedural misalignment between conventional bank appraisal systems and the operational realities of agricultural and value-chain-based businesses. These constraints include excessive documentation requirements, limited use of cash-flow-based appraisal, and inconsistent interpretation of agricultural risk by credit officers. Addressing these constraints requires a systematic re-engineering of loan application and appraisal workflows, rather than ad-hoc facilitation.

290. Under this activity, the project will support partner financial institutions to introduce a standardised, tiered, and cash-flow-oriented loan application process for LEAD-supported cooperatives and MSEs, while maintaining full compliance with prudential and regulatory requirements.

Design principles

Simplified loan application procedures will be developed based on the following technical principles:

- proportionality of documentation to loan size and risk profile;
- primary reliance on enterprise cash flows and value-chain positioning, rather than fixed asset collateral alone;
- alignment between business plans and loan appraisal inputs;
- clear separation between eligibility screening, credit appraisal, and credit approval stages; and
- standardisation across branches to reduce discretionary rejection.

Stepwise loan application and appraisal workflow

The simplified process will follow a five-step workflow, applicable to both cooperatives and eligible MSEs.

Step 1: Pre-screening and eligibility confirmation

Applicants are pre-screened to confirm:

- inclusion within an endorsed VCIP;
- completion of FEBL training;
- basic organisational and governance readiness (for cooperatives);
- minimum business operational history or validated start-up pathway (for MSEs).

Only applicants meeting these minimum criteria proceed to formal application.

Step 2: Simplified application submission

Applicants submit a standardised loan application package, comprising:

- simplified loan application form;
- approved business plan
- basic organisational and legal documents;
- summary cash-flow projection aligned to production cycles.

Documentation requirements are capped and standardised to avoid duplication.

Step 3: Cash-flow-based credit assessment

Credit officers apply a simplified appraisal framework focusing on:

- projected operating cash flows;
- debt service coverage under seasonal conditions;
- market linkage validation (buyers, MSP confirmation);
- management and governance capacity.

Collateral assessment is conducted in parallel but does not override cash-flow viability.

Step 4: Risk mitigation alignment

Where applicable, appraisal incorporates:

- eligibility for blended finance instruments;
- use of blocked deposits or guarantees;
- phased disbursement aligned to production cycles.

This step ensures risk is priced and mitigated, not avoided.

Step 5: Credit decision and documentation

Credit decisions follow existing institutional approval hierarchies, using the simplified appraisal package. Loan terms, repayment schedules, and monitoring requirements are clearly communicated to borrowers prior to disbursement.

(c) Standardised assessment framework

Appraisal Dimension	Key Assessment Focus	Primary Evidence
Business viability	Market demand, margins	Business plan, VCIP

Cash flow	Repayment capacity, seasonality	Cash-flow projections
Management & governance	Decision-making, controls	Organisational profile
Market linkage	Buyers, aggregation	MSP confirmation
Risk mitigation	Guarantees, deposits	Annex X instruments

This framework replaces fragmented appraisal practices with a consistent, replicable structure.

(d) Capacity building for financial institutions

To ensure consistent application, the project will provide targeted technical training to credit officers, covering:

- interpretation of agricultural and value-chain cash flows;
- appraisal of cooperative governance and member commitment;
- use of simplified templates and assessment tools; and
- alignment with blended finance and graduation mechanisms.

(e) Borrower facilitation and quality control

Parallel support will be provided to cooperatives and MSEs to:

- correctly complete application templates;
- understand loan conditions and repayment obligations; and
- align financing requests with realistic business projections.

The PMU will conduct periodic quality reviews of approved and rejected applications to identify systemic bottlenecks and adjust procedures as needed.

(f) Institutionalisation

Simplified procedures, once validated, will be formalised through framework agreements with partner financial institutions. These procedures will apply uniformly to all LEAD-supported cooperatives and MSEs and will form the foundation for implementation of blended finance mechanisms under Activity (ii).

Blended Finance and Blocked Deposit Mechanism

291. To address collateral constraints and reduce first-time lending risk while preserving financial discipline, the project will implement a blended finance mechanism based on blocked deposits, designed to leverage grant resources to catalyse commercial lending to cooperatives and Micro and Small Enterprises (MSEs). The mechanism is structured to ensure that credit appraisal and approval by partner financial institutions precede any grant disbursement, thereby maintaining lender-led risk assessment and avoiding grant-driven lending decisions.

292. Under this mechanism, grant disbursement is conditional upon successful credit appraisal and loan approval by a participating financial institution. Only after a loan is approved will the project place a blocked grant in the borrower's name

as a fixed deposit at the lending institution. The blocked grant serves exclusively as a risk-mitigation instrument for the lender and is not accessible to the borrower during the initial loan cycles.

293. The blocked deposit will remain locked for a minimum of three consecutive loan cycles, during which the borrower must demonstrate consistent repayment performance. The same blocked deposit may be reused to secure successive loan cycles, thereby increasing lending volumes without additional grant outlays. Borrowers are not permitted to liquidate or withdraw the blocked grant during this period, regardless of loan size or performance in earlier cycles.

The operational flow of the mechanism is as follows:

1. The cooperative or MSE submits a loan application under the simplified procedures described in Activity (i).
2. The financial institution conducts full credit appraisal and approves (or rejects) the loan independently.
3. Upon loan approval, the project places a blocked grant as a fixed deposit in the borrower's account at the lending institution.
4. The financial institution disburses the loan at agreed commercial or near-commercial terms.
5. The borrower completes three loan cycles with satisfactory repayment performance.
6. Only after successful completion of the third loan cycle may the blocked grant be released to the borrower or converted into equity or reinvestment capital, subject to conditions defined in framework agreements.

294. Eligibility for the blended finance mechanism is restricted to cooperatives and MSEs that have completed FEBL training, developed approved business plans, demonstrated organisational readiness, and committed minimum own contributions. The blocked grant amount will be calibrated relative to loan size and risk profile, and will not substitute for sound cash-flow-based appraisal.

295. This design creates a graduation pathway from partially de-risked lending to fully commercial finance. By requiring multiple successful loan cycles before grant release, the mechanism incentivises disciplined borrowing behaviour, builds borrower credit histories, and enables financial institutions to gain confidence in agricultural and value-chain-based clients. Over time, lenders are expected to continue lending without reliance on blocked deposits, ensuring sustainability beyond the project period.

Default management and treatment of blocked deposits

296. In the event of loan default, the blocked deposit will be treated strictly as a risk-mitigation instrument of last resort, in accordance with the framework agreement between the Project and the participating financial institution. Credit recovery procedures shall follow the financial institution's standard policies, including restructuring or rescheduling where justified by temporary shocks (e.g.

climate or market disruptions). Only where recovery efforts are unsuccessful and default is formally recognised may the lending institution partially or fully apply the blocked deposit to cover outstanding principal and accrued interest, subject to agreed caps and conditions.

297. Use of the blocked deposit does not constitute a grant to the borrower and does not extinguish borrower obligations; any shortfall remains the responsibility of the borrower. Where a blocked deposit is drawn down due to default, the borrower becomes ineligible for further project-supported financing, and the case is reviewed jointly by the PMU and the financial institution to identify systemic or design issues. This default treatment ensures that grant resources are used solely to manage residual risk, while preserving borrower accountability, lender discipline, and the integrity of the graduation pathway.

Monitoring Loan Performance and Graduation

298. The project will establish a systematic loan monitoring and graduation framework to track repayment performance, assess the effectiveness of blended finance mechanisms, and support the progressive transition of cooperatives and MSEs to fully commercial lending. Monitoring is designed not only as a compliance function, but as a risk management and learning tool to inform adaptive support and safeguard project resources.

299. Loan performance monitoring will track each supported cooperative and MSE across the entire financing pathway, including loan cycle number, loan size and terms, blocked deposit amount, disbursement and repayment schedules, and actual repayment performance. Data will be disaggregated by enterprise type, value chain, gender and youth ownership, and geographic location. Monitoring will focus on timeliness of repayments, rather than only final repayment outcomes, to enable early identification of stress.

300. Where early warning signs emerge—such as delayed instalments, cash-flow shortfalls, or operational disruptions—the project, in coordination with the financial institution and service providers, will provide targeted corrective support, including additional business mentoring, cash-flow rescheduling advice, or temporary restructuring where justified. This proactive approach aims to prevent minor difficulties from escalating into default, particularly in the context of climate or market shocks.

301.

302. Graduation is defined as the successful completion of a minimum of three consecutive loan cycles with satisfactory repayment performance, after which the borrower has demonstrated sustained creditworthiness. Upon graduation, and subject to conditions specified in the framework agreement, the blocked deposit may be released to the borrower or converted into reinvestment capital, while financial institutions are expected to continue lending on fully commercial terms without reliance on project-backed risk mitigation.

303. The Project Management Unit will consolidate loan performance data on a quarterly basis and convene periodic portfolio reviews with partner financial institutions and service providers. These reviews will assess graduation rates, identify bottlenecks, and determine whether adjustments to eligibility thresholds, leverage ratios, or support measures are required. Lessons learned will be

documented and fed back into VCIP implementation and broader policy dialogue on agricultural finance.

304. Detailed indicators, reporting formats, and graduation criteria are provided in Appendix 19: Rural Finance Technical Annex.

Engagement with Participating Financial Institutions (PFIs) and Product Readiness

305. During the Mission, consultations were held with Banque pour le Commerce Extérieur Lao Public and Agricultural Promotion Bank. Both institutions expressed formal interest in participating in the proposed blended finance mechanism and confirmed that the underlying product—lending against fixed deposits (FDs)—is already part of their existing portfolio. Specifically:

- Both BCEL and APB currently extend credit backed by fixed deposits, primarily to larger SMEs and corporate clients.
- The proposed mechanism does not introduce a new or untested product; rather, it adapts an existing FD-backed lending modality to suit the needs and ticket sizes of APGs/cooperatives and emerging agri-SMEs.
- Initial discussions indicate willingness to customize operational parameters (ticket size, appraisal templates, documentation) to accommodate APGs/cooperatives graduating through the project.

306. From a regulatory perspective, there are no identified constraints. The Central Bank's current framework permits FD-backed lending, and PFIs confirmed that the proposed structure is fully compliant with existing prudential norms.

Operationalization of the Blocked Grant Mechanism

307. Under the project, the blocked grant will be placed as a fixed deposit in the name of the borrower (APG/cooperative/SME) with the participating financial institution and used as cash collateral to unlock credit. This structure:

- Reduces lender risk and collateral requirements,
- Enables first-time borrowers to establish a credit track record, and
- Facilitates progressive graduation to standard lending products.

308. The mechanism will be governed through Framework Agreements between the project and PFIs, detailing eligibility, appraisal standards, collateralization norms, and monitoring/reporting arrangements.

Graduation and Post-blocked Grant Sustainability

Upon completion of 3 consecutive cycles:

Business Continuity Plan: The APG/cooperative/SME will prepare a Board/General Assembly–approved utilization plan for the blocked grant, outlining:

- Whether to maintain the deposit as collateral to leverage further credit, or
- Partial/full release for productive reinvestment (working capital, value addition, aggregation), supported by cash-flow projections.

Project Verification: The project will review and verify the proposed utilization plan to ensure:

- Continued financial discipline,
- Adequate risk coverage for lenders, and
- Alignment with enterprise growth trajectories.

Expected Market Behaviour: Based on discussions with PFIs and experience with FD-backed lending, it is expected that a significant share of mature borrowers will choose to retain the deposit (fully or partially) to continue leveraging credit at improved terms, given the demonstrated benefits and established banking relationship.

309. Further, specifically for enterprises under the blended finance mechanism, prior to any release of the blocked grant, the project will conduct a performance and outreach review of the beneficiary enterprise. This will assess achievement of agreed outreach targets, loan repayment performance, and compliance with the approved business plan. Release will be conditional on satisfactory performance; otherwise, corrective actions may be required, release deferred, or funds retained as a fixed deposit to sustain access to credit.

Risk Mitigation and Contingency

- FI Participation Risk: Early engagement with BCEL and APB indicates positive pipeline potential. The use of a familiar FD-backed product minimizes adoption risk.
- Operational Risk: Standardized appraisal tools, FEBL pre-screening, and phased disbursement will be applied.
- Contingency: In the event that framework agreements are delayed or PFI participation is lower than expected in Year 1, the project will temporarily deploy matching grants (as current practice in Laos – AFN II and PICSA) to sustain investment momentum while continuing to onboard PFIs.

Clarification on Financial Institution Engagement, Risk Management, and Sustainability of the Blended Finance Mechanism

310. The project recognises that the effectiveness and sustainability of the blended finance mechanism depend on the active participation and continued engagement of financial institutions (FIs). Initial engagement with FIs has been undertaken during the design stage, with positive indications of interest in the proposed approach. Formal partnerships will be established during implementation through framework agreements with selected partner financial institutions (PFIs), based on criteria including rural outreach, experience in agricultural lending, and willingness to adopt risk-sharing mechanisms.

311. The design acknowledges that continued lending by FIs beyond the initial supported loan cycles is contingent on demonstrated portfolio performance. Financial institutions may choose not to continue lending in cases where repayment performance is weak, transaction costs remain high, or value chain linkages do not generate stable and predictable cashflows. Accordingly, continuation of lending is treated as expected but not guaranteed, and the project adopts a risk-adjusted and adaptive approach.

312. At the same time, the mechanism is anchored in established principles of relationship banking. As borrowers demonstrate consistent repayment performance over successive loan cycles, information asymmetry between financial institutions and clients is reduced, enabling lenders to assess risk increasingly on the basis of observed cashflows and repayment behaviour rather than collateral alone. This contributes to the development of a credit history and supports the transition from risk-mitigated lending to more commercial lending relationships. Experience from similar approaches across the region indicates that,

where portfolio performance is strong and transaction costs are manageable, financial institutions tend to continue and expand lending relationships with such clients. The project's blended finance mechanism is therefore structured to facilitate this transition, while recognising that outcomes will depend on actual portfolio performance and market conditions.

313. To manage these risks, the project will monitor FI engagement and portfolio performance through key indicators, including loan disbursement, repayment rates, repeat lending, and overall portfolio quality. Framework agreements with PFIs will outline indicative areas of collaboration, including participation in the blended finance mechanism, lending to eligible APGs and cooperatives, and data sharing to support monitoring and adaptive management.

314. In the event that FI participation is delayed or remains limited, the project will retain flexibility to continue supporting enterprise development through alternative modalities, including temporary use of grant-based approaches, while continuing engagement with financial institutions and strengthening the pipeline of bankable clients. This ensures that value chain development and enterprise growth are not constrained by delays in financial sector participation.

315. To support effective implementation, dedicated financial expertise will be positioned within the Project Management Unit (PMU) to lead engagement with financial institutions, monitor portfolio performance, and support continuous learning and refinement of the financing approach throughout the project lifecycle.

316. The design maintains a simple and transparent structure for the blocked grant mechanism, which functions as a performance-based incentive to build credit discipline and reduce risk perceptions among financial institutions. This simplicity is considered essential to facilitate uptake, ensure operational feasibility, and support scalability of the model.

Sub-component 1.3: Policy Engagement and Market Integration

317. This Sub-component aims to strengthen the policy and regulatory environment enabling smallholder participation in formal markets and agricultural commercialization by supporting Government implementation of key policy frameworks, developing practical guidelines for smallholder compliance with food safety and export standards, and facilitating strategic policy dialogue between government, private sector, and producer organizations to address regulatory bottlenecks constraining value chain development and market access for APG clusters and cooperatives.

Output 1.3.1 Strategic Policy Dialogue and Regulatory Framework Enhanced

Activities

- (i) *Support Government in implementation of the Decree on Groups and Cooperatives*

318. This activity will provide technical and implementation support to the Government of Lao PDR in operationalizing Decrees 536 (2023) on Associations and 606 (2024) on Groups and Unions, which provide the regulatory framework for APG graduation and cooperative development. The project will support implementation of developed guidelines covering APG registration procedures, organizational standards for different maturity levels (informal groups, registered associations, formal cooperatives), governance requirements, financial management standards, and criteria for graduation between levels. A critical focus will be supporting establishment of the Cooperative Fund envisioned in the decrees, which will provide a sustainable financing mechanism for cooperative development beyond the project period. The project will work with MAE's Department of Agricultural Extension and Cooperatives (DAEC) to develop operational procedures for the Cooperative Fund including eligibility criteria, application processes, funding windows for different cooperative needs (working capital, equipment, infrastructure), governance structures, and sustainability mechanisms. Technical assistance will be provided to strengthen MAE's capacity to oversee cooperative development, including development of monitoring systems tracking cooperative registration and performance, establishment of cooperative service centers providing business advisory services, and training of government staff on cooperative principles and support methodologies. At the provincial level, PAEO will receive support to establish cooperative promotion units, train district staff on decree implementation, and facilitate APG-to-cooperative transitions in target districts. The project will document lessons learned from LEAD's experience with APG graduation, producing practical case studies and policy briefs that inform refinement of implementation guidelines and demonstrate effective approaches for replication in other provinces.

Decree Implementation Support - Steps and Implementation Arrangements

Step	Activities	Implementation Arrangements
1. Support Cooperative Fund establishment	- Develop operational procedures (eligibility criteria, application processes, funding windows) - Design governance structures and sustainability mechanisms - Provide technical assistance to MAE/DAEC and Ministry of Finance	Lead: MAE/DAEC Partner: Ministry of Finance Technical support: PMU, consultants, research institutions Facilitation: Multi-stakeholder platforms
2. Strengthen MAE capacity for cooperative oversight	- Develop monitoring systems for cooperative registration and performance	Lead: MAE/DAEC Support: PMU, contracted consultants Training: PAEO and DAEO staff

Step	Activities	Implementation Arrangements
	- Establish cooperative service centers for business advisory services - Train government staff on cooperative principles and support methodologies	
3. Support provincial cooperative promotion	- Support PAEO to establish cooperative promotion units - Train district staff on decree implementation - Facilitate APG-to-cooperative transitions in target districts	Lead: PAEO Coordination: MAE/DAEC Support: PMU, contracted consultants Implementation: DAEO at district level
4. Document and disseminate lessons learned	- Document LEAD's APG graduation experience - Produce practical case studies and policy briefs - Share with MAE for refinement of implementation guidelines - Demonstrate effective approaches for replication	Lead: PMU Support: MAE/DAEC, contracted consultants Dissemination: Policy dialogue platforms, development partners

(ii) Develop guidelines for small-scale producers relevant to food standards, safety compliance and export certification

319. This activity will develop practical, smallholder-appropriate guidelines enabling APG and cooperatives to comply with food safety standards and meet export certification requirements for accessing formal markets. The project will work with MAE's Department of Agriculture and MOIC's Department of Trade to develop simplified compliance guidelines for priority value chains through the following steps: conduct consultations with APGs, buyers, and food safety experts to identify critical compliance requirements and smallholder constraints; draft guidelines adapting technical standards to smallholder contexts with practical, cost-effective approaches; pilot draft guidelines with selected cooperatives to test feasibility and document compliance costs and challenges; refine guidelines based on pilot results and stakeholder feedback; and submit validated guidelines to MAE

and MOIC for official endorsement and integration into national extension programs, ensuring sustainability and wider dissemination beyond LEAD areas.

Standards, Safety and export certification - Steps and Implementation Arrangements

Step	Activities	Implementation Arrangements
1. Conduct consultations	- Consult with APGs, cooperatives, buyers, food safety experts - Identify critical compliance requirements - Assess smallholder constraints	Lead: MAE Department of Agriculture and MOIC Department of Trade Support: PMU, contracted consultants Participants: APGs, cooperatives, buyers, technical experts
2. Draft guidelines	- Adapt technical standards to smallholder contexts - Develop practical, cost-effective approaches relevant to priority value chains	Lead: Contracted consultants/technical experts Coordination: MAE and MOIC
3. Pilot and refine	- Pilot draft guidelines with selected cooperatives - Test feasibility and document compliance costs and challenge - Refine based on pilot results and stakeholder feedback	Lead: Selected cooperatives Support: MAE, MOIC, PAEO, contracted consultants Monitoring: PMU
4. Endorse and disseminate	- Submit validated guidelines to MAE and MOIC - Obtain official endorsement - Disseminate beyond LEAD areas	Lead: MAE and MOIC Documentation: PMU Dissemination: PAEO, DAEO, extension programs

(iii) Identify other needed support for implementation of regulatory frameworks, including relevant to the National Policy on Plant Production, among others.

320. This activity will identify additional policy implementation support needs that emerge during project implementation, ensuring LEAD remains responsive to evolving policy priorities and regulatory challenges constraining agricultural commercialization. The project will identify bottlenecks where policy implementation gaps or regulatory ambiguities constrain value chain development, inadequate capacity limits policy enforcement, or misalignment between policies creates contradictory requirements for farmers and cooperatives. When priority implementation needs are identified, the project will provide targeted support such as: technical assistance to develop missing implementation guidelines or procedures; capacity building for government staff responsible for policy implementation at provincial and district levels; piloting implementation

approaches that can inform policy refinement; or facilitating multi-stakeholder dialogue to resolve policy conflicts or ambiguities. This adaptive approach ensures the project's policy engagement responds to actual constraints experienced by APGs and cooperatives, maximizing relevance and impact of policy support activities. All policy engagement will be documented through policy briefs shared with government and development partners, contributing to evidence-based policy dialogue and influencing broader agricultural policy frameworks in Lao PDR.

Adaptive Policy Support - Steps and Implementation Arrangements

Step	Activities	Implementation Arrangements
1. Identify policy implementation needs	- Monitor policy needs through MSPs and field experience - Identify bottlenecks (implementation gaps, regulatory ambiguities, capacity constraints, policy misalignments) - Prioritize issues constraining APGs and cooperatives - Develop implementation guidelines or procedures for identified priority policy issues	Lead: PMU Input: MSPs, PAEO, DAEO, MAE/DAEC, MOIC Coordination: Policy dialogue platforms
2. Document and disseminate	- Document all policy engagement activities - Prepare policy briefs for government and development partners - Share lessons learned through policy dialogue platforms - Contribute to evidence-based policy dialogue	Lead: PMU Coordination: MAE/DAEC, MOIC Dissemination: Agriculture and Rural Development Sector Working Group, development partners (ADB, World Bank)

Component 2 Promotion of Climate-resilient Technologies and Diversification in Farming Systems

Sub-component 2.1: Climate resilience and productivity of APG farming systems

321. This sub-component will enhance climate resilience and productivity of APG farming systems through Production Resilience and Improvement Plans (PRIPs) that enable farmer groups to conduct climate vulnerability assessments and invest in climate-smart technologies with blended financing support. The Ministry of Agriculture and Environment (MAE) will lead implementation of this sub-component through the Department of Agricultural Extension and Cooperatives

(DAEC) and provincial/district agriculture offices (PAEO/DAEO), working in close collaboration with the National Agriculture and Forestry Research Institute (NAFRI) for action research on innovations and the Lao Farmers' Association for APG mobilization and capacity building, engaging service providers where needed.

Output 2.1.1 Production Resilience and Improvement Plans implemented to enhance adaptive capacities

Activities

(i) Conduct assessment of APGs and assess possibilities for demand-driven clustering

322. This activity will be undertaken through a comprehensive organizational capacity assessment of all existing Agriculture Producer Groups (APGs) in the target districts of Savannakhet and Khammouane provinces during Year 1 of project implementation. The aim is to have one cluster per district. The assessment will utilize standardized tools to systematically evaluate and categorize APGs based on four key dimensions: (i) organizational maturity, classifying groups as informal groups, registered associations, or those with potential to formalize based on their governance structures, membership stability, leadership capacity, meeting regularity, and basic record-keeping; (ii) production systems, analyzing the commodities produced (vegetables, rice, aquaculture, poultry, livestock), farming practices employed, asset levels, land availability, and current use of climate-resilient techniques; (iii) market engagement levels, determining whether groups operate at subsistence level (production primarily for household consumption with occasional surplus sales), semi-commercial level (regular but limited market participation with sales through village collectors or local markets), or commercial level (consistent market participation with established relationships to traders, processors, or cooperatives); and (iv) geographic location to identify opportunities for efficient service delivery, potential for clustering groups producing similar commodities, proximity to markets and infrastructure, and accessibility for extension support.

323. The assessment will employ participatory methods including structured interviews with APG leaders and members to understand group history and functioning, focus group discussions at village level to understand production challenges and market access constraints, observation of current production practices and group activities, review of any existing records or informal documentation, and participatory mapping exercises to identify value chain linkages and service delivery gaps. Based on assessment findings, the project will identify strategic opportunities for demand-driven clustering that brings together multiple APGs with shared interests: production clusters where multiple APGs producing the same commodity (such as vegetable growers or fish farmers) can be linked together to achieve sufficient volumes for attracting buyers and justifying investments in shared infrastructure like collection centers or cold storage; value chain clusters where APGs at different stages of a value chain (such as rice producers and fish farmers for integrated rice-aquaculture systems) can collaborate for mutual benefit; and geographic clusters where APGs in close proximity can share extension services, input supply arrangements, and transportation to markets. The clustering strategy will be demand-driven rather

than imposed, meaning it responds to APGs' expressed interests and demonstrated willingness to collaborate rather than forcing groups together administratively.

324. Implementation arrangements: The Ministry of Agriculture and Environment (MAE) through the Department of Agricultural Extension and Cooperatives (DAEC) will oversee this activity at the national level. At the provincial level, Provincial Agriculture and Forestry Offices (PAEO) in Savannakhet and Khammouane will coordinate field implementation, mobilizing District Agriculture and Forestry Office (DAEO) extension staff who have existing relationships with APGs in target villages to facilitate the assessments. The Lao Farmers' Association will lead on implementation – supported by a service provider - leveraging its grassroots network and credibility with farmer groups to facilitate village entry, encourage honest participation in assessments, provide insights on APG social dynamics and histories, and validate findings through community consultations to ensure assessment results reflect village-level realities. The Project Management Unit will provide technical backstopping, support data compilation and analysis, and work with PAEO/DAEO and Lao Farmers' Association to develop the demand-driven clustering strategy based on assessment results. Assessment findings will be compiled into an APG database that tracks organizational maturity, production systems, and market engagement for each group, enabling the project to design differentiated support pathways and monitor APG progression over the seven-year implementation period, ensuring that interventions are appropriately tailored to each group's starting capacity rather than applying uniform approaches across diverse contexts.

Implementation Level	Responsibilities	Key Activities
National Level	MAE through DAEC	• Oversee activity nationally • Provide policy guidance • Review and approve clustering strategy • Ensure alignment with Decrees 536 and 606
Provincial Level	PAEO (Savannakhet and Khammouane)	• Coordinate field implementation • Mobilize DAEO extension staff • Compile provincial assessment data • Validate clustering opportunities • Integrate findings into provincial planning
District Level	DAEO	• Facilitate APG assessments leveraging existing relationships with village APGs • Conduct structured interviews and focus group discussions • Observe production practices • Support participatory mapping exercises
Community Level	Lao Farmers' Association	• Lead implementation with service provider support

Implementation Level	Responsibilities	Key Activities
		• Facilitate village entry leveraging grassroots network • Encourage honest participation in assessments • Provide insights on APG social dynamics and histories • Validate findings through community consultations
Technical Support	PMU	• Develop standardized assessment tools • Provide technical backstopping • Compile and analyze data • Develop APG database tracking organizational maturity, production systems, market engagement • Develop demand-driven clustering strategy with PAEO/DAEO and Lao Farmers' Association
Service Delivery	Contracted Service Provider	• Support Lao Farmers' Association in assessment implementation • Train assessors on tools and participatory methods • Support data collection and quality assurance • Assist in identifying clustering opportunities

(ii) Facilitate participatory development of market-viable Production Resilience and Improvement Plans (PRIPs)

325. This activity will enable APG clusters to develop comprehensive Production Resilience and Improvement Plans (PRIPs) that integrate climate adaptation with market-oriented production improvements. A total of 34 PRIPs will be developed across the 2 target provinces. The PRIP development process will begin with participatory climate vulnerability assessments conducted at the APG level, where farmers work with trained facilitators to identify climate risks they face (droughts, floods, irregular rainfall, temperature extremes, pests and diseases), assess the vulnerability of their current production systems to these risks, and prioritize climate-smart solutions suited to their specific agroecological contexts and farming systems. These climate vulnerability assessments will utilize simplified tools, including participatory rural appraisal techniques, seasonal calendars showing climate patterns and production cycles, risk matrices identifying high-priority threats, and farmer-to-farmer discussions on observed climate changes and effective adaptation strategies already being practiced locally.

326. Simultaneously, the PRIP process will incorporate business opportunity assessments that help APGs identify market-viable production options based on demand analysis, market requirements, assessment of the APG's production

capacity and asset base, and opportunities for value addition through improved quality, food safety compliance, or processing. The participatory PRIP development brings together these climate and market assessments to create actionable plans that specify: climate-resilient production practices to be adopted (climate-adapted varieties, integrated pest management, soil conservation, water-saving techniques, diversified cropping systems, integrated systems, agroforestry); infrastructure needs for climate resilience and market access (on-farm investments like greenhouses or drip irrigation, shared infrastructure like collection points or storage facilities, access to irrigation); input requirements and sourcing strategies (improved seeds, organic fertilizers, bio-pesticides, small equipment); training and technical assistance needs (Good Agricultural Practices, food safety, post-harvest handling, business planning); and financing arrangements including estimated investment costs.

327. The PRIPs will be developed through a facilitated participatory process involving multiple stakeholder consultations: initial APG meetings where members discuss their production challenges, climate risks, and market aspirations; technical inputs from DAEO extension staff on climate-smart agriculture practices suitable for the local context; market information sharing on buyer requirements and price trends; and visits to demonstration sites or successful APGs implementing climate-resilient practices. PRIPs will be developed through APG clusters to leverage economies of scale, such as shared investments in processing equipment, collective marketing arrangements, or coordinated production schedules that ensure consistent supply volumes for buyers. The PRIPs will be practical action plans typically covering a 2-3 year implementation period with clear milestones, ensuring farmers can actually use them to guide investments and track progress.

328. Implementation arrangements: The Ministry of Agriculture and Environment (MAE) through the Department of Agricultural Extension and Cooperatives (DAEC) will coordinate this activity. The PMU will engage a qualified service provider for implementation. Provincial Agriculture and Forestry Offices (PAEO) will coordinate PRIP facilitation at the provincial level, with District Agriculture and Forestry Office (DAEO) extension staff serving as primary facilitators working directly with the service provider and APG clusters. The service provider will develop standardized PRIP templates and tools, train facilitators, establish a PRIP database for monitoring implementation progress, and ensure PRIPs meet eligibility criteria for accessing project support including blended financing, training, and infrastructure investments.

Implementation Level	Responsibilities	Key Activities
National Level	MAE through DAEC	• Coordinate PRIP activity nationally • Provide policy guidance and oversight • Ensure linkages to climate and agriculture frameworks • Review and approve PRIP criteria
Provincial Level	PAEO (Savannakhat and Khammouane)	• Coordinate PRIP facilitation at provincial level

Implementation Level	Responsibilities	Key Activities
		• Provide technical inputs on climate-smart agriculture • Validate PRIP quality and feasibility • Integrate PRIPs into provincial planning
District Level	DAEO	• Serve as primary facilitators working directly with APG clusters and service provider • Provide technical inputs on climate-smart agriculture practices • Facilitate APG meetings and consultations • Support demonstration site visits
Technical Support	PMU	• Engage qualified service provider for PRIP implementation • Provide overall coordination and quality assurance • Monitor PRIP development progress • Ensure PRIPs meet eligibility criteria for project support
Implementation Support	Contracted Service Provider	• Develop standardized PRIP templates and tools • Train DAEO facilitators on PRIP development process • Facilitate participatory climate vulnerability assessments • Facilitate business opportunity assessments • Support APG clusters in developing PRIPs • Establish PRIP database for monitoring implementation progress • Ensure PRIPs meet eligibility criteria for blended financing, training, and infrastructure investments
Market Intelligence	Multi-Stakeholder Platforms (MOIC)	• Provide market information on buyer requirements and price trends • Link APG clusters to potential buyers • Validate market viability of proposed production plans
Community Mobilization	Lao Farmers' Association	• Support APG mobilization for PRIP development

Implementation Level	Responsibilities	Key Activities
		• Facilitate farmer-to-farmer learning • Provide organizational mentoring to APG clusters

(iii) Review and approve PRIPs

329. This activity establishes a rigorous review and approval process for PRIPs to ensure project resources are allocated to viable, high-impact investments that genuinely enhance both climate resilience and market-oriented production. The review process will utilize clear, transparent criteria structured around: (i) climate resilience benefits, assessing the extent to which the PRIP incorporates climate-smart agriculture practices, addresses identified climate vulnerabilities through adaptation measures, enhances production system resilience through diversification or water management, and includes risk management strategies for climate shocks; and (ii) alignment with project objectives, confirming that investments support priority value chains identified through market assessments, benefit target populations including women and youth and demonstrate cost-effectiveness in achieving climate and market outcomes.

330. Implementation arrangements: The review and approval process will operate at multiple levels to ensure both technical rigor and timely decision-making. At the district level, DAEO staff will conduct initial technical reviews of PRIPs using standardized checklists, verifying that climate-smart agriculture practices are technically sound, production plans are appropriate for local agroecological conditions, and cost estimates are reasonable based on local market prices. At the provincial level, PAEO will convene quarterly PRIP review committees including representatives from agriculture extension, forestry (for agroforestry components), livestock (for integrated systems), irrigation (for water management), planning, and finance departments, along with Lao Farmers' Association representatives and, where relevant, MOIC staff for market-oriented PRIPs. These committees will review PRIPs, request clarifications or revisions where needed, and make approval recommendations. The Project Management Unit will maintain the PRIP database, monitor approval timelines and decision patterns to identify bottlenecks and conduct periodic audits to ensure approval decisions are transparent, well-documented, and based on stated criteria.

Implementation Level	Responsibilities	Key Activities
District Level	DAEO	• Conduct initial technical reviews using standardized checklists • Verify climate-smart agriculture practices are technically sound • Confirm production plans are appropriate for local agroecological conditions • Verify cost estimates are reasonable based on local market prices

Implementation Level	Responsibilities	Key Activities
		• Submit reviewed PRIPs to provincial level
Provincial Level	PAEO PRIP Review Committee	• Convene quarterly review committees with representatives from: - Agriculture extension - Forestry (for agroforestry components) - Livestock (for integrated systems) - Irrigation (for water management) - Planning and finance departments - Lao Farmers' Association - MOIC staff (for market-oriented PRIPs) • Review PRIPs against approval criteria • Request clarifications or revisions where needed • Make approval recommendations • Approve PRIPs meeting criteria
National Coordination	PMU	• Maintain PRIP database tracking all submissions, reviews, approvals • Monitor approval timelines and decision patterns • Identify bottlenecks in review process • Conduct periodic audits ensuring transparency, proper documentation, and adherence to stated criteria • Provide technical support to provincial review committees • Compile lessons learned for process improvements
Technical Support	Contracted Service Provider	• Provide technical assistance to APG clusters for PRIP revisions based on review feedback • Support DAEO and PAEO in conducting reviews • Ensure PRIPs meet approval criteria before submission
Quality Assurance	MAE/DAEC	• Establish review criteria and guidelines • Provide oversight of approval process • Review provincial decisions for major investments • Ensure consistency across provinces

(iv) Provide blended finance mechanisms (de-risking tools) to implement PRIPs

331. This activity will benefit from the blended financing mechanisms that enable APGs/APG clusters to access commercial credit for implementing their approved PRIPs by using project resources as de-risking instruments that build confidence among financial institutions to lend to smallholder agriculture. For farm-level PRIP investments, this mechanism will provide loans in the range of USD 750 per APG member with loan ceilings of USD 15,000 per APG. As for APG clusters/Cooperatives, loans will be in the range of USD 1,000 per member with loan ceilings of USD 25,000. This will cover eligible investments including: on-farm climate-resilient infrastructure such as greenhouses, shade houses, water harvesting and irrigation systems (drip irrigation, smart irrigation, canal upgrading), farm tools and equipment, digital solutions for work/load reduction; organic inputs and production equipment (bio-fertilizers, bio-pesticides), renewable energy systems (solar water pumps, hydroponic units), livestock shelters and equipment, farm-level seed storage, transportation equipment, and post-harvest storage/processing facilities.

332. Implementation arrangements: The blended financing mechanism will operate through partnerships with regulated financial institutions including commercial banks and microfinance institutions. APG clusters that have approved PRIPs meeting the financial viability criteria will be eligible to access blended financing. The PMU will engage a service provider to provide hands-on support to help clusters prepare loan applications, complete required documentation, develop business plans demonstrating repayment capacity, and understand loan terms and member obligations.

Implementation Level	Responsibilities	Key Activities
National Coordination	PMU	• Negotiate framework agreements with partner financial institutions (commercial banks, microfinance institutions) • Manage blocked grant accounts and guarantee funds • Establish eligibility criteria for accessing blended financing • Monitor loan portfolio performance (disbursements, repayments, defaults) • Track and recycle guarantees for additional lending cycles • Report to Project Steering Committee on portfolio performance
Financial Institutions	Commercial Banks, Microfinance Institutions	• Conduct credit assessments of APG clusters using simplified procedures • Extend loans at commercial or near-commercial terms • Hold blocked grants as fixed

Implementation Level	Responsibilities	Key Activities
		deposit guarantees • Disburse loans to eligible APG clusters • Manage loan accounts and collect repayments • Report on loan performance to PMU
Technical Support	Contracted Service Provider	• Provide hands-on support to APG clusters preparing loan applications • Assist with completing required documentation • Support development of business plans demonstrating repayment capacity • Train APG members on understanding loan terms and member obligations • Monitor investment implementation and provide business mentoring • Support clusters experiencing repayment difficulties
Provincial Coordination	PAEO	• Coordinate linkages between APG clusters and financial institutions • Troubleshoot challenges in accessing finance • Monitor APG cluster loan performance at provincial level
District Support	DAEO with Lao Farmers' Association	• Provide direct support to APG clusters in loan application process • Deliver Financial Education and Business Literacy (FEBL) training ensuring members understand obligations • Monitor investment implementation and provide technical backstopping • Support early identification of repayment problems
Quality Assurance	MAE/DAEC	• Oversee blended financing mechanism • Ensure alignment with Decrees 536 and 606 • Review framework agreements with financial institutions

(v) Provide technical backstopping during PRIP implementation

333. This activity will ensure APGs/APG clusters receive ongoing technical support throughout PRIP implementation to maximize the likelihood of successful adoption of climate-resilient practices. Technical backstopping will be delivered through multiple channels addressing the diverse support needs at different stages: (i) watershed management approaches including soil conservation, agroforestry, crop-livestock integration, agro-ecology, climate-resilient agriculture practices including hands-on field training in Good Agricultural Practices (GAP); (ii) integrated pest management training providing practical skills in pest identification, monitoring thresholds, biological control methods, and judicious use of pesticides only when necessary, reducing chemical dependency and production costs while meeting food safety requirements; (iii) food safety and standards compliance training covering proper pesticide application and pre-harvest intervals, post-harvest handling to minimize contamination, pesticide residue management, GAP requirements for accessing formal markets, and recordkeeping for traceability; (iv) proper food handling and storage to preserve nutritional value; and (v) climate risk assessment and adaptive management support helping clusters monitor weather patterns, adjust planting dates and variety selection based on seasonal forecasts, implement contingency plans when climate shocks occur (droughts, floods, pest outbreaks), and support in access and use of Laos Climate Services for Agriculture (LACSA).

334. Implementation arrangements: The Ministry of Agriculture and Environment (MAE) through DAEC, in collaboration with NAFRI, will coordinate technical backstopping and provide extension materials. PAEO will organize training programs, coordinate cross-cluster exchanges, and supervise DAEO extension delivery. DAEO extension staff will serve as primary technical backstops. The PMU will engage a service provider to provide specialized technical services that government extension cannot deliver at scale.

Output 2.1.2 Water resources and other ecosystem services conserved

Activities

1. Rehabilitate and upgrade off-farm irrigation infrastructure

335. This activity will rehabilitate and upgrade off-farm irrigation infrastructure for around 20 existing schemes to improve water access, enhance climate resilience, and enable APG clusters to increase production and meet market commitments. The rehabilitation approach prioritizes existing infrastructure over new construction and focus on schemes where communities have already demonstrated commitment to collective water management. The 20 irrigation schemes will be selected and prioritized through a rigorous process based on APG cluster PRIPs that identify water access as a critical constraint to achieving production and market objectives. Scheme selection should require a short pre-screening package including: basic hydrological and command-area mapping (GIS), an estimate of command area and beneficiary households, initial sedimentation and groundwater interaction checks, and an indicative cost-benefit note linked to PRIP market commitments. The pre-screening must flag opportunities for gravity-fed solutions or solar-pumped options, demonstrate community/WUG interest, and include climate-scenario sensitivity (e.g., 10–30%

dry-season reduction). A rapid environmental risk flag (e.g., proximity to protected areas or sensitive wetlands) should also be included to inform subsequent SECAP work.

336. The selection and prioritization of schemes will apply criteria (scoring matrix that weights technical feasibility - including hydrological sustainability and sedimentation rates-, cost-per-beneficiary, expected increase in marketable production (t/ha), WUG readiness (institutional score), environmental risk and gender/PWD inclusion) recognizing that irrigation infrastructure represents substantial investment requiring careful targeting. Priority will be given to: schemes where Water User Groups are already established or communities demonstrate strong commitment to form and sustain WUGs; schemes serving multiple APG clusters to maximize participants per investment, ensuring cost-effectiveness; irrigation systems supporting priority commercial value chains, aligning water investments with market-oriented production; schemes where technical assessments confirm rehabilitation is feasible with reasonable costs and will deliver reliable water supply improvements; situations where irrigation improvements demonstrably remove critical production constraints and enable APG clusters to meet market commitments; geographic equity considerations ensuring the infrastructure investments are distributed across target districts in both Savannakhet and Khammouane provinces rather than concentrated in easily accessible areas; and complementarity to investments in irrigation infrastructure by other partners.

337. Eligible irrigation rehabilitation works will include repair and upgrading of secondary canals to reduce water losses and improve conveyance efficiency; rehabilitation of water control structures such as gates, weirs, and distribution boxes to enable equitable water allocation among farmers; improvement of drainage systems to prevent waterlogging and enable year-round production; installation or repair of water measurement devices to support transparent water allocation and user fee calculation; and climate-proofing measures such as erosion protection, flood-resilient structures, and design modifications to handle increased rainfall intensity or prolonged droughts projected under climate change scenarios.

338. Implementation arrangements: The Ministry of Agriculture and Environment (MAE) through the Department of Irrigation will lead this activity, providing technical oversight, design standards, and quality assurance for all irrigation rehabilitation schemes. PAEO irrigation units will conduct initial assessments of schemes proposed in PRIPs and participate in the prioritization process to select the schemes. A contractor will prepare technical designs and cost estimates for each scheme, manage procurement and contracting of civil works, supervise construction quality, prepare Environmental, Social and Climate Management Plans and coordinate with WUGs on implementation.

2. Establish or strengthen existing Water User Groups (WUGs)

339. This activity will establish new Water User Groups for the rehabilitated irrigation schemes that lack organized water management or strengthen existing WUGs to ensure they have the governance capacity, financial sustainability, and inclusive practices necessary for long-term infrastructure operation and equitable service delivery. WUG establishment or strengthening will begin early in the irrigation rehabilitation process for each of the schemes, ideally during the design

phase, to ensure communities are engaged in infrastructure planning and prepared to assume management responsibilities upon completion.

340. For new WUG establishment at schemes lacking organized water management, the process will follow Government guidelines and include: community mobilization and awareness-raising on the benefits of organized water management and the roles and responsibilities of WUG members; participatory development of WUG by-laws and internal regulations covering membership criteria and rights, governance structures (executive committee composition, election procedures, term limits), water allocation rules ensuring equitable access including during water scarcity periods, user fee levels and collection mechanisms to finance O&M, sanctions for rule violations, and conflict resolution procedures; legal registration of WUGs with district authorities to provide formal recognition and enable opening of bank accounts for O&M fund management; election of WUG executive committees through transparent democratic processes ensuring representation of all user categories including women and ethnic minorities; and training of elected WUG leaders on their governance, financial management, and technical responsibilities.

341. For strengthening existing WUGs at schemes with established but weak water user organizations, the activity will conduct organizational assessments identifying gaps in governance, financial management, technical capacity, or inclusiveness, then provide tailored support such as: revision of by-laws to address identified weaknesses such as inadequate O&M financing, unclear water allocation rules, or insufficient women's participation; capacity building for WUG executive committees on financial management (transparent fee collection, accounting, budgeting for maintenance), conflict resolution skills, and participatory decision-making; technical training on routine irrigation system maintenance including canal cleaning, vegetation control, minor repairs, and identification of problems requiring specialized assistance; establishment or strengthening of O&M funds through clear fee structures, transparent financial management, and banking arrangements; and facilitation of linkages between WUGs and local government irrigation services for technical backstopping and assistance with major repairs beyond WUG capacity.

342. Implementation arrangements: The Ministry of Agriculture and Environment (MAE) through the Department of Irrigation and Department of Agricultural Extension will co-lead this activity, with Irrigation providing technical guidance on WUG structures and O&M systems, and Extension providing community mobilization and capacity building expertise. PAEO will coordinate WUG establishment and strengthening at the provincial level for all schemes under their jurisdiction, bringing together irrigation and extension staff to work with communities. DAEO extension staff will serve as primary facilitators for WUG formation and capacity building across the schemes, conducting village-level mobilization and providing ongoing mentoring to WUG leaders. The Project Management Unit – through a service provider - will develop standardized WUG establishment and strengthening guidelines, tools, and training curricula applicable across all schemes and monitor WUG functionality.

3. Develop O&M plans and build capacity of WUGs for long-term infrastructure sustainability

343. This activity will ensure that existing and rehabilitated irrigation schemes remain functional and provide sustained benefits by developing comprehensive Operation and Maintenance (O&M) plans and building WUG capacity to implement them effectively. The activity addresses a critical lesson from past irrigation investments in Lao PDR: infrastructure deteriorates rapidly without systematic O&M, and WUGs require both clear plans and genuine capacity (technical skills, financial resources, organizational systems) to sustain infrastructure performance. O&M plans should specify: responsibilities and rosters for routine and seasonal tasks, preventive maintenance checklists, parts replacement cycles, a procurement protocol for small repairs, an indexed O&M budget that allows for inflation and fuel-cost variability, and a trigger-based contingency fund for emergency rehabilitation. Consider introducing modest, time-limited performance grants tied to demonstrated fee collection and maintenance performance to catalyse long-term sustainability.

344. O&M plan development will be conducted through a participatory process with WUG members and leaders covering: inventory of all infrastructure components requiring maintenance (canals, structures, equipment) with their condition assessments and expected service lives; routine maintenance schedules specifying seasonal and annual activities (canal cleaning before planting season, vegetation control during growing season, structure inspection after floods, drainage clearance before rainy season) with clear assignment of responsibilities to WUG members; preventive maintenance protocols to identify and address minor problems before they become major failures; financial projections estimating annual O&M costs based on maintenance schedules and local labor/material costs, calculating required user fee levels to generate sufficient revenue, and establishing multi-year O&M fund targets; user fee collection systems specifying fee calculation methods (per hectare, per water volume, per crop season), payment schedules aligned and sanctions for non-payment, and transparent accounting to members; procurement and financial management procedures for O&M expenditures; technical support networks identifying when WUGs should seek assistance from district/provincial irrigation services or private contractors for repairs beyond their capacity; and monitoring and evaluation systems to track infrastructure condition.

345. Capacity building will provide WUG members and leaders with the knowledge and skills to implement O&M plans through: hands-on training in basic irrigation maintenance techniques conducted at the actual irrigation sites; financial management training for WUG treasurers and finance committee members; training for WUG executive committees on mobilizing members for collective maintenance works and enforcing fee collection; establishment of WUG maintenance groups or committees responsible for organizing routine maintenance activities; development of simple O&M record-keeping systems; and provision of basic O&M tools and equipment to enable WUGs to perform routine maintenance.

346. Implementation arrangements: The Ministry of Agriculture and Environment (MAE) through the Department of Irrigation will lead this activity, developing O&M planning guidelines and standards and providing technical training on maintenance techniques. PAEO irrigation units will work directly with each of the WUGs on O&M plan development, and provide hands-on maintenance training. DAEO staff will provide ongoing mentoring to WUGs on implementing O&M plans, assist with problem-solving when maintenance challenges arise, and facilitate linkages between WUGs and district irrigation services. The Project Management Unit will

establish O&M performance indicators, monitor WUG sustainability across the portfolio, identify common challenges requiring systemic solutions, and document successful O&M models for replication.

Sub-component 2.2: Action Research and scaling of successful practices

347. The aim of this sub-component is to test, validate, and scale climate-resilient agricultural innovations through systematic action research, ensuring that proven technologies are rapidly disseminated to APG clusters and integrated into national extension systems for wider impact. The sub-component will focus on innovations that offer high potential for enhancing productivity, climate resilience, and income diversification for smallholder farmers. Through participatory on-farm trials, the sub-component will generate practical evidence on technical feasibility, economic viability, climate adaptation benefits, and farmer acceptability under real production conditions, with successful practices scaled through training, e-learning videos, lead farmer demonstrations, and cross-cluster exchange visits.

Output 2.2.1 New technologies and farming practices for resilience and improved productivity are tested and scaled up Rikke

Activities

(i) Mapping of new resilience technologies and diversification practices

348. This activity will systematically identify innovation gaps for climate resilience by analysing PRIPs and Value Chain Investment Plans (VCIPs) to determine which climate-smart technologies and diversification practices are most needed by APG clusters but not yet available or proven in the LEAD project area. The mapping will include a review of successful climate-resilient innovations tested in other provinces of Lao PDR by various development projects and research institutions, as well as innovations from neighbouring countries (Thailand, Vietnam, China) that could be adapted to conditions in Savannakhet and Khammouane. NAFRI will lead this mapping exercise and collaborate with PAEO/DAEO extension staff, other research institutions or development projects that have tested relevant innovations in Lao PDR, and regional networks that can share experiences from the Greater Mekong Subregion. The mapping will prioritize innovations based on: demand from multiple APG clusters indicating widespread interest; potential for significant climate resilience and productivity benefits; technical feasibility for smallholder adoption; market viability for commercialization; and evidence of success in similar agroecological and socioeconomic contexts. Results will inform the selection and refinement of priority innovations for testing in the project area.

(ii) Select 6 priority innovations for testing and scaling

349. Based on the mapping exercise, around six priority innovations will be selected for intensive action research and scaling in Savannakhet and Khammouane provinces. These could include, but not limited to, some of innovations already identified during design including: (i) integrated rice-aquaculture systems combining rice cultivation with fish or shrimp culture in paddy fields to diversify income, improve nutrition, reduce climate vulnerability, and enhance soil fertility through fish waste; (ii) perennial rice varieties that require less labour for land preparation and planting, reduce erosion on sloped land, and provide climate resilience through deep root systems; (iii) mushroom production

as a high-value diversification option suitable for women and youth and households with limited land, utilizing agricultural residues and providing year-round income; (iv) fish and shrimp seed production to address supply constraints and high costs that limit aquaculture expansion, creating local seed sources for APGs; (v) agroforestry integration with trees and green manure crops that improve soil health, provide diverse products (fruit, timber, fodder), and enhance landscape-level climate resilience; and (vi) other climate-smart practices such as bio-pesticide production, smart irrigation technologies, or climate-adapted vegetable varieties as demand emerges. NAFRI will coordinate with PAEO/DAEO, other institutions or projects with relevant experience, and technical experts who have successfully tested these innovations elsewhere in Lao PDR or the region to finalize the specific focus for each priority innovation based on agroecological suitability across target districts, ensuring selected innovations are relevant to local conditions.

Implement innovation testing through model APGs and farmers

350. Action research trials will be implemented through selected model APGs and lead farmers who demonstrate interest in testing and implementing innovations. NAFRI, in partnership with other institutions or projects that have expertise in specific innovations, will develop simple, farmer-friendly research protocols for each of the six innovations specifying planting/production methods, input requirements, data collection procedures (yield measurements, cost recording, labour tracking), and monitoring schedules. Technical experts from institutions that have successfully tested these innovations in other parts of Lao PDR or the region may be engaged to provide specialized knowledge and training. Model APG will be selected based on organizational capacity, willingness to test new practices and geographic representation across agroecological zones. NAFRI researchers and partner technical experts will provide initial training to participating farmers on innovation implementation and data collection, with DAEO extension staff providing ongoing technical support and monitoring throughout the production cycle. On-farm trials will be conducted over multiple seasons to validate performance under varied climate conditions and farming systems in the project area, with farmers documenting their observations, challenges, and adaptations. PAEO will coordinate logistics including provision of inputs for trials (seed, fingerlings, spawn, planting materials) and facilitate regular review meetings where NAFRI, partner institutions, extension staff, and participating farmers assess progress and troubleshoot challenges.

Document and assess results including costs, benefits, climate resilience outcomes, gender impacts, and scalability

351. NAFRI, with inputs from partner institutions and technical experts involved in testing, will lead systematic documentation and assessment of each innovation's performance in the project area context, analysing data collected from on-farm trials to generate evidence on: economic viability including production costs, labour requirements, and return on investment compared to conventional practices; climate resilience outcomes such as yield stability under drought or flood conditions, pest and disease pressure, and farmer perceptions of risk reduction; productivity impacts including yield increases, quality improvements, and production efficiency gains; gender impacts assessing whether innovations increase women's workload or income, affect household nutrition, or create new

opportunities for women's economic empowerment; scalability considerations including input availability in Savannakhet and Khammouane, technical complexity, capital requirements, market access for products, and farmer acceptance in the local context. Assessment will combine quantitative data with qualitative information from farmer interviews and focus group discussions. NAFRI will prepare technical reports for each innovation documenting results, lessons learned, and recommendations for scaling in the project area. Results will be shared through workshops bringing together researchers from NAFRI and partner institutions, extension staff, APG representatives, and policymakers to validate findings and inform decisions on which innovations warrant investment in scaling efforts.

Develop scaling strategy for proven innovations

352. For innovations proven successful through action research in the project area, NAFRI will work with DAEC, PAEO, DAEO, and partner institutions and experts to develop comprehensive scaling strategies ensuring rapid dissemination beyond model APGs. Scaling pathways will include: (i) training service providers including government extension staff, private agro-dealers, and lead farmers on innovation implementation; (ii) integration into PRIPs by promoting proven innovations to APG clusters developing or revising their production plans to support adoption investments; (iii) creation of farmer-to-farmer e-learning videos demonstrating innovations and distributed through social media platforms; (iv) establishment of lead farmer demonstration networks where early adopters showcase innovations at their farms, hosting field days and peer learning exchanges; (v) development of practical extension materials including illustrated guides and technical advisories; (vi) cross-cluster exchange visits enabling APGs to see successful innovations implemented at scale, potentially including visits to other provinces where innovations originated; and (vii) engagement with input suppliers and service providers to ensure availability of required materials and technical services. NAFRI and partner technical experts will provide ongoing backstopping during scaling to ensure quality as innovations expand to diverse contexts.

Implementation Arrangements for Action Research and Scaling Activities

Activity	Lead Institution	Key Partners	Responsibilities
(i) Mapping of new resilience technologies and diversification practices	NAFRI	• PAEO/DAEO extension staff • Other research institutions/development projects in Lao PDR • Regional networks (Greater Mekong Subregion) • PMU	NAFRI: Lead mapping exercise, analyze PRIPs and VCIPs to identify innovation gaps, review successful innovations from other provinces and neighboring countries, prioritize innovations based on demand, climate resilience potential, technical feasibility, market viability, and evidence of

Activity	Lead Institution	Key Partners	Responsibilities
			success PAEO / DAEO: Provide field-level insights on farmer needs and local constraints Research institutions / projects: Share experiences with tested innovations in Lao PDR Regional networks: Provide innovations from Thailand, Vietnam, China adaptable to local conditions PMU: Coordinate and document mapping results
(ii) Select 6 priority innovations for testing and scaling	NAFRI	• PAEO/DAEO • Institutions/projects with relevant innovation experience • Technical experts from Lao PDR and region • PMU	NAFRI: Coordinate selection process, finalize specific focus for each innovation based on agroecological suitability PAEO / DAEO: Validate relevance to local conditions and farmer priorities Technical experts: Provide specialized knowledge on specific innovations (integrated rice-aquaculture, perennial rice, mushroom production, fish/shrimp seed production, agroforestry, climate-smart practices) PMU: Facilitate partnerships and document selection process
(iii) Implement innovation testing through model APGs and farmers	NAFRI	• Partner institutions/projects with expertise in specific innovations • Technical experts from Lao PDR and region • PAEO (coordination)	NAFRI: Develop farmer-friendly research protocols, provide initial training to participating farmers, conduct monitoring and data collection

Activity	Lead Institution	Key Partners	Responsibilities
		• DAEO (extension support) • Model APG clusters and lead farmers	Partner institutions / technical experts: Provide specialized knowledge and training on specific innovations PAEO: Coordinate logistics, provide inputs for trials (seed, fingerlings, spawn, planting materials), facilitate regular review meetings DAEO: Provide ongoing technical support and monitoring throughout production cycle Model APG clusters / lead farmers: Implement on-farm trials, document observations, challenges, and adaptations over multiple seasons PMU: Facilitate partnerships, monitor progress
(iv) Document and assess results	NAFRI	• Partner institutions and technical experts • Extension staff • APG representatives • Policymakers • PMU	NAFRI: Lead systematic documentation and assessment, analyze data on economic viability, climate resilience outcomes, productivity impacts, gender impacts, scalability considerations; prepare technical reports for each innovation Partner institutions / technical experts: Provide inputs on performance assessment Extension staff and APG representatives: Participate in validation workshops, provide qualitative feedback

Activity	Lead Institution	Key Partners	Responsibilities
			through interviews and focus group discussions Policymakers: Participate in workshops, inform decisions on scaling investments PMU: Document results and facilitate knowledge sharing
(v) Develop scaling strategy for proven innovations	NAFRI	• MAE/DAEC • PAEO, DAEO • Partner institutions and technical experts • Service providers • Input suppliers • PMU	NAFRI: Develop comprehensive scaling strategies, provide ongoing backstopping during scaling DAEC: Integrate proven innovations into national extension programs PAEO: Organize training programs, coordinate cross-cluster exchanges, facilitate scaling activities DAEO: Promote proven innovations to APG clusters, support integration into PRIPs, serve as primary channels for scaling Technical experts: Provide specialized training during scaling phase Service providers: Create farmer-to-farmer e-learning videos, develop practical extension materials Input suppliers: Ensure availability of required materials and technical services PMU: Coordinate scaling pathways, monitor scaling progress, document lessons learned

Sub-component 2.3: Livelihoods improvement for vulnerable households

353. This sub-component aims to ensure that vulnerable households - including persons with disabilities, and land-constrained families - are not left behind in the project's interventions by providing differentiated support that builds their productive capacities, improves household nutrition and food security, and facilitates their progressive integration into value chains as suppliers or service providers, enabling them to transition from subsistence to market-oriented livelihoods over the project period.

Output 2.3.1 Livelihoods of poor households improved and diversified

Activities

(i) Identify and select target households

354. Target households will be identified through participatory assessments prioritizing food-insecure households, female-headed households, ethnic minorities, and land-constrained families facing barriers to participating in business-oriented APG clusters. District authorities will conduct initial household screening using vulnerability indicators including poverty level, food insecurity, limited land access, female headship, ethnic minority status, and social marginalization. A service provider experienced in participatory rural appraisal and social inclusion will facilitate village-level consultations involving community representatives, village authorities and Civil Society Organisations to validate target group selection and ensure the most vulnerable households are prioritized. Validation processes will be undertaken by district authorities and the PMU before household enrollment. Selected households will participate in needs assessments to determine which livelihood activities best suit their circumstances, available labour, land access, existing skills, and market opportunities, ensuring packages are demand-driven.

(ii) Deliver livelihood-support packages

355. The project will provide a total of 1,700 livelihood packages across target districts (100 packages per district across Savannakhet and Khammouane provinces), with each package valued at up to USD 500, with in-kind contribution from participating households demonstrating commitment and ownership. Package options will focus on low-barrier value chain activities suitable for resource-constrained households including: home vegetable gardens with improved seeds and small tools for year-round production; backyard poultry (chickens, ducks) with housing materials and initial stock; small livestock (pigs, goats) with shelter materials and veterinary support; aquaculture (fish, frogs) in household ponds or rice fields with fingerlings and feed; beekeeping with basic equipment and colonies; sericulture with mulberry plants and silkworm eggs; natural dye plants for textile production; mushroom cultivation with spawn and substrate materials; and post-harvest processing equipment or solar dryers for value addition. Packages will be customized based on household needs assessments, with most households receiving combinations of activities (e.g., vegetables plus poultry) to diversify income sources and manage risks.

356. A contracted service provider specializing in livelihood development and social inclusion will support target households in preparing their Livelihood Investment Plan and be responsible for package procurement, delivery logistics, and provision of initial technical training to target households on production practices, input use, animal husbandry, and post-harvest handling. Additionally, the service provider will provide ongoing mentoring throughout implementation, making regular household visits to troubleshoot challenges, reinforce training, monitor progress, and ensure vulnerable households successfully establish their livelihood activities.

(iii) Connect household production to local markets

357. Vulnerable households will be linked to local markets to ensure their increased production translates into income and sustained livelihood improvements. DAEO extension staff will facilitate connections between target households and: (a) APG clusters and aggregators as suppliers of raw materials (vegetables for processing, eggs for traders, small livestock for local butchers), enabling vulnerable households to participate in commercial value chains without requiring APG membership; (b) local markets including school meal programs coordinated by education authorities seeking locally-produced nutritious foods, health centers purchasing vegetables and eggs for patient meals, hotels and restaurants in district towns buying fresh produce, and small traders collecting products at village level. For products requiring collective marketing to achieve viable volumes, DAEO will organize small producer groups among vulnerable households or link them to existing APG clusters as associate suppliers.

(iv) Provide integrated nutrition and livelihood training

358. A total of 4,600 households will receive integrated nutrition training. Training will be delivered by a contracted service provider, covering: (i) maternal and child nutrition including exclusive breastfeeding, complementary feeding practices, and nutrition requirements for pregnant and lactating women; (ii) dietary diversity and food safety/hygiene practices emphasizing consumption of diverse food groups (vegetables, animal source proteins, fruits), proper food handling and storage, and handwashing and sanitation; (iii) nutrition-sensitive production prioritizing cultivation and raising of nutritious foods (vegetables, eggs, poultry, fish) with explicit messaging on household consumption before selling surplus, and seasonal production planning to ensure year-round availability of diverse foods; and (iv) preservation and processing of nutritious foods including simple techniques for drying, fermentation, and smoking to extend availability during lean seasons. Nutrition outcomes (dietary diversity scores, household food security indicators, child nutritional status) will be monitored by the service provider and the PMU to ensure training translates into improved nutrition practices and outcomes.

(v) Invest in community water supply

359. The project will invest in community water supply systems serving multi-functional water demands for approximately 10,000 households in villages with high concentrations of vulnerable populations, recognizing that water access is fundamental to livelihood activities (vegetable gardens, livestock raising,

aquaculture), household nutrition (food preparation, hygiene), and health outcomes. Investments will prioritize: rehabilitation or expansion of existing community water points (wells, springs, gravity-fed systems) that can serve both domestic use and small-scale productive uses (vegetable garden irrigation, livestock watering); installation of simple water storage systems enabling households to access water for home gardens and livestock; and establishment of community water points specifically designed for multi-functional use with separate taps for drinking water and productive uses, proper drainage, and governance arrangements for sustainable management. Water supply investments will be demand-driven based on requests from village authorities and assessments showing water scarcity constrains livelihood activities. Technical designs will be prepared by PAEO water supply specialists following Government standards for rural water supply, with construction contracted to qualified local contractors. Communities will contribute labour for construction and commit to establishing water user committees responsible for operation, maintenance, and fee collection where applicable.

Output 2.3.2 Persons with disabilities are targeted with livelihood support investments

360. This sub-component aims to ensure that vulnerable households - including persons with disabilities, and land-constrained families - are not left behind in the project's interventions by providing differentiated support that builds their productive capacities, improves household nutrition and food security, and facilitates their progressive integration into value chains as suppliers or service providers, enabling them to transition from subsistence to market-oriented livelihoods over the project period.

Activities

(i) Conduct disability-inclusive needs assessment

361. A needs assessment in target communities across Savannakhet and Khammouane provinces will be conducted to identify persons with disabilities and their specific livelihood constraints and opportunities. The assessment will use standardized disability screening tools adapted to the Lao context, working through village authorities, community health workers, and local organizations of persons with disabilities (OPDs). Assessments will document types and severity of disabilities (physical, sensory, intellectual, psychosocial), current livelihood activities and income sources, household composition and support systems, accessibility barriers limiting economic participation, assets and skills that could be leveraged for income generation, and aspirations for livelihood improvement. The assessment will identify approximately 400 persons with disabilities eligible for enhanced support packages, prioritizing those with productive capacity who face barriers to participating in standard livelihood programs due to accessibility constraints or lack of assistive devices.

(ii) Design tailored livelihood packages

362. Based on needs assessments, 400 tailored livelihood packages valued at USD 1,200 per household will be designed, including both livelihood support

investments and assistive devices enabling persons with disabilities to participate effectively in income-generating activities. Package options will focus on activities suited to different types of disabilities including: home-based production systems (vegetable cultivation in raised beds accessible for wheelchair users, mushroom cultivation requiring limited mobility, herb processing and packaging); handicraft production leveraging traditional skills with adapted work stations and tools; mobile phone-based services and digital marketing utilizing technology to overcome mobility constraints; small livestock raising (poultry, rabbits) with accessible housing and feeding systems; and value-added processing activities (food processing, packaging, labeling). Each package will be customized to the individual's disability, capabilities, household circumstances, and market opportunities, combining productive assets with assistive devices such as wheelchairs, hearing aids, prosthetics, magnification devices, accessible work benches, adapted agricultural tools, or other equipment enabling productive participation. Packages will include in-kind contributions from target households demonstrating commitment.

(iii) Provide mentoring to participating households

363. The participating persons with disabilities will receive intensive, long-term mentoring throughout the process to ensure that provided assets and assistive devices generate intended income-generating outcomes. Mentoring will begin with orientation on assistive device use and maintenance, adaptation of homes and work spaces for accessibility, and technical training on selected livelihood activities tailored to individual learning needs and communication preferences. Regular household visits (monthly during the first year, quarterly thereafter) will provide ongoing troubleshooting, reinforce training and address accessibility challenges as they emerge.

(iv) Deliver skills training to enhance employability and access to job markets.

364. Training will be designed and delivered to the 400 participating persons with disabilities to enhance their employability and access to job markets beyond self-employment in agriculture. Training options will include: digital literacy and online marketing enabling persons with disabilities to access remote work opportunities or market products through e-commerce platforms; bookkeeping and business management skills positioning them to provide services to APG clusters or small businesses; mobile phone repair and maintenance creating demand for technical services in rural areas; tailoring and garment production leveraging existing skills with upgraded equipment; food processing and packaging meeting food safety standards for institutional markets; and other vocational skills matched to individual capabilities and local labour market demands. The project will conduct awareness-raising activities among APG clusters and cooperatives on disability inclusion.

365. The Ministry of Agriculture and Environment (MAE) through DAEC will coordinate Output 2.3.2 in partnership with the Ministry of Labour and Social Welfare which has the national mandate for disability policy and programming. PAEO will coordinate at the provincial level, working with Provincial Labour and Social Welfare offices and provincial organisations of persons with disabilities

(OPDs). A specialized service provider with proven expertise in disability-inclusive livelihood programming will be contracted to lead all activities under this output, including conducting needs assessments, designing tailored packages, procuring and delivering livelihood assets and assistive devices, providing intensive mentoring to the 400 households of persons with disabilities, organizing skills training, and facilitating awareness-raising in APG clusters. The service provider will work in close partnership with local OPDs, ensuring participatory approaches and disability-led programming. DAEO extension staff will receive disability inclusion training enabling them to provide ongoing technical support to persons with disabilities engaged in agricultural livelihoods and facilitate their linkages to APG clusters and markets. The Lao Women's Union will ensure attention to women with disabilities who face multiple forms of discrimination. The Project Management Unit will establish specific monitoring indicators for inclusion of persons with disabilities (numbers reached, types of disabilities, livelihood activities supported, income changes, participation in APG clusters, accessibility improvements), and document lessons learned on effective disability-inclusive approaches for rural livelihood programming that can inform broader development practice in Lao PDR.

Year-wise sequencing of main project activities

	Y1	Y2	Y3	Y4	Y5	Y6	Y7
Component 1: Development of inclusive value chains							
Province VC coordination, strengthening and policy support with MSPs	VC assessment, actor mapping, and prioritization and analysis in 2 provinces considering the potentials, actors and challenges in the districts targeted Prioritise 3 VC per province. Initiate 6 province level MSP and identify VC bottlenecks and investment gaps. Prepare 6 VCIP	Training and facilitate 6 MSPs in coordinating: solutions to VC bottlenecks, compliance with food safety and other market standards; and ensure inclusiveness of cooperatives and MSEs.	Training and facilitate 6 MSPs in coordinating: solutions to VC bottlenecks, compliance with food safety and other market standards; and ensure inclusiveness of cooperatives and MSEs. Design of digital management platform for MSPs	Training and facilitate 6 MSPs in coordinating: solutions to VC bottlenecks, compliance with food safety and other market standards; and ensure inclusiveness of cooperatives and MSEs. Prioritise 2 additional VC per province based on opportunities identified in PRIPs (SC2.1). Initiate 4 additional	Facilitate 10 MSPs in coordinating: - solutions to VC bottlenecks, compliance with food safety and other market standards; and ensure inclusiveness of cooperatives and MSEs. - documentation of lessons learned, good practices, and recommendations for policies for inclusive VC development,	Facilitate 10 MSPs in coordinating: - solutions to VC bottlenecks, compliance with food safety and other market standards; and ensure inclusiveness of cooperatives and MSEs. - documentation of lessons learned, good practices, and policy recommendations for the policies for inclusive VC	Facilitate 10 MSPs in coordinating: - solutions to VC bottlenecks, compliance with food safety and other market standards; and ensure inclusiveness of cooperatives and MSEs. - documentation of lessons learned, good practices, and policy recommendations for the policies for inclusive VC

				province level MSP and identify VC bottlenecks and investment gaps. Prepare 4 additional VCIP	implementation of the Cooperative Law and food safety standards.	development, implementation of the Cooperative Law and food safety standards.	development, implementation of the Cooperative Law and food safety standards.
Connectivity Infrastructure (roads)		Design, procure, and rehabilitate 100 km road identified in CIPs			Design, procure, and rehabilitate of 50 km road identified in CIPs		
Business development of Cooperatives and MSE		Batch 1: 4 coop and 20 MSE trained with 70 % securing a loan. Train 4 coop. and 20 MSE in organisational governance, formalisation, financial and business literacy.	Provide business development services and train 4 coop and 20 MSE in food safety practices and standards. Monitor loan repayments	Provide business development services to 3 coop. and 14 SME Update BPs, cashflow and develop loan applications for 2nd loan cycle for 2 coop and 10 MSE	Provide business development services to 3 coop. and 14 SME Monitor loan repayment	Provide business development services to 3 coop. and 14 SME Update BPs, cashflow and develop loan applications for 3rd loan cycle for 1 coop and 7 MSE	Provide business development services to 3 coop. and 14 SME Monitor loan repayment

		Develop BP and loan applications and disburse grant blocked deposits as collateral for 1 st loan cycle for 3 Coop. and 14 MSE.					
			Batch 2: 10 coop and 28 MSE trained with 70 % securing a loan. Train 10 coop. and 28 MSE in organisational governance, formalisation, financial and business literacy. Develop BP and loan applications and disburse grant blocked deposits as collateral for	Provide business development services and train 10 coop and 28 MSE in food safety practices and standards. Monitor loan repayments	Provide business development services to 7 coop. and 20 SME Update BPs, cashflow and develop loan applications for 2nd loan cycle for 5 coop and 14 MSE	Provide business development services to 7 coop. and 20 SME Monitor loan repayment	Provide business development services to 7 coop. and 20 SME Update BPs, cashflow and develop loan applications for 3rd loan cycle for 3 coop and 10 MSE

			1 st loan cycle for 7 Coop. and 20 MSE.				
				Batch 3: 20 coop and 20 MSE trained with 70 % securing a loan. Train 20 coop. and 20 MSE in organisational governance, formalisation, financial and business literacy. Develop BP and loan applications and disburse grant blocked deposits as collateral for 1st loan cycle for 14 Coop. and 14 MSE.	Provide business development services and train 20 coop and 20 MSE in food safety practices and standards. Monitor loan repayments and	Provide business development services to 14 coop. and 14 SME Update BPs, cashflow and develop loan applications for 2nd loan cycle for 10 coop and 10 MSE	Provide business development services to 14 coop. and 14 SME Monitor loan repayment
Component 2: Promotion of Climate-resilient Technologies and Diversification in Farming Systems							
Financial inclusion and	Batch 1: 7 districts:	Train 14 clusters (56 APG, 8 per	Provide business development	Provide business development	Provide business development	Provide business development	Provide business development

enhance ment of resilience and productiv ity of APG farming systems and their aggregati on in cooperati ves.	Map and categorise APG by capacity and main commodities and facilitate clustering of APGs in cooperatives producing within the prioritised VCs in (C1.1.)	district) in: climate vulnerability assessment; analysis of productivity and quality gaps and options of technologies and practices to address these; organisational governance and formalisation; record keeping and financial literacy. Develop PRIPs for 14 clusters of APGs (or individual APGs). Develop loan application and disburse grant blocked deposits as	services and train 14 clusters (56 APGs) in agroecology and GAP technologies and practices. Monitor loan repayments	services and train 14 clusters (56 APGs) in agroecology and GAP technologies and practices. Update BPs, cashflow and develop loan applications for 2 nd loan cycle for 14 APG and 3 Coop	services to and train 14 clusters (56 APGs) in agroecology and GAP technologies and practices. Monitor loan repayment	services and train 14 clusters (56 APGs) in agroecology and GAP technologies and practices. Update BPs, cashflow and develop loan applications for 3 rd loan cycle for 10 APG and 2 Coop	services and train 14 clusters (56 APGs) in agroecology and GAP technologies and practices. Monitor loan repayment

		collateral for 1 st loan cycle for 20 APGs and 5 clusters/cooperatives					
		Batch 2: 10 districts. Map and categorise APG by capacity and main commodities and facilitate clustering of APGs in cooperatives producing within the prioritised VCs in (C1.1.)	Train 20 clusters (80 APG, 8 per district) in: climate vulnerability assessment; analysis of productivity and quality gaps and options of technologies and practices to address these; organisational governance and formalisation; record keeping and financial literacy. Develop PRIPs for 20 clusters of APGs (or	Provide business development services and train 20 clusters (80 APG) in agroecology and GAP technologies and practices. Monitor loan repayments	Provide business development services and train 20 clusters (80 APGs) in agroecology and GAP technologies and practices. Update BPs, cashflow and develop loan applications for 2nd loan cycle for 20 APG and 5 Coop	Provide business development services to and train 20 clusters (80 APGs) in agroecology and GAP technologies and practices. Monitor loan repayment	Provide business development services and train 20 clusters (80 APGs) in agroecology and GAP technologies and practices. Update BPs, cashflow and develop loan applications for 3rd loan cycle for 14 APG and 3 Coop

			individual APGs). Develop loan application and disburse grant blocked deposits as collateral for 1st loan cycle for 28 APGs and 7 clusters/cooperatives				
Rehabilitation of irrigation schemes		Batch 1: 7 districts. Prioritise 8 irrigation schemes for rehabilitation among the schemes identified in the PRIP Conduct feasibility studies and design off-farm irrigation rehabilitation works	Complete rehabilitation works for 8 irrigation schemes	Batch 2: 10 districts. Prioritise 12 irrigation schemes for rehabilitation among the schemes identified in the PRIP Conduct feasibility studies and design off-farm irrigation rehabilitation works	Complete rehabilitation works for 12 irrigation schemes		

		Procure and initiate works		Procure and initiate works			
Action research and scaling of successful farming innovations			Contract SP to support the innovation SC Systematise innovation gaps for climate resilience from CIPs and PRIPs; map new resilience technologies and diversification practices in Laos and neighbouring countries relevant for addressing these gaps Conduct participatory process to select 6 priority resilience technologies and diversification	Sign action research grant contracts with innovation partners and test with APGs 6 resilient technologies and farming diversification models (4 from Laos and 2 from neighbouring countries through SSTC). Monitor the testing phase and document results (using EFA models).	Continue testing, adjusting and documentation of results with APGs including through farmer-to-farmer videos that can be shared on social media. Develop technical and illustrative guidance documents for scaling up the tested resilience technologies and diversification models by APGs and cooperatives Promote scaling through demonstration	Continue testing, adjusting and documentation of results with APGs including through farmer-to-farmer videos that can be shared on social media. Continue scaling through demonstration farms and field days, exchange visits, videos, etc.	Continue documentation of results with APGs including through farmer-to-farmer videos that can be shared on social media. Continue scaling through demonstration farms and field days, exchange visits, videos, etc.

			models for testing and upscaling and identify research/innovation partners and APG clusters willing to participate in the testing and scaling		farms and field days, exchange visits, videos, etc.		
Livelihood development for VHH and PWD		Batch 1: 7. districts. In the villages of the APGs participating in PRIPs batch 1: - identify VHH interested in receiving training and livelihood packages with village authorities - conduct needs assessment of PWD - Identify PWD	Provide training and assistance for design of LIPs for 700 VHH and provide them with livelihood packages Provide skills training to 82 PwD to improve their employability Provide training and assistance for design of LIP for 165 PwD and provide them	Continue training and accompanying 700 VHH in the implementation of their LIP and evt. linking to APGs Continue training and accompanying 165 PwD in the implementation of their LIP and evt. linking to APGs	Continue training and accompanying 700 VHH in the implementation of their LIP and evt. linking to APGs Continue training and accompanying 165 PwD in the implementation of their LIP and evt. linking to APGs	Continue training and accompanying 700 VHH in the implementation of their LIP and evt. linking to APGs Continue training and accompanying 165 PwD in the implementation of their LIP and evt. linking to APGs	

		interested in participating in skills training or develop livelihood activity - needs for multiple use water supply	with livelihood packages				
			Batch 2: 10 districts. In the villages of the APGs participating in PRIPs batch 2: - identify VHH interested in receiving training and livelihood packages with village authorities - conduct needs assessment of PWD - Identify PWD interested in participating in	Provide training and assistance for design of LIPs for 1000 VHH and provide them with livelihood packages Provide skills training to 118 PwD to improve their employability Provide training and assistance for design of LIP for 335 PwD and provide	Continue training and accompanying 1000 VHH in the implementation of their LIP and evt. linking to APGs Continue training and accompanying 335 PwD in the implementation of their LIP and evt. linking to APGs	Continue training and accompanying 1000 VHH in the implementation of their LIP and evt. linking to APGs Continue training and accompanying 335 PwD in the implementation of their LIP and evt. linking to APGs	Continue training and accompanying 1000 VHH in the implementation of their LIP and evt. linking to APGs Continue training and accompanying 335 PwD in the implementation of their LIP and evt. linking to APGs

			skills training or develop livelihood activity	them with livelihood packages			
Communi ty multiple use water supply			Batch 1: 7. districts. Conduct feasibility studies, design, procure and implement 41 community multiple use water supply systems identified in the villages with high number of VHH and PWD participating in livelihood improvement activities		Batch 2: 10 districts. Conduct feasibility studies, design, procure and implement 59 community multiple use water supply systems identified in the villages with high number of VHH and PWD participating in livelihood improvement activities		

4.3 Project completion and closing

366. The process of project completion and closing will be governed by IFAD's policies, the Financing Agreement, and the specific legal and regulatory framework in Lao PDR. A phased approach will be adopted to proper closing which will be initiated 12 months before the project's official closing date to ensure that preparatory activities are undertaken prior to closing. A six-month period is allocated after the completion of activities for this purpose. The goal of project closure will be full accountability of funds, a formal transfer of responsibilities, successful handover of assets and ongoing functions to beneficiaries, cooperatives, government institutions, or private entities, and enhancement of the sustainability of results.

Phase 1: Pre-Closure Planning (Initiation 6-12 Months Before End Date)

367. A dedicated team will be established by the Project Coordinator in the PMU comprising key technical staff including the Project Financial Officer, M&E Officer, and Procurement Officer. A checklist of all administrative, financial, and operational closure activities will be prepared with a timeline from the start of closure activities to the final submission of reports. The Government of Lao PDR and IFAD will inform all implementing agencies (MAE, MOIC, PAEO, DAEO, NAFRI, service providers) of the final date before which all completion activities need to be completed.

Operational and Technical Closure:

- **Completion of Physical Activities:** Winding down all field operations, ensuring all agreed-upon infrastructure (farm roads, irrigation schemes, aggregation centers, processing facilities, community water supply systems) are not just built but fully operational and handed over.
- **Final Procurement and Contract Closure:** Completing all ongoing procurement processes. Systematically terminating all contracts with consultants, service providers, civil society organizations, and technical specialists. This will include obtaining final deliverables, issuing completion certificates, and settling all final payments.
- **Disposal and Transfer of Assets:** A full physical inventory of all project assets (vehicles, computers, office equipment, furniture, etc.) must be conducted. Assets will be typically transferred to MAE, MOIC, PAEO, or DAEO at the provincial or district level. Community and cooperative assets (irrigation schemes, farm roads, collection centers) will be transferred to Water User Groups, cooperatives, or community organizations with formal handover agreements. Private infrastructure (processing facilities, storage) will be confirmed as owned by cooperatives or MSEs with formal documentation. A formal Asset Transfer Protocol will be signed, detailing each item, its condition, and the receiving party. This will be a critical accountability measure.
- **Staff Termination and Downsizing:** The implementing partners will develop a fair and transparent plan for the termination of project staff contracts. This will include calculating severance packages, providing support for outplacement, and ensuring knowledge transfer before key experts leave.

Monitoring, Evaluation, and Knowledge Management:

- **Completion COI survey:** The mandatory completion COI survey must take place before the completion review process and its results (even in draft form) need to be available for the final supervision mission.
- **Final Supervision Mission:** IFAD, jointly with the Government of Lao PDR, conducts a final supervision mission to assess project completion, verify results, and guide the closure process.
- **Consolidation of Final Reports:** Preparation of the comprehensive Project Completion Report (PCR). This is a key document that provides a full account of the project's performance, achievements, challenges, lessons learned regarding value chain development, cooperative consolidation, blended financing, and climate-resilient agriculture, and sustainability plans for Multi-Stakeholder Platforms, cooperatives, and infrastructure.
- **Knowledge Products:** Documenting success stories, best practices, training manuals, Value Chain Investment Plans, and videos on climate-smart agriculture, cooperative governance, and financial literacy that can be used by the government and other development partners for future programming and scaling.
- **Archiving of Records:** Securing and organizing all project documents (financial, operational, reports, studies, VCIP documentation, MSP records) and handing over a complete set to MAE as the designated government agency for future reference. The PMU office itself will be closed.

Phase 2: Implementation of Closure Activities (6 months after the completion of project activities)

Financial Closure:

- **Final Audits:** This is mandatory. Two key audits will be required:
 1. **Project Financial Audit:** A final external audit of the project's finances covering the entire project period, conducted by an auditor acceptable to IFAD.
 2. **Terminal Statement of Accounts:** Preparation and audit of the final statement of accounts to be submitted to IFAD.
- **Settlement of All Liabilities:** Ensuring all bills, invoices, and obligations are paid before the closure date. IFAD will not disburse funds for liabilities identified after the closure date.
- **Closing Bank Accounts:** The project's special bank accounts are formally closed after the final audits and after ensuring no further transactions are needed. Any remaining balances (as per the Financing Agreement) will typically be returned to IFAD.
- **Submission of Final Financial Reports:** Submission of the audited financial statements and the final withdrawal application to IFAD.

Phase 3: Post-Closure

- **Submission of Closure Documents:** The government submits the final, audited financial statements, the Project Completion Report, and the asset transfer documents to IFAD for review and approval.

- IFAD's Project Completion Review: IFAD's will review the closure documentation and, if satisfactory, issues a formal confirmation of project closure.
- Dissemination of Results: Organizing a national closing workshop in Vientiane to present the results, lessons learned regarding market-led value chain development, cooperative strengthening, financial inclusion through blended financing, and climate-resilient agriculture, and recommendations to stakeholders from the government, donors, private sector, Multi-Stakeholder Platform members, cooperatives, and civil society.

DRAFT

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- Appendix 2 Result-Oriented AWPB Template
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- Appendix 5: Logical Framework
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- Appendix 8: Implementation Agreements/MoUs
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Appendix 1 Results-Oriented Annual Work Plan and Budget (AWPB) Template

Results #	Expected Results	Project Indicators	Timetable for implementation				Responsible Unit/Staff	Physical targets			Budget targets				
			Q 1	Q 2	Q 3	Q 4		End-line target	Annual target	Unit Cost	Total budget	Annual budget	Budget Category	Financiers	
														IFAD	Gov.
C1	Component 1 - Purpose:														
SC	Sub-Component 1.1:														
1.1.	Output 1.1.1:														
1	Activity 1.1.1.1														
	Activity 1.1.1.2														
	Activity 1.1.1.3														
	Inputs:														
	Etc.														
	Total Budget for Output 1.1.1:														
1.1.	Output 1.1.2:														
2	Activity 1.1.2.1														
	Activity 1.1.2.2														
	Inputs:														
	Etc.														
	Total Budget for Output 1.1.2:														
1.1.	Output 1.1.3:														
3	Activity 1.1.3.1														
	Activity 1.1.3.2														
	Etc.														
	Total Budget for Output 1.1.3:														
	Total Budget for Sub-Component 1.1:														
SC	Sub-Component 1.2:														
1.2.	Output 1.2.1														
1	Activity 1.2.1.1														
	Activity 1.2.1.2														
	Etc.														
	Total Budget for Output 1.2.1:														
1.2.	Output 1.2.2:														
2	Activity 1.2.2.1														
	Activity 1.2.2.2														
	Etc.														
	Total Budget for Output 1.2.2:														
	Total Budget for Sub-Component 1.2:														

Appendix 2 RO-AWPB Template

Results D+A1: P30	Expected Results	Indicators	Physical targets						Budget targets					
		Project Indicator	End-line target	Annual target	Cumulative results*	%	Annual results*	%	Total budget	Annual budget	Cumulative expenditures*	%	Annual expenditures*	%
C1	Component 1:													
SC 11	Sub-Component 1.1:													
111	Output 1.1.1													
112	Output 1.1.2													
113	Output 1.1.3													
	Etc.													
Total Budget for Sub-Component 1.1:														
SC 12	Sub-Component 1.2:													
12.1	Output 1.2.1													
12.2	Output 1.2.2													
12.3	Output 1.2.3													
	Etc.													
Total Budget for Sub-Component 1.2:														
Total Budget for Component 1:														
C2	Component 2:													
2.1	Output 2.1													
2.2	Output 2.2.													
2.3	Etc.													
Total Budget for Component 2:														
C3	Component 3:													
SC 3.1	Sub-Component 3.1													
3.11	Output 3.1.1													
3.12	Output 3.1.2													
3.13	Output 3.1.3													
	Etc.													
Total Budget for Sub-Component 3.1:														
	Etc.													

Appendix 3 Annotated Outline for Annual Progress Reports

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Title page

Map of project area

Table of contents

Table of figures and tables

Acronyms

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1) INTRODUCTION

- Introduce basic facts about the project, the project area and key project implementation dates.
- Introduce the main project objectives and key project Components, as originally designed; and identify any changes that may have been brought to project original design or financing plan.
- Discuss overall implementation progress and present global AWPB execution rate. Highlight key implementation features and global Service Providers/Implementation Partners performance.
- Highlight the main changes in the policy, regulatory or institutional framework that may have affected the agricultural or rural development sectors, during the year under review and that may bear relevance on project implementation.

2) PROJECT RESULTS AND IMPACT

A. ACTIVITIES AND OUTPUTS

- For each project Sub-component, present the following information:
 - Main physical achievements: Describe key activities implemented in the past 12-months and main outputs delivered against AWPB targets; and present cumulative achievements to date against appraisal targets. Discuss and explain variances between expected results and achievements.
 - Implementation context and challenges: Analyze the key external factors or circumstances that may have affected project implementation, positively or negatively, during the year. Identify key implementation problems and bottlenecks, their cause and possible solutions.
 - Detailed recommendations: Present the detailed actions that will be taken in order to address key implementation challenges.
- Key data shall be presented in tables and charts, while detailed data will be annexed. Issues such as quality and reliability of data collected, or data gaps,

should also be presented if relevant. If no progress was achieved, this should be clearly stated and reasons for delays explained.

B. OUTCOMES AND IMPACT

- Past mid-term, and for each Sub-Components, present available outcome and impact data, or field observations, and analyze positive or negative trends and unintended effects.
- Past mid-term, present and analyze the external factors that may have contributed, negatively or positively, to observed changes and impact.

C. TARGETING, OUTREACH AND GENDER ISSUES:

- Present a table showing, per type of beneficiaries, the total number of beneficiary households reached during the past 12 months against annual and appraisal targets.
- Present targeting approach followed in current year and potential challenges.
- Describe key gender-mainstreaming activities undertaken and key project achievements in terms of women outreach and empowerment.

D. SUSTAINABILITY

- Analyze current prospects of post-project sustainability, looking at issues such as beneficiary groups' self-sufficiency, capacities of local institutions, infrastructure operation and maintenance, etc.

3) IMPLEMENTATION PERFORMANCE

A. PROJECT IMPLEMENTATION PERFORMANCE

- Discuss Service Providers, Implementation Partners and PMU performance in implementing or supervising project implementation.

B. PERFORMANCE OF M&E

- Describe key M&E activities undertaken and discuss data quality, reliability and timeliness of reporting by Service Providers.

C. FINANCIAL MANAGEMENT AND DISBURSEMENTS

- Present global, as well as Component-wide, related to: (a) annual budget approved vs. annual expenditures; (b) cumulative expenditures to date vs. overall budget. Discuss financial management or flow of funds issues, as well as mitigating measures.

D. PROCUREMENT

- Present procurement activities undertaken in current year against the activities planned in the procurement plan. Identify issues and bottlenecks, as well as mitigating measures.

4) CONCLUSIONS, LESSONS LEARNED AND RECOMMENDATIONS

A. CONCLUSIONS

- Summarize global project performance by comparing key annual targets and yearly achievements; and cumulative achievements to date with global targets. Reflect on the likelihood that all project objectives shall be met by project completion date.
- Present project's strengths and weaknesses.
- Analyze main implementation bottlenecks and/or facilitating factors.

B. LESSONS LEARNED

- Present main lessons learned from project implementation, based on the analysis of what learning from experience may be applicable to future, similar projects.
- Present best practices or practices worthwhile replicating.

C. RECOMMENDATIONS

- Highlight key recommendations, changes that need to be introduced or further actions required in order to facilitate project implementation or enhance project results.
- Clearly identify responsibilities for main recommendations and timeline for follow-up.

ANNEXES:

- Detailed, updated AWPB (*Showing: annual planned targets vs. annual achievements*)
- Detailed financial expenditures table (*Showing: annual allocations, annual expenditures, global allocations, cumulative expenditures to date*)
- Updated Logframe (*Showing achievement data vs targets for all relevant output indicators (pre-mid-term) and outcome indicators (past mid-term).*)

Appendix 4 M&E Plan

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
Sub-Component 1.1.: Market access facilitation				
Output 1.1.1 District-level and province-level VC Investment Plans (VCIP) developed, validated and implemented	Nb of participatory value chains assessments conducted	- For each assessment: - Date of start (planned/actual) - Date of draft assessment (planned/actual) - Date of assessment finalization (planned/actual)	PMU AWPB	PMU Specialists
	Nb of VCIPs developed, validated and implemented	- For each VCIP: - VCIP ID# - Localities covered - Main commodity - Date of participatory VCIP meetings - Nb of VC actors attending meetings - Date of draft VCIP development - Date of VCIP validation - Date of VCIPs implementation start - % progress in VCIPs implementation in current quarter	VCIP tracking template	Service Providers/District Officers
Output 1.1.2. Inclusive Multi-Stakeholders Platforms (MSP) established and facilitated along the prioritized value chains	Nb of multi-stakeholder platforms established	- For each MSP: - MSP ID# - Localities covered - Main commodity - Nb of AGPs and cooperatives included - ID# of concerned AGPs and cooperatives - Date of initial/preparatory meetings - Nb of VC actors attending initial/preparatory meetings, by type of actors (producers/cooperative leaders/AGP leaders/input suppliers/buyers/banks/processors/etc.) - Date of MSP establishment	MSP tracking template	Service Providers/District Officers/PMU Specialists

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
		- Nb of VC actors concerned by the MSP, by type of actors		
	Nb of MSPs organizing regular meetings of VC actors (Note: to be understood as "Nb of MSPs with at least one general meeting held per year")	- <u>For each MSP:</u> - Date of MSP meetings - Nb of MSP meetings participants, by type of actor	- MSP tracking template	- Service Providers/District Officers
Output 1.1.3. Strategic market-access infrastructure (processing facilities, farm-access roads) constructed or rehabilitated.	Nb of market, processing or storage facilities constructed or rehabilitated & Nb of km of roads constructed, rehabilitated or upgraded	- <u>For each infrastructure scheme:</u> - Scheme location - Scheme type - Scheme size - Number of expected users (households) - Date of scheme approval - Date of design finalization (planned and realized) - Date of contract award - Feasibility study completion date (planned and realized) - Works' start and completion dates (planned and realized) - Works' execution rate at agreed intervals - Completion date of key construction steps (planned and realized) - Dates of pre-reception and final reception (planned and realized) - Number of minor and major reservations of works' quality raised	- Infrastructure construction tracking template - District Engineers' records and reports - Contractors' reports	Contractors/District Officers/

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
		- Number of minor and major reservations of works' quality cleared, and date of clearance		
Sub-component 1.2 Enterprise development and financial inclusion				
Output 1.2.1. Capacity building support provided to cooperatives and MSEs for the development of business plans or bankable business proposals, or the formation of new cooperatives	Nb of rural enterprises accessing business development services <i>Note: to be understood as "Nb of MSEs receiving capacity building support"</i>	A) Primary data: - <u>MSE profile (for each supported MSE):</u> - MSE ID# - MSE sector - MSE type - MSE size - Date of establishment - Location - Age and gender of owner - Name of related VC - Nb of employees (including owner) - Date of <u>each</u> capacity building or training events organized by the project - Topic of <u>each</u> capacity building or training events organized by the project - Nb of members (men/women/youth/PWD) participating in <u>each</u> capacity building or training events - <u>For each training/support activity:</u> - Date of support/training - Training topic - Training duration (in days) - Name of service provider - ID# of trained MSEs - Nb of MSEs trained	- MSE Profile and Tracking template - Training attendance sheets	Service Providers/District Officers

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
		- List of persons trained (name, gender, age) B) Consolidated data: - Nb of MSEs receiving support (to be disaggregated by “newly supported” and “also supported in previous years” for annual reporting) - Nb of MSE personnel (men/women/youth) receiving capacity building support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting)		
	Nb of rural producers' organizations supported <i>(Note: To be understood as “Nb of cooperatives receiving capacity building support”)</i>	A) Primary data: - <u>Cooperative profile (for each existing (pre-project) cooperative):</u> - Cooperative ID# - Date of creation - Date of formal registration as cooperative - Nb of APGs in the cooperative - ID# of APGs - Nb of cooperative member households - List of member names - Total number of hectares of land cultivated by members - Main crop grown by members - Types of services provided to members by the cooperative - Date of last elections for Management Committee members - % of Management Committee members who are women	- Cooperative Profile and Tracking template - Training attendance sheets	Service Providers/District Officers

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
		- Date of <u>each</u> capacity building or training events organized by the project - Topic of <u>each</u> capacity building or training events organized by the project - Nb of households participating in <u>each</u> capacity building or training events - Nb of members (men/women/youth/PWD) participating in <u>each</u> capacity building or training events - <u>For each training/support activity:</u> - Date of support/training - Training topic - Training duration (in days) - Name of service provider - ID# of trained cooperatives - Nb of cooperative members (men/women/youth) trained - List of persons trained (name, gender, age) B) Consolidated data: - Nb of cooperatives receiving capacity building support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting) - Nb of households and cooperative members (men/women/youth) receiving capacity building support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting)	- Training attendance sheets	

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
Output 1.2.1. Capacity building support provided to cooperatives and MSEs for the development of business plans or bankable business proposals, or the formation of new cooperatives	Nb of persons in rural areas trained in financial literacy and/or use of financial products and services <i>Note: Concerns cooperatives and MSEs only</i>	A) Primary data: – <u>For each financial literacy training:</u> - Date of support/training - Training topic - Training duration (in days) - Name of service provider - ID# of trained MSEs - Nb of households trained - Nb of persons (men/women/youth) trained - List of persons trained (name, gender, age) B) Consolidated data: –Nb of MSEs receiving support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting) –Nb of MSE personnel (men/women/youth) receiving capacity building support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting) –Nb of cooperatives receiving support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting) –Nb of households and cooperative members (men/women/youth) receiving support (to be disaggregated by: “newly supported”/”also supported in previous years” for annual reporting)	– Training attendance sheets	Service Providers/MFIs
	- Nb of new cooperatives established	– <u>Profile of new cooperatives (for cooperatives established with project support):</u> - Cooperative ID# - Date of creation	– Cooperative Profile	Service Providers/District Officers

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
	<i>(Note: To be understood as "Nb of cooperatives informally or formally established in current year")</i> - Nb of members in newly established cooperatives	- Date of formal registration as cooperative - Nb of APGs in the cooperative - ID# of APGs - Nb of member households - List of member names - Total number of hectares of land cultivated by members - Main crop grown by members - Types of services provided to members by the cooperative - Date of last elections for Management Committee members - % of Management Committee members who are women	and Tracking template	
Output 1.2.2. Cooperatives and MSEs supported to access rural financial services	- Total amount disbursed as grant deposit (in USD) & - Nb of supported cooperatives and MSEs with an approved business plan and loan & - Average repayment rate by MSEs and cooperatives	- <u>For each cooperative and SME:</u> - Cooperative/SME ID# - Date of business plan finalization - Name of related VCIP - Date of business plan submission to bank/MFI - Date of business plan approval by bank/MFI - Total value of business plan (in LAK and USD) - Total amount earmarked/approved as grant deposit for VCIP implementation (in LAK and USD) - Name of Bank/MFI - Total amount disbursed as grant deposit for VCIP implementation (in LAK and USD) - Value of approved bank/MFI loan (in LAK and USD) - Value of loan actually extended by bank/MFI (in LAK and USD)	- VCIP Blended Finance tracking template	Service Providers/District Officers

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
		- Expected repayment date - Date of actual repayment of bank/MFI loan		
Sub-component 2.1: Climate resilience and productivity of APG farming systems				
Output 2.1.1. Resilience and improvement plans (PRIP) developed and implemented	Nb of PRIPs developed and implemented	<i>PRIP development:</i> - <u>For each PRIP:</u> - PRIP ID# - Date of PRIP preparation meetings - Nb of PRIP preparation meetings held - Date of draft PRIP finalization - Date of PRIP validation - Nb of AGPs and cooperatives concerned by the PRIP - Nb of AGP and cooperatives members concerned by the PRIP	- PRIP tracking template	Service Providers/District Officers
		<i>PRIP implementation:</i> - <u>For each approved PRIP:</u> - PRIP ID# - Date of start of PRIP implementation - Nb of cooperatives and AGPs concerned with the PRIP - ID# of cooperatives and AGPs concerned with the PRIP - Localities covered - Quarterly progress in PRIP implementation (in % of total investments realized)	- PRIP tracking template	Service Providers/District Officers
	Total amount disbursed as grant deposit for PRIP implementation (in USD)	A) Primary data: - <u>For each approved PRIP:</u> - Nb of APGs submitting a grant request - ID# of APGs submitting a grant request - Nb of cooperatives submitting a grant request	- PRIP Blended	

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
		- ID# of cooperatives submitting a grant request - Amount earmarked/approved as grant deposit for each APG - Amount earmarked/approved as grant deposit for each cooperative - Amount disbursed as grant deposit for each APG - Amount disbursed as grant deposit for each cooperative B) Consolidated data: - Total amount earmarked/approved as grant deposit for PRIP implementation (in LAK and USD) (to be disaggregated by AGPs/Cooperatives for annual reporting) - Total amount disbursed as grant deposit for PRIP implementation (in LAK and USD) (to be disaggregated by AGPs/Cooperatives for annual reporting) - Nb of APGs receiving a grant deposit - Nb of cooperatives receiving a grant deposit	Finance tracking template	Service Providers/MFIs
(Output 2.1.1. Resilience and improvement plans (PRIP) developed and implemented)	- Nb of supported APGs and cooperatives with an approved business plan and loan to implement PRIPs & - Nb of households that are members of	A) Primary data: - Nb of APGs identified and selected for participation in project activities, by district and VC - <u>APG profile (For each supported APG):</u> - APG ID# - Date of creation - Nb of member households - Total number of hectares of land cultivated by members - Main crop grown by members	- APG Profile and Tracking template	Service Providers/District Officers

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
	supported APGs or cooperatives	- Types of services provided to members - Date of last elections for Management Committee members - % of Management Committee members who are women - Date of finalization of draft business plan - Date of approval of business plan by bank/MFI - Value of approved business plan (in LAK and USD) - Date of <u>each</u> capacity building or training events organized by the project - Topic of <u>each</u> capacity building or training events organized by the project - Nb of households participating in <u>each</u> capacity building or training events - Nb of members (men/women/youth/PWD) participating in <u>each</u> capacity building or training events - <u>For each supported cooperative:</u> - Date of finalization of draft business plan - Date of approval of business plan by bank/MFI - Value of approved business plan (in LAK and USD) - Date of <u>each</u> capacity building or training events organized by the project - Topic of <u>each</u> capacity building or training events organized by the project - Nb of households and cooperative members (men/women/youth/PWD) participating in <u>each</u> capacity building or training events	- Cooperative Profile and Tracking template - Training attendance sheets	

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
		- <u>For each type of capacity building support or training:</u> - Date of support/training - Training topic - Training duration (in days) - Name of service provider - ID# of trained APGs and cooperatives - Nb of APG members (men/women/youth) trained - Nb of cooperative members (men/women/youth) trained - List of persons trained (name, gender, age) B) Consolidated data: - Nb of APGs receiving support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting) - Nb of APG members (men/women/youth/PWD) receiving capacity building support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting) - Nb of cooperatives receiving support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting) - Nb of households and APG members (men/women/youth/PWD) receiving capacity building support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting)		

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
(Output 2.1.1. Resilience and improvement plans (PRIP) developed and implemented)	Average repayment rate by MSEs and cooperatives for PRIP related loans	- For each APG and cooperative receiving a grant deposit - Total value of business plan - Value of grant deposit received from the project (in LAK and USD) - Value of approved bank/MFI loans (in LAK and USD) - Value of loan actually extended by bank/MFI (in LAK and USD) - Expected loan repayment date - Date of actual full repayment of bank/MFI loan	PRIP Blended Finance tracking template	Service Providers/MFIs
	Nb of groups supported to sustainably manage natural resources and climate-related risks & Nb of persons trained in production practices and/or technologies <i>(Note: refers to agroecology, climate resilience and NRM training)</i>	A) Primary data: - For natural resources management and climate resilient training: - Date of support/training - Training topic - Training duration (in days) - Name of service provider - ID# of trained APGs and cooperatives - Nb of households trained - Nb of persons (men/women/youth) trained - List of persons trained (name, gender, age) B) Consolidated data: - Nb of APGs receiving training (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting) - Nb of households and APG members (men/women/youth) receiving capacity building support (to be disaggregated by “newly supported”/	Training attendance sheets	Service Providers/District Officers

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
		“also supported in previous years” for annual reporting) - Nb of cooperatives receiving training (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting) - Nb of households and cooperative members (men/women/youth) receiving capacity building support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting)		
Output 2.1.2. Off-farm irrigation infrastructure rehabilitated for water resources conservation	Nb of irrigation schemes rehabilitated & Nb of ha of farmland under water-related infrastructure constructed/rehabilitated	- <u>For each irrigation scheme:</u> - Scheme location - Nature of works (new construction/rehabilitation) - Scheme size (in km) - Nb of expected users (households) - Nb of ha in command area - Date of scheme selection/approval - Date of design finalization (planned and realized) - Date of contract award - Feasibility study completion date (planned and realized) - Works' start and completion dates (planned and realized) - Works' execution rate at agreed intervals - Completion date of key construction steps (planned and realized) - Dates of pre-reception and final reception (planned and realized)	- Infrastructure construction tracking template - District Engineers' records and reports - Contractors' reports	Contractors/ District Officers

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
		- Number of minor and major reservations of works' quality raised - Number of minor and major reservations of works' quality cleared, and date of clearance		
	Nb of WUGs receiving capacity building support	- <u>WUG profile (for each supported WGU, with data first collected upon WGU formation):</u> - WGU ID# - Scheme location - Date of WUG establishment - Nb of WUG members (men/women/youth) - Date of WUG meetings - Date of <u>each</u> capacity building or training events organized by the project - Topic of <u>each</u> capacity building or training events organized by the project - Nb of WGU members (men/women/youth/PWD) participating in each capacity building or training events A) Primary data: - <u>For each training/support activity:</u> - Date of support/training - Training topic - Training duration (in days) - Name of service provider - ID# of trained WGUs - Nb of persons (men/women/youth) trained - List of persons trained (name, gender, age) B) Consolidated data:	- WUG Profile and Tracking template - Training attendance sheets	Service Providers/District Officers

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
		- Nb of WGUs receiving training/support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting) - Nb of WGU members (men/women/youth) receiving capacity building support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting)		
Output 2.2.1. New technologies and diversification farming practices for resilience and improved productivity are tested and scaled up	Nb of farmers trained in innovation and new technologies and in diversification of farming practices	A) Primary data: - <u>For each tested innovation and each training event:</u> - Date of training event - Training topic - Training duration (in days) - Name of service provider - ID# of trained APGs - Nb of households trained - Nb of persons (men/women/youth) trained - List of persons trained (name, gender, age) B) Consolidated data: - Nb of households and individual farmers (men/women/youth) trained in each APG (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting)	- Training attendance sheets	Research institutions/ District Officers
Sub-component 2.3: Livelihood improvements for vulnerable households				
Output 2.3.1. Vulnerable and food insecure households provided with	Nb of households trained in income-generating activities or business management	A) Primary data: - <u>For each IGA training activity:</u> - Date of support/training - Training topic - Training duration (in days)	- IGA training	Service Providers/District Officers

Data and tools required for the monitoring of project execution				
Project outputs	Indicators	Data required	Data collection tool	Responsibility for data collection
livelihood diversification packages		- Name of service provider - Nb of households trained - Nb of persons (men/women/youth/PWD) trained - List of persons trained (name, gender, age) B) Consolidated data: - Nb of households receiving training/support to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting) - Nb of persons (men/women/youth/PWD) receiving capacity building support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting)	tracking template – Training attendance sheets	
	Nb of households provided with targeted support to improve their nutrition <i>(Note: refers to recipients of small livelihood packages)</i>	C) Primary data: – <u>For each nutrition training/activity:</u> - Date of training - Training topic - Training duration (in days) - Name of service provider - Nb of households trained - Nb of persons (men/women/youth) trained - List of persons trained (name, gender, age) D) Consolidated data: - Nb of households receiving training/support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting) - Nb of persons (men/women/youth/PWD) receiving capacity building support (to be disaggregated by “newly supported”/ “also supported in previous years” for annual reporting)	– Nutrition training tracking template – Training attendance sheets	Service Providers/District Officers

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Appendix 5 Logical Framework (Refer to PDR Logframe)

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Appendix 6: 1st year Work Plan and Budget, 18-month Procurement Plan (draft) and Project Procurement Strategy

Draft 18-month AWPB

Description of activity by category	Description of activity by component/subcomponent	Unit	Quantity	Plan (USD)	Financiers				
					IFAD/LOAN	Beneficiaries (in kind)	Cooperatives/APG (in cash)	SMs (in cash)	Government
Component 1				1,617,600.0	1,617,600.0	-	-	-	-
Subcomponent 1.1				1099000	1099000	0	0	0	0
Goods, services and inputs	VC assessment, prioritisation and analysis at district and province level including mapping of actors (TA)	LS	1.000	100000	100000	0	0	0	0
Goods, services and inputs	Identify investment gaps with the MSP and Development of the VCIPs at province level (4-6 per province) (TA)	MSP/VCIP	8.000	160000	160000				
Trainings, capacity building and workshops	MSP organisational and management training and continued support for MSP facilitation (TA)	MSP/VCIP	8.000	80000	80000				

Equipment, material and vehicles	Digital platform for 10 MSPs (design improvements, data collection, CB in using the platform and the data collection tool)	LS	1.000	100000	100000				
Goods, services and inputs	Design of roads	KM	100.000	20000	20000				
Civil works	Rehabilitation of roads	KM	20.000	500000	500000				
Goods, services and inputs	Supervision of road works (5% of construction cost)	KM	20.000	25000	25000				
Consultancies	Expert in rural finance and VC (C1 responsible)	Person-month	15.000	52500	52500				
Consultancies	ESMP SECAP expert	Person-day	15.000	4500	4500				
Trainings, capacity building and workshops	Organization of trainings, capacity building workshop and supervisions in the field	Years	1.000	57000	57000				
Subcomponent 1.2				456600	456600	0	0	0	0
Trainings, capacity building	Financial and business literacy training, organisational	Cooperative	15	18000	18000				

and workshops	governance and development of BP and loan application (1 per district, 25% of members trained)								
Trainings , capacity building and workshops	MSE: Financial and business literacy training and development of BP (1 per district, 2 per MSE trained)	MSME	17	22100	22100				
Grants	Financing Coop: Grant for blocked deposit in FI, max USD 30,000 with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)	Approved loan for Coop	5	110000	110000				
Grants	Financing MSE (women and youth): Grant for blocked deposit in FI, max USD 30,000 with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a.,	Approved loan for MSE	10	220000	220000				

	interest rate loan 11% p.a.)								
Consultancies	Business development services (TA)	LS	0.2	20000	20000				
Trainings, capacity building and workshops	Training in food safety practices and standards (TA)	LS	0.2	10000	10000				
Consultancies	ESMP SECAP expert	Person-day	15	4500	4500				
Trainings, capacity building and workshops	Organization of trainings, capacity building workshop and supervisions in the field	Years	2	52000	52000				
Subcomponent 1.3				62000	62000	0	0	0	0
Equipment, material and vehicles	CB for implementation of policies and standards (Cooperative Law, food safety SPSS etc.) (TA)	LS	0.2	30000	30000	0	0	0	0
Consultancies	ESMP SECAP expert	Person-day	15	4500	4500				
Trainings, capacity building	Organization of trainings, capacity building workshop	Years	1	27500	27500	0	0	0	0

and workshops	and supervisions in the field								
Component 2				3,035,800.0	3,035,800.0	-	-	-	-
Subcomponent 2.1				2200800	2200800	0	0	0	0
Trainings, capacity building and workshops	Mapping and categorisation of APG by capacity and main commodities and facilitation of clustering of APGs in coop/associations producing within the prioritised VCs (TA)	District	10	85000	85000			0	
Trainings, capacity building and workshops	Training of APG clusters and development of PRIPs (2 clusters per district)/a	Cluster/association	20	30000	30000			0	
Grants	Financing of individual APG participating in clusters with (PRIP) Grant for blocked deposit in FI, max USD 750 per member with an equal or higher amount raised in loan from the same FI (interest rate	APG	26	390000	390000				

	deposit 8% p.a., interest rate loan 11% p.a.)								
Grants	Financing of individual APG participating in clusters with (PRIP) Grant for blocked deposit in FI, max USD 750 per member with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)	APG	6	150000	150000				
Goods, services and inputs	Design off-farm irrigation rehabilitation works	Scheme	10	100000	100000				
Civil works	Rehabilitation of off- farm irrigation infrastructure (up to USD 2500 per ha and maximum 50 ha)	Scheme	10	1250000	1250000				
Goods, services and inputs	Supervision of irrigation works (3% of contraction cost)	Scheme	10	30000	30000				

Consultancies	Expert in rural finance and VC (C1 responsible)	Month	15	52500	52500				
Trainings, capacity building and workshops	Business Development Services (TA)	LS	0.2	16000	16000				
Trainings, capacity building and workshops	Training of farmers in agroecology and GAP (TA)	PRIP	24	28800	28800				
Trainings, capacity building and workshops	Training of WUG (TA)	WUG	6	12000	12000				
Consultancies	ESMP SECAP expert	Person-day	15	4500	4500				
Trainings, capacity building and workshops	Organization of trainings, capacity building workshop and supervisions in the field	Years	2	52000	52000				
Subcomponent 2.2				358000	358000	0	0	0	0
Equipment, material	NAFRI coordination and co-implementation of	Innovation project	2	60000	60000			0	

and vehicles	innovation projects and scaling of successful technologies and models (material, admin., technical guides and travel costs)								
Grants	Testing with APGs and scaling resilient technologies and farming diversification models already introduced in Laos (Grant)	Cluster/association	1	80000	80000				
Grants	Testing with APGs and scaling resilient technologies and farming diversification models transferred from neighbouring countries via SSTC	Grant	1	150000	150000				
Trainings , capacity building and workshops	Technical assistance and coordination for delivery of the resilience innovation grants (SP) a	LS	0.2	10000	10000				
Consultancies	ESMP SECAP expert	Person-day	20	6000	6000				

Trainings , capacity building and workshops	Organization of trainings, capacity building workshop and supervisions in the field	Years	2	52000	52000				
Subcomponent 2.3				477000	477000	0	0	0	0
Equipme nt, material and vehicles	Livelihood investment packages (100 per district)	Package	500	250000	250000				
Equipme nt, material and vehicles	Nutrition training	LS	0.2	20000	20000				
Consulta ncies	Needs assessment for PWD	LS	1	15000	15000				
Trainings , capacity building and workshops	Skills training for PWD	LS	0.2	4000	4000				
Equipme nt, material and vehicles	Livelihood investment packages for PWD	Package	100	120000	120000				
Consulta ncies	Technical assistance for design of livelihood	LS	0.2	10000	10000				

	investment plans and accompanying the implementation (SP) (150 per district)								
Consultancies	ESMP SECAP expert	Person-day	20	6000	6000				
Trainings, capacity building and workshops	Organization of trainings, capacity building workshop and supervisions in the field	Years	2	52000	52000				
Project Management Cost				733,350.0	461,150.0	-	-	-	262,200.0
Trainings, capacity building and workshops	LEAD management meetings /a	meeting	9	4500	4500				
Trainings, capacity building and workshops	IFAD missions	meeting	3	15000	15000				
Trainings, capacity building and workshops	National steering committee meetings (annual)	meeting	2	10000	10000				

Trainings , capacity building and workshops	Bi-annual meeting at PPIT	meeting	3	1200	1200				
Trainings , capacity building and workshops	Monthly meeting at DPIT	meeting	15	2250	2250				
Trainings , capacity building and workshops	Technical support in FM	meeting	6	6000	6000				
Trainings , capacity building and workshops	SECAP training	meeting	6	6000	6000				
Trainings , capacity building and workshops	Technical support in PP	meeting	6	3000	3000				
Trainings , capacity	Technical support in M&E	meeting	6	3000	3000				

building and workshops									
Consultancies	Baseline study (Survey)	LS	1	45000	45000				
Equipment, material and vehicles	Project MIS	LS	1	10000	10000				
Consultancies	Annual outcome survey	Unit	1	4500	4500				
Consultancies	Annual audits	LS	2	10000					
Goods, services and inputs	Translation services\	LS	3	15000	15000				
Equipment, material and vehicles	Motorcycles for field activities (10 motorcycle)	Unit	10	2500	2500				
Equipment, material and vehicles	Accounting software	Unit	1	10000	10000				
Equipment, material and vehicles	Laptop	Unit	10	15000	15000				

Equipment, material and vehicles	Furniture for office	Unit	4	4000	4000				
Equipment, material and vehicles	Printer	Unit	4	6000	6000				
Trainings, capacity building and workshops	Exchange of experience	Unit	2	20000	20000				
Salaries	Project director	Pers-mth	24	72000					72000
Salaries	National Project Coordinator	Pers-mth	18	90000					90000
Salaries	National Deputy Project Coordinator	Pers-mth	6	15000					15000
Consultancies	Planning, monitoring and evaluation specialist (advisor to project coordinator)	Pers-mth	18	45000	45000				
Consultancies	Procurement Officer	Pers-mth	18	45000	45000				
Consultancies	Procurement officer assistant	Pers-mth	6	9000	9000				
Consultancies	Financial officer	Pers-mth	15	37500	37500				
Consultancies	Financial officer assistant	Pers-mth	6	9000	9000				

Salaries	Accountant	Pers-mth	9	3600				3600
Consultancies	Administrative Officer	Pers-mth	15	37500	37500			
Consultancies	Administrative Officer assistant	Pers-mth	6	3000	3000			
Consultancies	Planning, monitoring and evaluation assistant	Pers-mth	6	6000	6000			
Consultancies	Targeting and GESI specialist	Pers-mth	15	30000	30000			
Consultancies	SECAP-climate and environmental specialist	Pers-mth	13	26000	26000			
Consultancies	Driver	Pers-mth	13	5200	5200			
Salaries	Provincial Coordinators (2) /a	Pers-mth	27	10800				10800
Salaries	Accountant (2)/b	Pers-mth	27	10800				10800
Consultancies	Accountant assistant (2)	Pers-mth	24	9600				9600
Salaries	Technical assistance-technical coordinator	Pers-mth	63	25200				25200
Salaries	M&E and procurement staff	Pers-mth	63	25200				25200
Travels and allowances	National Travels for PMU, provincial and district staff (regulate field supervision) a/	Field travel	21	2100	2100			
Travels and	DSA for PMU and other staff /b	DSA-Days	63	5040	5040			

allowances									
Travels and allowances	Travels for National Steering Committee /c	Field travel	5	500	500				
Travels and allowances	DSA for Steering Committee /e	Days/yr	12	960	960				
Travels and allowances	Travels for supervision mission	Field travel	3	6000	6000				
Maintenance cost	Office Equipment & maintenance costs	Month	13	5200	5200				
Maintenance cost	Services (water, electricity, internet)	Month	13	5200	5200				
Total				5,386,750.0	5,114,550.0	-	-	-	262,200.0

Draft 18-month Procurement Plan

1. Procurement Plan Summary, Procurement methods and prior review thresholds

Procurement Plan SUMMARY				
Country:	Peoples' Democratic Republic of Lao			
Project Name:	Linking Enterprises, Agriculture and Development for Green Growth Project (LEAD)			
Project ID:	2000005224			
Version	2.0			
Version Date	28-Mar-26			
Prepared by:				
Approved by:				
Procurement Category	Plan		Actual	
Currency	USD	LCU	USD	LCU
Goods	455,000.00	-	-	-
Works	1,750,000.00	-	-	-
Consulting Services	2,044,200.00	-	-	-
Non-Consulting Services	-	-	-	-
Grants	1,100,000.00	-	-	-
TOTAL	5,349,200.00	-	-	-

The threshold tables below are based on the revised PPAs (March 2026).

Please fill in the fields that are applicable based on the provisions in the PPA for the project.

Prior Review Thresholds						
Category	Goods and goods-related Non-Consulting Services	Works and works-related Non-Consulting Services	Consulting Services and related Non-Consulting Services and/or MoU/Agreements	Individual Consultants	Decisions concerning Abnormally Low Bids shall be subject to the No Objection of IFAD:	Grant
Threshold	>= US\$ 300,000	>= US\$ 700,000	>= US\$ 200,000	>= US\$ 80,000	Only for procurement activities subject to prior review	>= USD 60,000

All Direct Contracting and Single-Source Procurements are Prior Review (in alignment with IFAD Procurement Handbook), or based on the thresholds stipulated in the PPA

The exchange rate at time of submission will be used for reviews.

Procurement Method Thresholds						
	CQS	QBS/LCS/FBS	QCBS	Shortlisting	SSS - Firms	SSS - Individuals

Consulting Services and related Non-Consulting Services	<= US\$ 100,000	Always allowed	Always allowed	>= US\$ 100,000	<= US\$ 5,000 <i>All activities with amount greater than or equal to USD 10,000 and all activities exceeding cumulative amount of USD 600,000 will be subject to IFAD's NO under Prior Review. Use of the method is allowed for activities of amount less than or equal to USD 5,000. Cumulative sum of estimated amounts of activities using</i>	<= US\$ 5,000 <i>Individual Consultant: All activities with amount greater than or equal to USD 10,000, all activities exceeding cumulative amount of USD 200,000, and exceeding an activity period of 12 weeks will be subject to IFAD's NO under Prior Review. Use of the method is allowed for activities of amount less than or equal to USD 5,000. cumulative sum of estimated amounts of activities using method must be less than or equal to USD100,000. A</i>

					<i>method must be less than or equal to USD 200,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification</i>	<i>waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification</i>
	Direct Contracting	Shopping	NCB	ICB	Other Procurement Methods or Arrangements	
Goods and goods-related Non-Consulting Services	>= US\$ 5,000 <i>All activities with amount greater than or equal to USD 10,000 and all activities exceeding cumulative amount of USD 400,000 will be subject</i>	<= US\$ 35,000	Always allowed	Always allowed	Force Account	<i>Not allowed</i>

	<i>to IFAD's NO under Prior Review. Use of the method is allowed for activities of amount less than or equal to USD 5,000. Cumulative sum of estimated amounts of activities using method must be less than or equal to USD 200,000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification</i>				

Works and works-related Non-Consulting Services	>= US\$ 5,000 All activities with amount greater than or equal to USD 10,000 and all activities exceeding cumulative amount of USD 600,000 will be subject to IFAD's NO under Prior Review. Use of the method is allowed for activities of amount less than or equal to USD 5,000. Cumulative sum of estimated amounts of activities using method must be less than or equal to USD 300,000. A waiver for the use of this	< = US\$ 35,000	Always allowed	Always allowed	Community Participation	Allowed All activities with amount greater than or equal to 20,000.00 USD will be subject to IFAD's NO under Prior Review.

	method beyond this threshold can be requested for individual activities with proper justification					

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Consulting Services and Grants:

Version	28-Mar-26	Basic Data								EOI Shortlist Procedure					
AWPB/Component Ref	Description*	Grant	Funding	Project Area or Procuring Entity	Shortlist (Yes No)	Prior or Post Review	Procurement Method	Amount (USD)	Plan vs. Actual	Submission of REOI	No Objection Date	REOI Launch Date	EOI Submission Deadline	Submission of Shortlist Report	No Objection Date
1.1.1.1	VC assessment, prioritisation and analysis at district and province level including mapping of actors (TA)		IFAD	PMU	Yes	Post Review	CQS	100,000	Plan	15-Jan-27	N/A	17-Jan-27	7-Feb-27	21-Feb-27	N/A
								-	Actual						
1.1.1.2	Identify investment gaps with the MSP and Development of the		IFAD	PMU	Yes	Prior Review	ICS	200,000	Plan	15-Jan-27	22-Jan-27	24-Jan-27	14-Feb-27	28-Feb-27	7-Mar-27
								-	Actual						

	CIPs at province level (4-6 per province) (TA)														
1.1.2.1	MSP organisational and management training and continued support for MSP facilitation (TA)		IFAD	PMU	Yes	Post Review	CQS	100,000	Plan	15-Jan-27	N/A	17-Jan-27	7-Feb-27	21-Feb-27	N/A
								-	Actual						
1.1.2.2	Digital platform for 10 MSPs (design improvements, data collection, CB in using the platform and the data)		IFAD	PMU	Yes	Prior Review	QCBS	300,000	Plan	15-Jan-27	22-Jan-27	24-Jan-27	7-Feb-27	21-Feb-27	28-Feb-27
								-	Actual						

	collection tool)														
1.1.3.1	Design of roads		IFAD	PMU	Yes	Post Review	CQS	20,000	Plan	15-Sep-27	N/A	17-Sep-27	8-Oct-27	22-Oct-27	N/A
								-	Actual						
1.1.3.3	Supervision of road works (5% of construction cost)		IFAD	PMU	Yes	Post Review	QBS	25,000	Plan	15-Jul-28	N/A	17-Jul-28	7-Aug-28	21-Aug-28	N/A
								-	Actual						
1.1.4.1	Expert in rural finance and VC (C1 responsible)		IFAD	PMU	Yes	Prior Review	LCS	42,000	Plan	15-Jan-27	22-Jan-27	24-Jan-27	14-Feb-27	28-Feb-27	7-Mar-27
								-	Actual						
1.2.3.1	Business development services (TA)				Yes	Prior Review	CQS	100,000	Plan	15-Apr-27	22-Apr-27	24-Apr-27	15-May-27	29-May-27	5-Jun-27
								-	Actual						

1.2.3.2	Training in food safety practices and standards (TA)		IFAD	PMU	Yes	Post Review	CQS	50,000	Plan	15-Sep-27	N/A	17-Sep-27	8-Oct-27	22-Oct-27	N/A
								-	Actual						
1.3.1.1	Capacity building for implementation of policies and standards (Cooperative Law, food safety SPSS etc.) (TA)		IFAD	PMU	Yes	Post Review	CQS	30,000	Plan	15-Sep-27	N/A	17-Sep-27	8-Oct-27	22-Oct-27	N/A
								-	Actual						
2.1.1.1; 2.1.1.2	Mapping and categorisation of APG by capacity and main commodities and facilitation of clustering of APGs in		IFAD	PMU	Yes	Post Review	QCBS	195,500	Plan	15-Jan-27	N/A	17-Jan-27	31-Jan-27	14-Feb-27	N/A
								-	Actual						

	coop/associations producing within the prioritised VCs (TA)														
2.1.3.1	Design off-farm irrigation rehabilitation works		IFAD	PMU	Yes	Post Review	CQS	100,000	Plan	15-Jan-27	N/A	17-Jan-27	7-Feb-27	21-Feb-27	N/A
								-	Actual						
2.1.3.3	Supervision of irrigation works (3% of contraction cost)		IFAD	PMU	Yes	Post Review	CQS	30,000	Plan	15-Jul-28	N/A	17-Jul-28	7-Aug-28	21-Aug-28	N/A
								-	Actual						
2.1.5.1	Expert in rural finance and VC (C1 responsible)		IFAD	PMU	Yes	Post Review	ICS	42,000	Plan	15-Jan-27	N/A	17-Jan-27	7-Feb-27	21-Feb-27	N/A
								-	Actual						
2.1.5.2	Business Developme		IFAD	PMU	Yes	Post Review	CQS	80,000	Plan	15-Jul-27	N/A	17-Jul-27	7-Aug-27	21-Aug-27	N/A

	nt Services (TA)							-	Actual						
2.1.5.3	Training of farmers in agroecology and GAP (TA)		IFAD	PMU	Yes	Post Review	CQS	28,800	Plan	15-Jan-27	N/A	17-Jan-27	7-Feb-27	21-Feb-27	N/A
								-	Actual						
2.1.5.4	Training of WUG (TA)		IFAD	PMU	Yes	Post Review	CQS	12,000	Plan	15-Jan-27	N/A	17-Jan-27	7-Feb-27	21-Feb-27	N/A
								-	Actual						
2.2.1.1	NAFRI coordination and co-implementation of innovation projects and scaling of successful technologies and models (material, admin., technical		IFAD	PMU	Yes	Prior Review	Selection (Design /PIM)	180,000	Plan	N/A	N/A	N/A	N/A	N/A	N/A
								-	Actual						

	guides and travel costs)														
2.2.2.1	Technical assistance and coordination for delivery of the resilience innovation grants (SP) a		IFAD	PMU	Yes	Post Review	CQS	50,000	Plan	15-Jul-27	N/A	17-Jul-27	7-Aug-27	21-Aug-27	N/A
								-	Actual						
2.3.1.2	Needs assessment for PWD		IFAD	PMU	Yes	Post Review	ICS	15,000	Plan	15-Jan-27	N/A	17-Jan-27	7-Feb-27	21-Feb-27	N/A
								-	Actual						
2.3..3.1	Technical assistance for design of livelihood investment plans and accompanying the		IFAD	PMU	Yes	Post Review	CQS	50,000	Plan	15-Jul-27	N/A	17-Jul-27	7-Aug-27	21-Aug-27	N/A
								-	Actual						

	implementation (SP) (150 per district)															
3.1.2.1	Baseline study (Survey)		IFAD	PMU	Yes	Post Review	CQS	45,000	Plan	15-Jan-27	N/A	17-Jan-27	7-Feb-27	21-Feb-27	N/A	
								-	Actual							
3.1.2.2	Project MIS		IFAD	PMU	Yes	Post Review	CQS	10,000	Plan	15-Jan-27	N/A	17-Jan-27	7-Feb-27	21-Feb-27	N/A	
								-	Actual							
3.1.2.3	Annual outcome survey		IFAD	PMU	Yes	Post Review	CQS	4,500	Plan	15-Jul-27	N/A	17-Jul-27	7-Aug-27	21-Aug-27	N/A	
								-	Actual							
3.1.3.1	Annual audits		IFAD	PMU	Yes	Post Review	CQS	10,000	Plan	15-Apr-28	N/A	17-Apr-28	8-May-28	22-May-28	N/A	
								-	Actual							

3.1.3.2	Translation services\		IFAD	PMU	Yes	Post Review	ICS	15,000	Plan	15-Oct-26	N/A	17-Oct-26	7-Nov-26	21-Nov-26	N/A
								-	Actual						
3.1.6.4	Planning, monitoring and evaluation specialist (advisor to project coordinator)		IFAD	PMU	Yes	Prior Review	ICS	30,000	Plan	15-Oct-26	22-Oct-26	24-Oct-26	14-Nov-26	28-Nov-26	5-Dec-26
								-	Actual						
3.1.6.5	Procurement Officer		IFAD	PMU	Yes	Prior Review	ICS	30,000	Plan	15-Oct-26	22-Oct-26	24-Oct-26	14-Nov-26	28-Nov-26	5-Dec-26
								-	Actual						
3.1.6.6	Procurement officer assistant		IFAD	PMU	Yes	Post Review	ICS	9,000	Plan	15-Jul-27	N/A	17-Jul-27	7-Aug-27	21-Aug-27	N/A
								-	Actual						

3.1.6.7	Financial officer		IFAD	PMU	Yes	Prior Review	ICS	30,000	Plan	15-Oct-26	22-Oct-26	24-Oct-26	14-Nov-26	28-Nov-26	5-Dec-26
								-	Actual						
3.1.6.8	Financial officer assistant		IFAD	PMU	Yes	Post Review	ICS	9,000	Plan	15-Jul-27	N/A	17-Jul-27	7-Aug-27	21-Aug-27	N/A
								-	Actual						
3.1.6.10	Administrative Officer		IFAD	PMU	Yes	Prior Review	ICS	30,000	Plan	15-Oct-26	22-Oct-26	24-Oct-26	14-Nov-26	28-Nov-26	5-Dec-26
								-	Actual						
3.1.6.11	Administrative Officer assistant		IFAD	PMU	Yes	Post Review	ICS	3,000	Plan	15-Jul-27	N/A	17-Jul-27	7-Aug-27	21-Aug-27	N/A
								-	Actual						
3.1.6.12	Planning, monitoring and		IFAD	PMU	Yes	Post Review	ICS	6,000	Plan	15-Jul-27	N/A	17-Jul-27	7-Aug-27	21-Aug-27	N/A

	evaluation assistant							-	Actual						
3.1.6.13	Targeting and GESI specialist		IFAD	PMU	Yes	Prior Review	ICS	24,000	Plan	15-Oct-26	22-Oct-26	24-Oct-26	14-Nov-26	28-Nov-26	5-Dec-26
								-	Actual						
3.1.6.14	SECAP-climate and environmental specialist		IFAD	PMU	Yes	Prior Review	ICS	24,000	Plan	15-Oct-26	22-Oct-26	24-Oct-26	14-Nov-26	28-Nov-26	5-Dec-26
								-	Actual						
3.1.6.15	Driver		IFAD	PMU	Yes	Post Review	ICS	4,800	Plan	15-Oct-26	N/A	17-Oct-26	7-Nov-26	21-Nov-26	N/A
								-	Actual						
3.1.7.3	Provincial Accountant assistant (#1)		IFAD	PMU	Yes	Post Review	ICS	4,800	Plan	15-Oct-26	N/A	17-Oct-26	7-Nov-26	21-Nov-26	N/A
								-	Actual						

3.1.7.3	Provincial Accountant assistant (#2)		IFAD	PMU	Yes	Post Review	ICS	4,800	Plan	15-Oct-26	N/A	17-Oct-26	7-Nov-26	21-Nov-26	N/A
								-	Actual						
1.2.2.1	Financing Coop: Grant for blocked deposit in FI, max USD 30,000 with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)	Yes	IFAD	Partner FI	No	Prior Review	Selection (Design /PIM)	110,000	Plan	N/A	N/A	N/A	N/A	N/A	N/A
		Yes						-	Actual						
1.2.2.2	Financing MSE (women)	Yes	IFAD	Partner FI	No	Prior	Selection	220,000	Plan	N/A	N/A	N/A	N/A	N/A	N/A

	and youth): Grant for blocked deposit in FI, max USD 30,000 with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)	Ye s				Revi ew	(Design /PIM)								
								-	Act ual						
2.1.2.1	Financing of individual APG participating in clusters with (PRIP) Grant for blocked	Ye s	IFAD	Partn er FI	No	Prio r Revi ew	Selecti on (Design /PIM)	390, 000	Pla n	N/A	N/A	N/A	N/A	N/A	N/A
		Ye s						-	Act ual						

	deposit in FI, max USD 750 per member with an equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)														
2.1.2.2	Financing of APG clusters/Co-operatives with (PRIP) Grant for blocked deposit in FI, max USD 1,000 per member with an	Yes	IFAD	Partner FI	No	Prior Review	Selection (Design /PIM)	150,000	Plan	N/A	N/A	N/A	N/A	N/A	N/A
		Yes						-	Actual						

	equal or higher amount raised in loan from the same FI (interest rate deposit 8% p.a., interest rate loan 11% p.a.)														
2.2.1.2	Testing with APGs and scaling resilient technologies and farming diversification models already introduced in Laos (Grant)	Yes	IFAD	PMU/DCUs	Yes	Prior Review	Selection (Design /PIM)	80,000	Plan	N/A	N/A	N/A	N/A	N/A	N/A
		Yes						-	Actual						
2.2.1.3	Testing with APGs and scaling resilient	Yes	IFAD	PMU/DCUs	Yes	Prior Review	Selection (Design /PIM)	150,000	Plan	N/A	N/A	N/A	N/A	N/A	N/A

technologies and farming diversification models transferred from neighbouring countries via SSTC	Yes							-	Actual							

Goods packages:

Version	28-Mar-20	Basic Data											Pre-Qualification						
AWPB /Component Ref	NS	Description	No Consulting	Funding	Lot No / Description	Project Area or Procuring Entity	Pre or Post Qualification	Prior or Post Review	Procurement Method	Envelopes	Amount (USD)	Amount (LCU)	Plan vs. Actual	Submission of PreQual Docs	No Objection Date	Pre Qual Invitation Date	Pre Qual Closing Date	Submission of Pre Qual Report	No Objection Date
2.3.1.1		Livelihood inve		IFAD	1	PMU	Post-Qual	Post Re	NCB	1	250,000		Plan	N/A	N/A	N/A	N/A	N/A	N/A

		stm ent pack ages (100 per distr ict)					vie w												
										-	-	Act ual							
2.3.1.4		Livel ihoo d inve stm ent pack ages for PWD		IFA D	1	PM U	Post- Qual	Post Re vie w	NCB	1	12 0,0 00	Pla n	N/A	N/A	N/A	N/ A	N/A	N/A	
											-	Act ual							
3.1.4.2		Mot orcic les for field activ ities (10 mot orcy cle)		IFA D	1	PM U	Post- Qual	Post Re vie w	NCB	1	50, 00 0	Pla n	N/A	N/A	N/A	N/ A	N/A	N/A	
											-	Act ual							

3.1.4.3		Accounting software		IFAD	1	PMU	Post-Qual	Post Review	NS	1	10,000		Plan	N/A	N/A	N/A	N/A	N/A	N/A
											-	-	Actual						
3.1.4.4		Laptop		IFAD	1	PMU	Post-Qual	Post Review	NS	1	15,000		Plan	N/A	N/A	N/A	N/A	N/A	N/A
											-	-	Actual						
3.1.4.5		Furniture for office		Gov	1	PMU	Post-Qual	Post Review	NS	1	4,000		Plan	N/A	N/A	N/A	N/A	N/A	N/A
											-	-	Actual						
3.1.4.6		Printer		Gov	1	PMU	Post-Qual	Prior Review	NS	1	6,000		Plan	N/A	N/A	N/A	N/A	N/A	N/A

											-	-	Actual						

Work packages:

Version	28-Mar-20	Basic Data											Pre-Qualification						
AWPB / Component Ref	No	Description	Non Consulting	Funding	Lot No / Description	Project Area or Procuring Entity	Pre- or Post Qualification	Prior or Post Review	Procurement Method	Envelopes	Amount (USD)	Amount (LCU)	Plan vs. Actual	Submission of Pre Qual Docs	No Objection Date	Pre Qual Invitation Date	Pre Qual Closing Date	Submission of Pre Qual Report	No Objection Date
1.1.3.2		Rehabilitation of roads		IFAD	Multi Lots	APGS/D CUs	Post-Qual	Post Review	NCB	1	500,000		Plan	N/A	N/A	N/A	N/A	N/A	N/A
													-	-	Actual				

2.1.3.2		Rehabilitation of off-farm irrigation infrastructure (up to USD 2500 per ha and maximum 50 ha)		IFA D	Multi Lots	APGs/D CUs	Post-Qual	Post Review	NCB	1	1,250,000		Plan	N/A	N/A	N/A	N/A	N/A	N/A
											-	-	Actual						
													Plan						
											-	-	Actual						

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Project Procurement Strategy

1. Project Overview

Country:	Lao PDR
Full Project Name and Number:	Linking Enterprises, Agriculture and Development for Green Growth Project (LEAD)
IFAD Loan / Grant amount (\$):	The total estimated cost of LEAD is USD 20.67 million, including USD 17.59 million IFAD financing through a performance-based allocation loan, USD 2.42 million from Government of Lao PDR and approximately USD 0.65 million in target group participation.
Loan/Grant Number:	tbc
Summary of Project Development Objectives:	The goal of LEAD is to contribute to the reduction of rural poverty and improving the income, food safety and security of smallholder farmers and rural producer households in target provinces by supporting climate-resilient, diversified, and value-added agricultural production, aligned with the national Green Growth Strategy. Its development objective is to promote inclusive agricultural and food value chains for national and export markets and enhance climate resilience.

2. Overview of Country, Borrower and Marketplace

1.2. Operational Context

- **Governance aspects:** Public procurement in Laos is governed by a formal legal framework and overseen by dedicated government bodies. Law on Public Procurement No. 30/NA (2017) and the accompanying Instruction No. 0477/MOF (2017) serve as the core legal instruments regulating government procurement across goods, works and services. Earlier, procurement was governed by Decree No. 03/PM (9 January 2004), and Implementing Rules & Regulations No. 063/PM (12 March 2004), amended in 2009.
- The Public Procurement Monitoring Division (PPMD) is established under the Department of Evaluation and Public Procurement (DEPP) of the Ministry of Finance (MOF). Currently, the division is composed of four (4) units – procurement legislation, general and approval of procurement plans, procurement monitoring, and procurement complaints mechanism. PPMD's key mandates are to oversee and regulate public procurement, ensuring fairness, transparency, efficiency, and value for money in acquiring goods, works, and services for government entities. They develop regulations (like the Public Procurement Law), provide guidelines, build capacity, manage procurement systems (like portals), and handle complaints.
- Tenders are primarily published via: (i) MOF's procurement portal (www.ppmmd.gov.la/) ; (ii) sectoral ministry websites (e.g., Ministry of Public

Works & Transport website www.mpwt.gov.la/en/ongoing-procurement); (iii) printed media - Vientiane Times, Khaosan Pathet Lao are still used for announcements, especially donor-funded projects; and (iv) third-party platforms (LaoTenders, <https://108.jobs/>) aggregate tender notices from government and donors.

- Laos is well positioned with its procurement reform strategy, TAFIS 2.0 rollout, ADB training, and national digital agenda. A phased approach starting with vendor registration and basic e-tendering, then integration of green procurement, PPP workflows, and analytics will steadily build a modern e-Procurement ecosystem aligned with policy goals. The roadmap for developing an e-Procurement system in Laos is based on current strategies and global good practices. The 2019–2025 Public Procurement Reform Strategy outlines objectives like accelerated procurement, process simplification, legal review, and step-by-step implementation aligned with budget reforms. The next steps for development of the e-Procurement system are (i) fully digitalize bidding workflows (advertising, bid submission, evaluation, contracting) through an e-procurement portal; (ii) pilot the portal in a few ministries (e.g. Finance, Public Works), then scale up.
- Laos has reinforced its anti-corruption framework through stronger legislation, institutional enforcement, asset monitoring, training, and international cooperation. Yet significant gaps remain in enforcement, judicial reform, media freedom, and civil society engagement. Future progress depends on deeper structural reforms, enforcement independence, and enhanced transparency. The Law on Anti-Corruption, first enacted in 2005 and revised in 2012, is currently undergoing further enhancement that include adding stricter penalties and broader enforcement provisions. The State Inspection Authority (SIA) and State Inspection & Anti-Corruption Authority (SIAA) are central actors on anti-corruption. In 2024, SIAA managed 208 suspects, leading to 39 arrests and 40 prosecutions recovering around US\$ 32 million^[1].
- *Economic Aspects:* Laos's economy transitioned from post-pandemic recovery to a growth phase over 2021 – 2025 period. While GDP growth improved and inflation reduced, structural weaknesses especially high public debt, exchange-rate fragilities, and severe inflation persist. In 2024, GDP grew to 4.1% thanks to tourism growth 21% and strong performance in electricity, mining, agriculture, and manufacturing. Inflation rate was peaked at 32% in 2023, slowed to about 26% mid-2024, then eased to 11% - 13% in early 2025^[2]. Public debt reached alarming levels at 112% - 125% of GDP in 2022, slightly easing to 99% in 2024 due to partial debt deferrals and fiscal discipline^[3].
- Laos's agriculture is in a transformative phase from subsistence and reliance on rice to diversified, market-oriented growth centered on cash crops and livestock. With policy backing, donor support, and evolving infrastructure, the sector is positioned for expanded domestic output and exports. The agriculture sector is guided by the Agriculture Development Strategy 2025–2030, Green & Sustainable Agriculture Framework. Around half of households are smallholder farmers, often still in subsistence mode and experiencing poverty. Principal challenges of agriculture sector are (i) rural infrastructure remains weak - roads, irrigation, market access slow growth; (ii) rising input costs (fuel, fertilizer, feed) and limited access to finance hinder smallholder productivity;

and (iii) environmental threats, including deforestation and biosecurity risks. Yet, success depends on tackling environmental risks, improving rural infrastructure, reducing input costs, and empowering smallholder farmers with finance, extension services, and market connectivity.

- Laos's construction industry is surging, driven by massive infrastructure investments from expressways to bridges to railway networks anchored in strategic connectivity goals. However, labor shortages, skills gaps, material import dependence, and quality issues pose sizeable risks. Labor shortages are acute. Many local workers drawn by low local wages and inflation emigrate for better pay abroad, leaving companies struggling to find skilled labor^[4]. Greater emphasis is being placed on sustainability including more resilient road build standards and green materials to manage flooding risks and reduce ecological impacts.
- *Sustainability Aspects:* While Laos is still in the early stages of institutionalizing sustainable public procurement (SPP), there are meaningful steps being taken, largely driven by development partner support, digital transformation, and ASEAN commitments. Scaling up SPP in Laos will require strong policy alignment, capacity development, and pilot-based learning to build local ownership and market readiness. Public Procurement Law (2017) and revised regulations (2021–2022) include general provisions for transparent, efficient, and accountable procurement, but explicit sustainability clauses remain limited. National Green Growth Strategy (2018–2030) and 8th and 9th National Socio-Economic Development Plans (NSED) emphasize sustainable development, but do not yet fully mainstream green procurement practices. Laos is embedding environmental objectives into its procurement system under its Green Public Procurement Action Plan (2022–2025) and broader Green Growth Strategy. Environmental considerations and social sustainability are included on a case-by-case basis, particularly in infrastructure, energy, rural development and natural resource projects funded by external donors (ADB, WB, IFAD, etc.). Principal Challenges of SPP implementation are (i) limited awareness and capacity among procurement officers; (ii) lack of green criteria, supplier databases, or lifecycle cost analysis tools; and (iii) weak coordination between procurement, environmental, and sectoral agencies.
- Laos is progressing toward more sustainable agriculture, especially through agro-ecology and organic farming, climate-smart and biodiversity-friendly practices, inclusive support for rural and ethnic communities. However, this progress is still fragmented and project-driven. Scaling up requires policy enforcement, investment in rural services, and stronger value chains. National Agriculture Development Strategy (ADS) 2025 with Vision to 2030 emphasizes sustainable agriculture, food security, poverty reduction, and climate resilience, and encourages agro-ecology, organic farming, and integrated farming systems. Key challenges for sustainable agriculture development in Laos are (i) deforestation from agricultural expansion (especially shifting cultivation and commercial plantations); (ii) chemical overuse in lowland commercial farming areas; (iii) weak enforcement of sustainability policies at local levels; (iv) low technical capacity among extension workers and farmers; and (v) limited access to markets for organic and eco-certified products.

- *Technological Aspects:* Laos is at an early but growing stage of digital and technological transformation, with notable developments in mobile and internet infrastructure, e-government and digital economy strategies, sector-specific tech applications (health, agriculture, education). Mobile penetration exceeds 90%, with increasing 4G coverage nationwide. Internet users are more than 50% of the population (as of 2023), however, internet cost remains high compared to regional peers. E-Government Development Plan (2021–2025) aims to improve public service delivery via online platforms. Development of a national e-Government portal and digital ID system are underway. Main challenges and constraints in technological development and utilization in Laos are (i) low digital literacy and ICT skills, especially in rural areas; (ii) limited R&D and innovation funding; (iii) inadequate digital payment ecosystem; and (iv) fragmented policies and inter-agency coordination.

1.3. IA Capability Assessment

- *Experience:* Ministry of Agriculture and Environment (MAE) have implemented several IFAD-funded projects in agricultural sector, such as Southern Laos Food and Nutrition Security and Market Linkages Program (FNML), Soum Son Seun Jai Program (SSSJ), Strategic Support for Food Security and Nutrition (AFN-1), and two ongoing projects including Partnerships for Irrigation and Commercialization of Smallholder Agriculture Project (PICSA) and Agriculture for Nutrition – Phase 2 (AFN II) financed by IFAD. Therefore, the procurement methodology is not new. The local level, especially district implementing agencies, still need more technical support from central level.
- MAE has a Project Management Division (PMD) under Department of Planning and Cooperation (DOPC) with a function to review documents on financial and procurement of projects that use official development assistance (ODA), loans, and grants in the agriculture and forestry sector to ensure that they are highly effective, timely, and accurate in accordance with laws and regulations and budget management regulations of donors. The PMD has a Director, two Deputy Directors and twelve staffs including five staffs in charge of finance and procurement management. The PMD and its staff have previous experience with donor-funded project, but they do not involve directly in project management and implementation and have limited experience with donor procurement procedures.
- Ministry of Industry and Commerce (MOIC) has the National Implementation Unit (NIU) Division responsible for coordinating trade-related assistance to the country. Based in the Department of Planning and Cooperation, the NIU has been implementing the Sustainable Agri-food Systems Sector Project (ADB), the Micro, Small & Medium Enterprise Emergency Finance and Recovery Project (WB), the Lao Competitiveness and Trade (LCT) multi-donor trust Fund, the Enhanced Integrated Framework (EIF) Tier II Project and other donor-funded projects. The NIU also serves as the secretariat for the national working group on the Trade and Private Sector Working Group, providing a blueprint for the Government to attract funding from development partners. Currently, the NIU has seven government staffs including a procurement staff and a number of project-recruited consultants working on projects. The NIU have experience on procurement of consulting services and goods but limited experience on work procurement.

- *Need for hands-on support:* Trainings and on-the-job coaching during project implementation on IFAD procurement framework and new functions of the OPEN system (e.g. Contract monitoring) are needed.
- *Contract management capability and capacity:* MAE has moderate but evolving capacity in contract management for donor-funded projects. While there is institutional experience, the post-award phase especially monitoring, amendment handling, and compliance requires systematic strengthening. MAE oversees donor-funded agricultural projects via Department of Planning and Cooperation (DOPC) - primary coordination unit for project design and implementation. Departments under MAE (Department of Inspection, Department of Agriculture, Department of Irrigation, etc.), and Provincial Agriculture and Forestry Offices (PAFOs) support procurement, M&E, and technical implementation. Project Management Units (PMUs) are established for each major project. MAE has managed multiple projects funded by ADB (e.g., Climate-Friendly Agribusiness Value Chains Sector Project), World Bank (e.g., Lao PDR Landscapes and Livelihoods Project), IFAD (e.g., URDP, FNML, SSSJ, AFN, PICSA), FAO/JICA/EU (technical assistance and co-financing). Major gaps and challenges in contract management are (i) inadequate understanding of contract terms (especially for civil works and consulting services); (ii) weak enforcement of contractual obligations (e.g., timelines, penalties, warranties); (iii) lack of centralized contract performance tracking; (iv) staff obtained some training in procurement but not in post-award contract management; (v) contract amendments, variations, and claims are poorly handled; and (vi) frequent turnover of staff in PMUs and limited long-term technical capacity.
- *Complaints management and dispute resolution systems:* Laos has a basic but formalized structure for procurement complaints and dispute resolution. However, the system suffers from limited transparency, low institutional independence, and weak enforcement capacity. While development partners help mitigate these issues in donor-funded projects through parallel systems, long-term reform and capacity building are necessary to strengthen trust and fairness in national procurement. MoF with support from ADB and World Bank has developed a Procurement Complaint Handling Manual, conducted training programs for complaint resolution and strengthening MoF's oversight and monitoring role.
- The law on public procurement (2017) mandate a three-tier procurement complaint resolution process, which MAE applies to all public procurements, including those funded by national budgets and Official Development Assistance (ODA). Bidders may submit written complaints to the procurement entity within 7 days of the cause of the complaint (e.g., bid rejection, evaluation result). The procurement entity must respond within 15 working days. If unsatisfied, the complainant may escalate to MAE's Inspection Department or Department of Finance, then MAE coordinates with the Ministry of Finance (MoF) for technical procurement guidance. MAE/MoF within 7 days of receiving the procurement entity's decision. MAE/MoF must review and respond within 20 working days. If still unresolved, parties may seek administrative/judicial review (e.g., via the State Inspection Authority or People's Courts).

- MAE's procurement is decentralized. At project-level, individual Project Management Units (PMUs) manage procurement and initial complaint handling. At provincial level, Provincial Agriculture and Forestry Offices (PAFO) follow MAE guidance but often lack standardized complaint management tools. While MAE follows national legal frameworks for procurement complaints and disputes, practical enforcement is still limited, especially at provincial and project levels. In donor-funded projects, more robust mechanisms are applied, but these are often project-specific and not fully institutionalized across the Ministry. Strengthening transparency, staff capacity, and independent oversight is key to building a fair and responsive complaints and dispute resolution system in MAE.

1.4. Market Analysis

- *Market sector dynamics (Nature and extent of competition, levels of experience, capability and innovation, external influences and factors, Supplier Preferencing):* Competition level is low to moderate competition in many sectors. There are typically low competitions in district and provincial procurements, more competitive in central-level or donor-financed tenders. Complex documentation, lack of standardization, language barriers, limited digital access hinder SME participation. Local suppliers dominate small contracts; foreign or joint ventures often win large infrastructure or donor-funded contracts. Local contractors have capacities to bid and win work contracts with contract price up to USD 15 million. However, local contractors often have constraints on financial capacity and experience, and often require joint-venture formation for high-value work contracts (more than USD 10 million). Many suppliers lack experience with international bidding standards (e.g., ADB, World Bank formats). Small contractors dominate rural infrastructure (e.g., farm roads, irrigation), but capacity is variable; performance and quality is often weak. There is a limited pool of local agriculture and rural development consultants; reliance on international experts for complex assignments remains high. Volatility in the Lao kip affects pricing, supplier risk appetite, and bid participation, especially in long-term contracts.
- *Financial (Sources of cost and value, cost stability, pricing strategies and mechanisms, cost and financial benchmarks):* Costs for materials (cement, steel, fuel, agro-inputs, equipment) are import-dependent, exposing suppliers to foreign exchange volatility. Labor is relatively low-cost but can vary by region; skilled labor (e.g., engineers, operators) is scarce and more expensive. Logistics costs are due to poor rural connectivity, mountainous terrain, and fuel price fluctuations (transport can add 10–30% to total cost). Suppliers often add premiums to account for late payments, unclear specifications, and contract variation risks, especially in public sector procurement. High inflation (12–30% in 2022–2023) has led to significant cost escalation, particularly in construction and imports. Some ministries (e.g., Ministry of Public Works) publish reference price lists, but MAE and others lack standardized unit cost libraries. Real-time cost data are limited and prices often based on previous projects, supplier estimates, or negotiation. Procurement often prioritizes lowest bid price rather than lifecycle cost or performance-based value.

- Over the last decade, there were a number of donor-financed investment projects in agriculture and rural development in Lao PDR with a number of projects having project cost of more than US\$50 million. Some of main donors are ADB, WB, IFAD, KfW, JICA. Values of awarded contracts are often below the original cost estimates of the packages. It is noted that there were significant cost escalations of construction materials, fuels, labors over the 2021-2022 period due to shortness of construction material (sands), Covid-19 pandemic and Ukraine crisis. As results, for some projects, work contract prices were increased in comparison with the initial estimated costs at the project design stage.
- *Procurement trends (Procurements of other entities procuring similar contracts, typical contract terms, common issues that inhibit or contribute to achieving value for money, typical responses and lessons learned):* ADB, IFAD, World Bank, FAO, JICA, and EU are the main funders of agriculture and rural development. Procurement scope Includes civil works (irrigation, farm roads), goods (seeds, tools, machinery), services (capacity building, training), and consulting (M&E, design, policy advisory). International/National Competitive Bidding (ICB/NCB) are used for large and medium contracts. Shopping/RFQ method is applied for small/minor local procurements. QCBS method is commonly used for services. Performance security of 5% - 10% are applied for goods/work contracts. Defect liability period of 6 – 12 months are applied for work contracts. Community Procurement are used in village infrastructure, input distribution.
- Common issues affecting value for money are (i) limited number of qualified suppliers in rural areas; (ii) implementation lags due to complex documentation, late fund release, or poor bid preparation; (iii) weak application of life-cycle costing, market surveys, or price comparisons during evaluation; (iv) delayed payments, poor site supervision, limited enforcement of penalties, and vague deliverable definitions. Typical responses and lessons learned for achieving value for money are (i) training on bid evaluation, contract management, and use of procurement manuals (ADB, IFAD, World Bank); (ii) use of community-based procurement to improve ownership and efficiency in local works or input distribution (especially in IFAD projects); (iii) application of price verification, unit cost checklists, and regional cost comparisons; (v) development of annual procurement plans with staggered timelines and better budget alignment; and (vi) use simplified bidding documents of RFQ or shopping methods to engage local firms more easily.

2. Procurement Risk Analysis for abovementioned contract/group of similar contracts

Risk Description	Description of Mitigation	Risk Owner
The transition to e-Procurement in the country has only taken its initial	Advertise procurement notices on PPMD's website and EA/IA website. Pending the deployment of a	EA/ IA

step with the completion of the study assessing the country's preparedness for implementing e-Procurement (2023). The Public Procurement Law (PPL) already incorporates several provisions that facilitate the implementation of e-Procurement. Electronic Procurement is already mentioned in harmonized SBD. However, there is no installed facilities for e-Procurement to be executed yet.	national e-procurement system, the OPEN system will be used to monitor and enhance visibility of procurement activities.	
There are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP.	For ICB packages of goods and works, and consulting service packages with international advertisement, IFAD's standard procurement documents will be adopted and used. For other methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption, SH and SEA can be adopted.	EA/ IA
No comprehensive databases are available to provide consolidated information on procurement operations by government entities. The procurement function is fully decentralized at the ministry department level. Records are maintained for contracts by each implementing entity and there is neither a system nor database to track data available on procurement and contract management (PEFA 2019).	Procuring entities to be mandated to publish procurement information on the public procurement portal run by the Public Procurement Monitoring Division (PPMD) under the Department of Evaluation and Public Procurement (DEPP), the Ministry of Finance (MOF); Use the OPEN system for monitoring procurement and contract implementation.	EA/ IA
Lao PDR has no formal procurement	The MOF-PPMD to setup regular procurement training program;	EA/ IA

professionalization program, and the main training options are periodical short courses provided by donors (CSPRA, ADB 2021).	Projects to organize training courses for procurement staff to promote internal capacity building and maintain capacity; Project procurement officers and other staff involved in project procurement to take part in IFAD's BuildProc certification training program.	
Procurement processes (planning, bidding, contract award and contract implementation) are often delayed.	Monitoring closely procurement and contract implementation progress (using the excel procurement tracking forms in addition to IFAD's OPEN -Contract Monitoring Tool) with periodic progress reports and follow-up actions.	EA/ IA
Procuring entities have procedure for reporting allegations of fraud, corruption, and other prohibited practices. However, the sanctions and enforcement system is not systematically applied.	Request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents; Conduct prior and ex-post reviews including Frico screening of bidders from the debarred list to strengthen enforcement of the debarment system.	EA/ IA
The Project Management Division (PMD) under MAE/DOPC and its staff have previous experience with donor-funded project, but they do not involve directly in project management and implementation and have limited experience with donor procurement procedures. The procurement staff are not familiar with the OPEN.	Conduct trainings and on-the-job trainings on IFAD procurement framework and OPEN.	EA/ IA
The certified procurement practitioners are not required in Laos. Procurement staff participated in procurement	LEAD procurement staff will attend IFAD's procurement training program (BuildProc).	EA/ IA

training programs that provided by international donors and procurement trainings conducted by the Public Procurement Monitoring Division (PPMD) under the Department of Evaluation and Public Procurement, MOF in recent years.		
The PMD procurement staff have limited English command skills.	Include English communication skill in the TOR for project procurement staff.	EA/ IA
Limited knowledge on IFAD procurement and safeguard policies and requirements.	Carry out coaching, on-the-job trainings and refresher trainings on IFAD procurement framework, OPEN and safeguard policies and requirements.	EA/ IA

3. Procurement Objective

Effective procurement and contract management to ensure on-time delivery of goods, works, non-consulting services of consultants, within estimated costs, and planned timeframe.

4. Recommended Procurement Approach for the Project Procurement Approach

Name of Procurement contract or group of similar contracts	Rehabilitation of roads (total 100 km in 07 project districts) Note: Number of lots/ packages will be determined based on detailed engineering designs.
Estimated Contract Cost (USD)	USD 2,500,000

Attribute	Selected arrangement	Justification Summary / Logic
Specifications (SECAP compliance)	Conformance	Detailed engineering designs prepared by DED consultant. ES safeguard requirements (ESMP, RAP,

		GAP,...) to be included in the bidding documents
Sustainability Requirements	Yes/No	ES safeguard requirements to be included in the bidding documents
Contract Type	A. Traditional	Detailed engineering designs prepared by DED consultant.
Pricing and costing mechanism	A. Lump Sum	Scope and volume of works determined at DED stage.
Supplier Relationship	A. Adversarial	Strong competition in the market with a number of qualified contractors.
Price Adjustments	B. Negotiated	Price adjustments applied for contracts with contract duration more than 18-months.
Form of Contract (Terms and Conditions)	D. State any special conditions of contract	Additional provisions to be included in the bidding/contract documents in compliance with IFAD policy on anti-corruption, SH SEA, ES safeguards.
Selection Method	A. Requests for Bids (RFB) B. Shopping (LS/NS)	National competitive bidding applied for work packages with estimated cost more than USD 35,000. National/ Local Shopping applied for work packages with estimated cost less than or equal USD 35,000.
Selection Arrangement	A. Commercial Practices B. United Nations (UN) Agencies C. Commodities D. Community Driven Development	Not applicable

	E. Force Accounts F. Framework Agreements	
Market Approach	A. Type of Competition 1. Open 4. National B. Number of Envelopes/Stages 1. Single Envelope C. Negotiations (No)	National competitive bidding applied for work packages with estimated cost more than USD 35,000. National/ Local Shopping applied for work packages with estimated cost less than or equal USD 35,000.
Pre / Post Qualification	B. Post-Qualification	
Consultant Selection & Evaluation Method	A. Quality Cost Based Selection (QCBS) B. Fixed Budget Based Selection (FBS) C. Least Cost Based Selection (LCS) D. Quality Based Selection (QBS) E. Consultant's Qualifications Based Selection (CQS) D. Direct Selection	Not applicable
Evaluation of Costs	A. Adjusted Bid Price (corrected for bidder's minor deviations) B. Life-Cycle Costs	Life-cycle costs criteria not applied.
• Domestic Preference	No	Domestic preference not applied.
• Rated Criteria	List the type of criteria to be used (mandatory/desired)	Rated criteria not applied.

Name of Procurement contract or group of similar contracts	Rehabilitation of off-farm irrigation infrastructure (up to USD 2,500 per ha and maximum 50 ha), total 20 schemes. Note: Number of lots/packages will be determined based on detailed engineering designs.
Estimated Contract Cost (USD)	USD 2,500,000

Attribute	Selected arrangement	Justification Summary / Logic
Specifications (SECAP compliance)	Conformance	Detailed engineering designs prepared by DED consultant. ES safeguard requirements (ESMP, RAP, IPP,...) to be included in the bidding documents
Sustainability Requirements	Yes	ES safeguard requirements to be included in the bidding documents
Contract Type	A. Traditional	Detailed engineering designs prepared by DED consultant.
Pricing and costing mechanism	A. Lump Sum	Scope and volume of works determined at DED stage.
Supplier Relationship	A. Adversarial	Strong competition in the market with a number of qualified national contractors.
Price Adjustments	B. Negotiated	Price adjustments applied for contracts with contract duration more than 18-months.
Form of Contract (Terms and Conditions)	D. State any special conditions of contract	Additional provisions to be included in the bidding/contract documents in compliance

		with IFAD policy on anti-corruption, SH SEA, ES safeguards.
Selection Method	A. Requests for Bids (RFB) B. National/ Local Shopping	National competitive bidding applied for work packages with estimated cost more than USD 35,000. National/ Local Shopping applied for work packages with estimated cost less than or equal USD 35,000.
Selection Arrangement	A. Commercial Practices B. United Nations (UN) Agencies C. Commodities D. Community Driven Development E. Force Accounts F. Framework Agreements	Not applicable
Market Approach	A. Type of Competition 1. Open 4. National B. Number of Envelopes/Stages 1. Single Envelope C. Negotiations (No)	National competitive bidding applied for work packages with estimated cost more than USD 35,000. National/ Local Shopping applied for work packages with estimated cost less than or equal USD 35,000.
Pre / Post Qualification	B. Post-Qualification	
Consultant Selection & Evaluation Method	A. Quality Cost Based Selection (QCBS) B. Fixed Budget Based Selection (FBS) C. Least Cost Based Selection (LCS) D. Quality Based Selection (QBS)	Not applicable

	E. Consultant's Qualifications Based Selection (CQS) D. Direct Selection	
Evaluation of Costs	A. Adjusted Bid Price (corrected for bidder's minor deviations) B. Life-Cycle Costs	Life-cycle costs criteria not applied.
Domestic Preference	No	Domestic preference not applied.
Rated Criteria	List the type of criteria to be used (mandatory/desired)	Rated criteria not applied.

Name of Procurement contract or group of similar contracts	Community water supply (multiple use: HH, livestock, home gardens), 100 schemes. Note: Number of lots/packages will be determined based on detailed engineering designs.
Estimated Contract Cost (USD)	USD 1,000,000

Attribute	Selected arrangement	Justification Summary / Logic
Specifications (SECAP compliance)	Conformance	Detailed engineering designs prepared by DED consultant. ES safeguard requirements (ESMP, RAP, IPP,...) to be included in the bidding documents
Sustainability Requirements	Yes	ES safeguard requirements to be

		included in the bidding documents
Contract Type	A. Traditional	Detailed engineering designs prepared by DED consultant.
Pricing and costing mechanism	A. Lump Sum	Scope and volume of works determined at DED stage.
Supplier Relationship	A. Adversarial	Strong competition in the market with a number of qualified national contractors.
Price Adjustments	B. Negotiated	Price adjustments applied for contracts with contract duration more than 18-months.
Form of Contract (Terms and Conditions)	D. State any special conditions of contract	Additional provisions to be included in the bidding/contract documents in compliance with IFAD policy on anti-corruption, SH SEA, ES safeguards.
Selection Method	A. Requests for Bids (RFB) B. National/ Local Shopping	National competitive bidding applied for work packages with estimated cost more than USD 35,000. National/ Local Shopping applied for work packages with estimated cost less than or equal USD 35,000.
Selection Arrangement	A. Commercial Practices B. United Nations (UN) Agencies C. Commodities D. Community Driven Development E. Force Accounts F. Framework Agreements	Not applicable

Market Approach	A. Type of Competition 1. Open 4. National B. Number of Envelopes/Stages 1. Single Envelope C. Negotiations (No)	National competitive bidding applied for work packages with estimated cost more than USD 35,000. National/ Local Shopping applied for work packages with estimated cost less than or equal USD 35,000.
Pre / Post Qualification	B. Post-Qualification	
Consultant Selection & Evaluation Method	A. Quality Cost Based Selection (QCBS) B. Fixed Budget Based Selection (FBS) C. Least Cost Based Selection (LCS) D. Quality Based Selection (QBS) E. Consultant's Qualifications Based Selection (CQS) D. Direct Selection	Not applicable
Evaluation of Costs	A. Adjusted Bid Price (corrected for bidder's minor deviations) B. Life-Cycle Costs	Life-cycle costs criteria not applied.
Domestic Preference	No	Domestic preference not applied.
Rated Criteria	List the type of criteria to be used (mandatory/desired)	Rated criteria not applied.

Name of Procurement contract or group of similar contracts	Design off-farm irrigation rehabilitation works (20 schemes). Note: number of packages will be determined at implementation stages.

Estimated Contract Cost (USD)	USD 200,000

Attribute	Selected arrangement	Justification Summary/Logic
Specifications (SECAP compliance)	Performance	ES safeguard requirements and Code of Conduct to be included in the request for proposal
Sustainability Requirements	Yes	ES safeguard requirements to be included in RFP
Contract Type	A. Traditional	Consulting service with firm
Pricing and costing mechanism	B. Performance based contracts	Performance/output-based contract applied for design and supervision.
Supplier Relationship	A. Collaborative	"Win-win" approach is possible
Price Adjustments	B. Negotiated	Price adjustments applied for contracts with contract duration more than 18-months.
Form of Contract (Terms and Conditions)	D. State any special conditions of contract	Additional provisions to be included in the bidding/contract documents in compliance with IFAD policy on anti-corruption, SH SEA, ES safeguards.
Selection Method	B. Requests for Quotations (RFQ) C. Single Source Selection (SSS)	Application of selection method (QCBS/QBS/FBS/LCS/CQS/SSS) based on actual cost estimation for each service package and the selection method thresholds. CQS can be applied for consulting service with the cost estimation less than or equal USD 100,000.
Selection Arrangement	A. Commercial Practices B. United Nations (UN) Agencies C. Commodities	Not applicable

	D. Community Driven Development E. Force Accounts F. Framework Agreements	
Market Approach	A. Type of Competition 1. Open 4. National B. Number of Envelopes/Stages 2. Two Envelopes 3. Single Stage C. Negotiations (Yes)	National advertisement is applied for consultancy contracts estimated to cost less than US\$ 100,000.
Pre / Post Qualification	A. Pre-Qualification	The short-listing is required for the consulting services with the estimated cost USD 100,000 or more.
Consultant Selection & Evaluation Method	A. Quality Cost Based Selection (QCBS) B. Consultant Qualification Selection (CQS)	CQS can be applied for consulting service with the cost estimation less than or equal USD 100,000.
Evaluation of Costs	A. Adjusted Bid Price (corrected for a bidder's minor deviations) B. Life-Cycle Costs	Life-cycle costs criteria not applied.
• Domestic Preference	No	Domestic preference not applied.
• Rated Criteria	List the type of criteria to be used (mandatory/desired) Rated criteria for consultant's	Rated criteria applied.

	experience, quality of methodology and work plan, key personnel.	

Name of Procurement contract or group of similar contracts	Digital platform for MSPs (design improvements, data collection, CB in using the platform and the data collection tool). Note: single packages.
Estimated Contract Cost (USD)	USD 300,000

Attribute	Selected arrangement	Justification Summary / Logic
Specifications (SECAP compliance)	Performance	ES safeguard requirements and Code of Conduct to be included in the request for proposal
Sustainability Requirements	Yes	ES safeguard requirements to be included in RFP
Contract Type	A. Traditional	Consulting service with firm
Pricing and costing mechanism	B. Performance based contracts	Performance/output-based contract applied for design and supervision.
Supplier Relationship	A. Collaborative	"Win-win" approach is possible
Price Adjustments	B. Negotiated	Price adjustments applied for contracts with contract duration more than 18-months.
Form of Contract (Terms and Conditions)	D. State any special conditions of contract	Additional provisions to be included in the bidding/contract documents in

		compliance with IFAD policy on anti-corruption, SH SEA, ES safeguards.
Selection Method	B. Requests for Quotations (RFQ)	Application of QCBS selection
Selection Arrangement	A. Commercial Practices B. United Nations (UN) Agencies C. Commodities D. Community Driven Development E. Force Accounts F. Framework Agreements	Not applicable
Market Approach	A. Type of Competition 1. Open 3. International B. Number of Envelopes/Stages 2. Two Envelopes 3. Single Stage C. Negotiations (Yes)	International advertisement is applied for consultancy contracts estimated to cost USD 100,000 or more.
Pre / Post Qualification	A. Pre-Qualification	The short-listing is required for the consulting services with the estimated cost USD 100,000 or more.
Consultant Selection & Evaluation Method	C. Quality Cost Based Selection (QCBS)	
Evaluation of Costs	A. Adjusted Bid Price (corrected for a bidder's minor deviations) B. Life-Cycle Costs	Life-cycle costs criteria not applied.

• Domestic Preference	No	Domestic preference not applied.
• Rated Criteria	List the type of criteria to be used (mandatory/desired) Rated criteria for consultant's experience, quality of methodology and work plan, key personnel.	Rated criteria applied.
Name of Procurement contract or group of similar contracts	(ii) Financing Coop: Grant for blocked deposit in FI, max USD 30,000 (average USD 22,000) with an equal or higher amount raised in loan from the same FI; (ii) Financing MSE (women and youth): Grant for blocked deposit in FI, max USD 30,000 (average USD 22,000) with an equal or higher amount raised in loan from the same FI	
Estimated Contract Cost (USD)	USD 528,000 + USD 1,056,000	

Attribute	Selected arrangement	Justification Summary / Logic
Specifications (SECAP compliance)	Performance	ES safeguard requirements and Code of Conduct to be included in the request for grant proposal
Sustainability Requirements	Yes	ES safeguard requirements to be included in RFP
Contract Type	Blended finance (credit and grant) agreement	Follow the blended finance manual
Pricing and costing mechanism	B. Performance based contracts	Performance/output-based contract applied for design and supervision.

Supplier Relationship	A. Collaborative	"Win-win" approach is possible
Price Adjustments	A. Not applicable	
Form of Contract (Terms and Conditions)	D. State any special conditions of contract	Follow the blended finance manual. Additional provisions to be included in the RFP/ blended finance agreement in compliance with IFAD policy on anti-corruption, SH SEA, ES safeguards.
Selection Method	Grant award	Follow the blended finance manual
Selection Arrangement	A. Commercial Practices B. United Nations (UN) Agencies C. Commodities D. Community Driven Development E. Force Accounts F. Framework Agreements	Not applicable
Market Approach	A. Type of Competition 1.Open 4.National B. Number of Envelopes/Stages 1.Single Envelope 3.Single Stage C.Negotiations (Yes)	Follow the blended finance manual
Pre / Post Qualification	A. Pre-Qualification	The short-listed candidates will be requested to submit blended finance proposals.

Consultant Selection & Evaluation Method	Grant Award	Follow the blended finance manual.
Evaluation of Costs	A. Adjusted Bid Price (corrected for a bidder's minor deviations) B. Life-Cycle Costs	Life-cycle costs criteria not applied.
• Domestic Preference	No	Domestic preference not applied.
• Rated Criteria	List the type of criteria to be used (mandatory/desired) Rated criteria for consultant's experience, quality of methodology and work plan, key personnel.	Rated criteria applied.

Notes: The project's Procurement Plan should reflect the analysis presented in the PPS and should be updated periodically to reflect actual needs and changing circumstances. Any updates to the Procurement Plan should be submitted to IFAD for its review and no objection. Any changes to the Procurement Plan should be justified by the IA through a revised PPS.

^[1] Source: https://laotiantimes.com/2025/06/10/laos-improves-in-corruption-index-but-still-ranks-among-southeast-asias-lowest/?utm_source=chatgpt.com

^[2] Source: https://www.worldbank.org/en/country/lao/overview?utm_source=chatgpt.com

^[3] Source: https://apnews.com/article/2458b3135942e0ae95b04f1b95afb056?utm_source=chatgpt.com

^[4] Source: https://laotiantimes.com/2023/09/04/construction-sector-hit-hard-with-laos-facing-acute-labor-shortage-crisis/?utm_source=chatgpt.com

1.4. Appendix 7: Terms of Reference

ToR: National Project Coordinator

Recruitment: National

Reports to: Project Steering Committee (on matters related to the Financing Agreement with IFAD) Director MAE DOPC and MOIC (on planning matters)

Purpose

1. The National Project Coordinator (NPC) will coordinate Project management and ensure that implementation is realised according to the conditions of the financing agreement and based on the Project appraisal report. S/he needs to ensure effective and timely implementation of the Project, with special attention to providing overall inter agency coordination and facilitation at various levels. Under the direction and supervision of the National Project Steering Committee (NPSC), the PC coordinates the PMU, provincial and district project staff and service providers to ensure that the strategic outcomes of the Project are achieved. Particularly, the NPC leads the PMU to ensure the M&E requirements described are developed and implemented in a timely manner that represents the views of key stakeholders. S/he is also responsible for making sure there are sufficient and appropriate personnel with the right level of resources and other support needed to implement the Project.

2. In particular, the NPC will serve as leader of the Project coordination team in order to achieve the following responsibilities: (i) Project Implementation Coordination; (ii) Financial/Asset Management; (iii) Contract Management; (iv) Personnel Management (v) Government Liaison/External Relations; and (vi) Knowledge Management and Policy Development.

Organizational relationships

3. The NPC will be responsible for Project progress and will be accountable to the NPSC, the government ministries and relevant staff of IFAD. S/he will also be accountable to the Project stakeholders for Project progress, problems, and improvements.

Responsibilities and Duties

Early implementation tasks:

- (a) Lead revision of Project Implementation Manual (PIM) and other guidelines as needed;
- (b) Assist the in establishment of the National Project Steering Committee;
- (c) Appoint key PMU staff and supervise their activities;
- (d) Guide the establishment of administrative, accounting and Project outcome M&E systems;
- (e) Coordinate training workshops on the Project strategy and approaches, AWPB and procurement for the first year with key stakeholders to ensure an updated and shared understanding of the Project strategy and information needs;
- (f) Ensure that an effective and participatory M&E system is established and effective.

Ongoing operational management tasks

- (g) Prepare the AWPB and revise the M&E plan and system by seeking stakeholder inputs in order to produce these plans with the full commitment of all the organizations involved in the Project. Present the AWPB and M&E plan to the relevant approval bodies in a timely manner for review and approval;
- (h) For each service provider contract, ensure that detailed specifications are prepared in a timely, objective, fair and transparent manner, including the M&E responsibilities and administration of terms and awards;
- (i) Ensure the holistic implementation of the Project, ensuring the Project outcomes and levels are seamlessly joined in the pursuit of market-led poverty alleviation among District implementing team poor, ethnic and women-headed households;
- (j) Ensure that the implementing agencies and provincial and district agencies maintain the focus on poor, ethnic and women-headed households, that women have ample opportunities to participate in Project activities, that gender is mainstreamed in all Project activities and that staff have adequate knowledge of IP language and culture;
- (k) Make sure the business of the Project is conducted in an efficient manner by supervising and monitoring Project implementation. Ensure that timely decisions on corrective actions are made and implemented;
- (l) Direct and supervise the day-to-day operations of the Project, guided by the Project document and the AWPB, providing any necessary amendments to ensure smooth performance;
- (m) Mobilize relevant technical assistance in a timely manner, with clearly demarcated responsibilities that are based on the participatory and equity principles of the Project;
- (n) Assure that all contractual obligations are adhered to and make the necessary contacts and efforts to ensure implementation meets Project targets;
- (o) Regularly appraise staff and provide feedback and support to enable them to do their jobs.

Ongoing financial management tasks

- (p) Ensure that Project expenses are kept, consistent with Government and IFAD administrative and financial procedures and practices;
- (q) Ensure that Project suppliers and locally paid staff are paid promptly and adequately through liaison with Ministry of Finance and the IFAD Country Office finance staff;
- (r) Ensure that Project expenditure is being coded correctly and consistently (that is allocated to correct category and budget line) and that Project funds are used solely for the purposes for which they were granted and in accordance with relevant IFAD guidelines;
- (s) Establish an asset register for all assets purchased by or provided to the Project in line with standard IFAD policies;
- (t) Check the monthly Project financial report for accuracy and appropriateness. Regularly meet with the Financial Management Specialist concerning financial reporting issues, errors, trends, payment delays and related matters;

(u) Monitor expenditure on a monthly basis against the approved AWPB in order to prepare and send timely fund withdrawal applications to IFAD. Review expenditure projections to ensure that expenditure stays within budget. Significant actual or anticipated expenditure variances against the budget should be included in the monthly report to line management together with any recommendations for changes to the budget.

Communication

(v) Develop close working relationships with all Project participants and stakeholders – including the primary stakeholders, line departments, private sector and NGOs – all parties required to establish a shared vision of the Project to achieve objectives;

(w) Establish and maintain good working relations with the relevant government ministries, as well as other higher-level stakeholder groups;

(x) Ensure easy public access to M&E reports and data and make sure they are widely distributed;

(y) Submit required analytical reports on progress – including indications of planned actions and financial statements – on time and to the relevant bodies, with assistance from M&E staff;

(z) Encourage staff to report frankly on fieldwork, highlighting problems and possible solutions plus lessons learned. Reward innovation in critical reflection and learning;

(aa) Ensure the planning of and participate in key reflection moments – in particular, the annual Project reviews;

(bb) Sign implementation agreements with the implementing partners, defining the modalities for implementation and M&E. Ensure that participatory M&E and learning initiatives are specified in terms consistent with the direction of the Project;

(cc) Control the budget and safeguard against Project funds and assets misuse;

(dd) Make all efforts to engage key stakeholders in important external evaluations to ensure an understanding of locally perceived impacts and problems;

(ee) See that all ad hoc evaluation studies needed to gain timely and relevant insights into emerging areas of concern are undertaken. Make sure the resulting data is shared with all those involved in decision making and follow up on the implementation of any decisions;

(ff) Support external missions in ways that foster a joint learning process that identifies how the Project could be improved further to achieve impact.

(gg) Knowledge sharing and Policy interventions

(hh) Consolidate a culture of lessons learning involving all Project staff and allocate specific responsibilities of knowledge management to Project staff, implementing agencies and Project stakeholders;

(ii) Ensure that the Project captures and share lessons learned through the M&E system, supervision and evaluation missions and periodic visits to sites;

(jj) Facilitate exchange of experiences by supporting and coordinating participation in knowledge sharing workshops, teleconferences, development of

IFAD' Lao PDR website and any other existing knowledge sharing network of IFAD at the regional and country level;

(kk) Identify and participate in additional networks, for example scientific or policy-based networks that may also yield lessons that can benefit Project implementation.

Minimum Qualifications

Core Competencies

(a) People Skills: Ability to work independently and as a team player who demonstrates leadership and is able to support and train local and international staff. Proven ability and experience in working with ethnic minorities

(b) Communication Skills: Well developed written and oral communication skills. Able to communicate clearly and sensitively with internal and external stakeholders as a representative of an IFAD Project. This includes effective negotiation and representation skills;

(c) Integrity: Works with trustworthiness and integrity and has a clear commitment to poverty reduction of local communities;

(d) Resilience/Adaptability and flexibility: Ability to operate effectively under extreme circumstances including stress, high security risks and harsh living conditions. Works and lives with a flexible, adaptable and resilient manner;

(e) Awareness and sensitivity of self and others: Demonstrates awareness and sensitivity to gender and diversity. Has experience and the ability to live and work in diverse cultural contexts in a culturally appropriate manner;

(f) Work style: Is well organized even within a fluid working environment and has a capacity for initiative and decision making with competent analytical and problem solving skills;

(g) Readiness to work with people of all backgrounds without bias;

Technical Competencies

(h) MSc/MA degree in agriculture, economics or business administration;

(i) At least 10 years of professional experience in relevant fields

(j) Sound experience in working for IFAD Projects;

(k) Sound knowledge of upland agriculture production in Lao PDR;

(l) Ability to develop and foster external organizational relationships and applied representation skills;

(m) Knowledge of Government and IFAD policies and procedures on gender, environment, corruption and general Project finance and administration management;

(n) Knowledge of IP culture

(o) Have telecommunication skills and proficiency in information technology/ computer skills;

(p) Written and spoken English language skills essential.

ToR: Deputy National Project Coordinator (DNPC)

Recruitment: National

Reports to: Project Steering Committee (on matters related to the Financing Agreement with IFAD) Director MAE DOPC and MOIC (on planning matters)

Purpose

1. The Deputy National Project Coordinator (DNPC) will coordinate Project management and ensure that implementation is realised according to the conditions of the financing agreement and based on the Project appraisal report. S/he needs to ensure effective and timely implementation of the Project, with special attention to providing overall inter agency coordination and facilitation at various levels. Under the direction and supervision of the National Project Steering Committee (NPSC), the PC coordinates the PMU, provincial and district project staff and service providers to ensure that the strategic outcomes of the Project are achieved. Particularly, the NPC leads the PMU to ensure the M&E requirements described are developed and implemented in a timely manner that represents the views of key stakeholders. S/he is also responsible for making sure there are sufficient and appropriate personnel with the right level of resources and other support needed to implement the Project.

2. In particular, the DNPC will serve as leader of the Project coordination team in order to achieve the following responsibilities: (i) Project Implementation Coordination; (ii) Financial/Asset Management; (iii) Contract Management; (iv) Personnel Management (v) Government Liaison/External Relations; and (vi) Knowledge Management and Policy Development.

Organizational relationships

3. The DNPC will be responsible for Project progress and will be accountable to the NPSC, the government ministries and relevant staff of IFAD. S/he will also be accountable to the Project stakeholders for Project progress, problems, and improvements.

Responsibilities and Duties

Early implementation tasks:

- (a) Lead revision of Project Implementation Manual (PIM) and other guidelines as needed;
- (b) Assist in establishment of the National Project Steering Committee;
- (c) Appoint key PMU staff and supervise their activities;
- (d) Guide the establishment of administrative, accounting and Project outcome M&E systems;
- (e) Coordinate training workshops on the Project strategy and approaches, AWPB and procurement for the first year with key stakeholders to ensure an updated and shared understanding of the Project strategy and information needs;
- (f) Ensure that an effective and participatory M&E system is established and effective.

Ongoing operational management tasks

- (g) Prepare the AWPB and revise the M&E plan and system by seeking stakeholder inputs in order to produce these plans with the full commitment of all the organizations involved in the Project. Present the AWPB and M&E plan to the relevant approval bodies in a timely manner for review and approval;
- (h) For each service provider contract, ensure that detailed specifications are prepared in a timely, objective, fair and transparent manner, including the M&E responsibilities and administration of terms and awards;
- (i) Ensure the holistic implementation of the Project, ensuring the Project outcomes and levels are seamlessly joined in the pursuit of market-led poverty alleviation among District implementing team, poor, ethnic and women-headed households;
- (j) Ensure that the implementing agencies and provincial and district agencies maintain the focus on poor, ethnic and women-headed households, that women have ample opportunities to participate in Project activities, that gender is mainstreamed in all Project activities and that staff have adequate knowledge of IP language and culture;
- (k) Make sure the business of the Project is conducted in an efficient manner by supervising and monitoring Project implementation. Ensure that timely decisions on corrective actions are made and implemented;
- (l) Direct and supervise the day-to-day operations of the Project, guided by the Project document and the AWPB, providing any necessary amendments to ensure smooth performance;
- (m) Mobilize relevant technical assistance in a timely manner, with clearly demarcated responsibilities that are based on the participatory and equity principles of the Project;
- (n) Assure that all contractual obligations are adhered to and make the necessary contacts and efforts to ensure implementation meets Project targets;
- (o) Regularly appraise staff and provide feedback and support to enable them to do their jobs.

Ongoing financial management tasks

- (p) Ensure that Project expenses are kept, consistent with Government and IFAD administrative and financial procedures and practices;
- (q) Ensure that Project suppliers and locally paid staff are paid promptly and adequately through liaison with Ministry of Finance and the IFAD Country Office finance staff;
- (r) Ensure that Project expenditure is being coded correctly and consistently (that is allocated to correct category and budget line) and that Project funds are used solely for the purposes for which they were granted and in accordance with relevant IFAD guidelines;
- (s) Establish an asset register for all assets purchased by or provided to the Project in line with standard IFAD policies;
- (t) Check the monthly Project financial report for accuracy and appropriateness. Regularly meet with the Financial Management Specialist concerning financial reporting issues, errors, trends, payment delays and related matters;

(u) Monitor expenditure on a monthly basis against the approved AWPB in order to prepare and send timely fund withdrawal applications to IFAD. Review expenditure projections to ensure that expenditure stays within budget. Significant actual or anticipated expenditure variances against the budget should be included in the monthly report to line management together with any recommendations for changes to the budget.

Communication

(v) Develop close working relationships with all Project participants and stakeholders – including the primary stakeholders, line departments, private sector and NGOs – all parties required to establish a shared vision of the Project to achieve objectives;

(w) Establish and maintain good working relations with the relevant government ministries, as well as other higher-level stakeholder groups;

(x) Ensure easy public access to M&E reports and data and make sure they are widely distributed;

(y) Submit required analytical reports on progress – including indications of planned actions and financial statements – on time and to the relevant bodies, with assistance from M&E staff;

(z) Encourage staff to report frankly on fieldwork, highlighting problems and possible solutions plus lessons learned. Reward innovation in critical reflection and learning;

(aa) Ensure the planning of and participate in key reflection moments – in particular, the annual Project reviews;

(bb) Sign implementation agreements with the implementing partners, defining the modalities for implementation and M&E. Ensure that participatory M&E and learning initiatives are specified in terms consistent with the direction of the Project;

(cc) Control the budget and safeguard against Project funds and assets misuse;

(dd) Make all efforts to engage key stakeholders in important external evaluations to ensure an understanding of locally perceived impacts and problems;

(ee) See that all ad hoc evaluation studies needed to gain timely and relevant insights into emerging areas of concern are undertaken. Make sure the resulting data is shared with all those involved in decision making and follow up on the implementation of any decisions;

(ff) Support external missions in ways that foster a joint learning process that identifies how the Project could be improved further to achieve impact.

(gg) Knowledge sharing and Policy interventions

(hh) Consolidate a culture of lessons learning involving all Project staff and allocate specific responsibilities of knowledge management to Project staff, implementing agencies and Project stakeholders;

(ii) Ensure that the Project captures and share lessons learned through the M&E system, supervision and evaluation missions and periodic visits to sites;

(jj) Facilitate exchange of experiences by supporting and coordinating participation in knowledge sharing workshops, teleconferences, development of

IFAD' Lao PDR website and any other existing knowledge sharing network of IFAD at the regional and country level;

(kk) Identify and participate in additional networks, for example scientific or policy-based networks that may also yield lessons that can benefit Project implementation.

Minimum Qualifications

Core Competencies

(a) People Skills: Ability to work independently and as a team player who demonstrates leadership and is able to support and train local and international staff. Proven ability and experience in working with ethnic minorities

(b) Communication Skills: Well developed written and oral communication skills. Able to communicate clearly and sensitively with internal and external stakeholders as a representative of an IFAD Project. This includes effective negotiation and representation skills;

(c) Integrity: Works with trustworthiness and integrity and has a clear commitment to poverty reduction of local communities;

(d) Resilience/Adaptability and flexibility: Ability to operate effectively under extreme circumstances including stress, high security risks and harsh living conditions. Works and lives with a flexible, adaptable and resilient manner;

(e) Awareness and sensitivity of self and others: Demonstrates awareness and sensitivity to gender and diversity. Has experience and the ability to live and work in diverse cultural contexts in a culturally appropriate manner;

(f) Work style: Is well organized even within a fluid working environment and has a capacity for initiative and decision making with competent analytical and problem solving skills;

(g) Readiness to work with people of all backgrounds without bias;

Technical Competencies

(h) MSc/MA degree in agriculture, economics or business administration;

(i) At least 10 years of professional experience in relevant fields

(j) Sound experience in working for IFAD Projects;

(k) Sound knowledge of upland agriculture production in Lao PDR;

(l) Ability to develop and foster external organizational relationships and applied representation skills;

(m) Knowledge of Government and IFAD policies and procedures on gender, environment, corruption and general Project finance and administration management;

(n) Knowledge of IP culture

(o) Have telecommunication skills and proficiency in information technology/ computer skills;

(p) Written and spoken English language skills essential.

ToR: Financial Management Officer

Recruitment: National

Reports to: National Project Coordinator

Assisted by: Assistant Financial officer

Purpose

The Financial Management Officer reports directly to the National Project Coordinator and is responsible for financial management and administration of the Project accounts, personnel, equipment, supplies and external services. As head of finance, the Financial Management Specialist will take charge of all matters in the Project accounting cycle. The Project accounting cycle to be overseen by the Financial Management Specialist starts from financial related inputs in AWPB preparation and budget control, committing funds, disbursements and cash flow management in an effective and efficient manner, financial reporting to ensuring smooth audits and facilitation for supervision missions on all financial management and administration aspects.

Key Responsibilities and Duties

- (a) Finalize, within three months after start of duty, a draft manual on financial management and administration by the PMU, partners and beneficiaries, which sets the minimum standards of compliance for the financial management and administration under LEAD financing.
- (b) Installation of appropriate accounting/reporting systems to ensure that the PMU and especially the PC are regularly informed of ongoing financial activities and transactions.
- (c) Establishing the financial and administrative policies, systems, formats and procedures, including those for service contracting, budgeting and accounts and audit.
- (d) Ensuring that administrative and financing directives and guidelines of the NPSC are reflected in all Project activity.
- (e) Assisting in facilitation and supervision of the tender, award and performance assessment procedures for service contracting.
- (f) Communicate to all implementing partner institutions, service providers and grantee recipients their financial and administrative responsibilities, the funds available and how to access it, and the requirements of reporting and record keeping in accordance with prevailing government practices which are acceptable to IFAD.
- (g) Maintain all accounting and administrative records in a form appropriate for regular auditing (at least once a year).
- (h) Ensure that all project funds are used in accordance with the conditions of the financing agreements, with due attention to economy and efficiency, and only for the purposes for which the funds were provided.
- (i) Ensure that counterpart funds have been provided and used in accordance with the conditions of the financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided.

- (j) Ensure that all necessary supporting documents, records and accounts are kept in respect of all project activities, with clear linkages between the books of account and the financial statements presented to the financiers.
- (k) Ensure that designated accounts are maintained in accordance with the provisions of the financing agreement and in accordance with the financier's rules and procedures.
- (l) Ensure that the financial statements are prepared in accordance with International Public Sector Accounting Standards as adopted in Lao PDR.
- (m) Liaise with external auditors to audit the Project accounts to meet the required submission dates by IFAD.
- (n) Oversee tax matters of the Project, ensuring that tax exemptions for the procurement of goods for the Project are secured at the appropriate time.
- (o) Process documentation and follow up on disbursements from the government and IFAD to ensure that releases are not delayed. Ensure that funds, and other supplies for Project implementation are disbursed or released in a timely manner to enable Project interventions to be carried out on time.
- (p) Prepare and submit regular withdrawal applications to IFAD and follow up to ensure that the Project does not run short of liquidity.
- (q) Follow up on all project funds released to implementing partners for timely retirement and proper utilization.
- (r) Ensure that statements of expenditure (SOEs) are carefully compared for eligibility with relevant financial agreements and the disbursement handbook, and with budget control discipline.
- (s) Ensure that fixed assets are well accounted for, and annual verification is undertaken of the condition of assets and their location.
- (t) Prepare informative management accounts in the form of monthly, quarterly, semi-annual and annual reports regarding aspects of Project financial monitoring bringing out variances as per approved AWPB and advising implementers as to the limits of expenditure.
- (u) Act as a counter-signatory to Project fund releases as required for Project financial transactions and also sign as witness to contracts as much as possible.
- (v) Carry out any other activities that are assigned by the National Project Coordinator.

Minimum Qualifications

The candidate should have a bachelor's degree in accounting and must be a certified chartered accountant (ACCA/CIMA).

Skills and Experience

- (a) At least eight years of relevant work experience in financial management and administration, including at least four as a financial manager or accountant in government/donor projects or large institutions.
- (b) Experience in funding budgets and contractual complements similar to those proposed under LEAD is desirable.

(c) Strong managerial skills and demonstrated capacity to manage people and interact with a wide range of private sector partners and government representatives.

(d) Knowledge of work planning, budgeting, and reporting.

(e) Excellent quantitative and analytical skills.

(f) Computer--literate including accounting packages and well--versed in the use of Excel, Word and basic data base set-ups.

DRAFT

ToR: Procurement Officer

Recruitment: National

Reports to: National Project Coordinator

Assisted by: Procurement Assistant

Purpose

The Procurement Officer reports directly to the National Project Coordinator and is responsible for managing procurement processes and contract administration aspects. As head of the procurement, the specialist will be tasked to ensure compliance with Lao PDR's public procurement regulations and ensure due diligence to comply with IFAD Procurement Guidelines and handbook.

Key Responsibilities and Duties

- (a) Installation of appropriate procurement systems and procedures for effective planning and monitoring of procurements under the project;
- (b) Oversee preparation and consolidation of inputs to the Annual Procurement Plan;
- (c) Finalize, within three months after start of duty, a draft manual on procurement by partners and grant recipients, which sets the minimum standards of compliance for the procurement of goods and services under LEAD financing;
- (d) Continuously train (on the job) implementers in the preparation of terms of reference, specifications and proactive follow-up of these inputs in the bidding processes;
- (e) Prepare bidding documents based on acceptable bidding standards;
- (f) Ensure all prior review requirements such as obtaining of the No Objections from IFAD are complied with in a timely manner;
- (g) Ensure that all the due tendering processes are adhered to: sufficient publications, strict adherence to deadlines, transparency in communications with bidders, publication of bid results, etc.;
- (h) Ensure acceptable record keeping in procurement with at least a complete procurement file for each procurement from start to contract finalisation. Maintain all procurement records in a form appropriate for regular auditing and spot checks by supervision missions;
- (i) Communicate to all implementing entities and service provider their responsibilities and requirements with respect to procurement in keeping with prevailing government practices which are acceptable to IFAD;
- (j) Oversee the contracting process, including ensuring that Evaluation Committees have people with appropriate expertise;
- (k) Monitor implementation of contracts: report status and problems to the Project Coordinator on a monthly basis; and intervene to address problem upon request by the PC;
- (l) Ensure that goods and services financed have been procured in accordance with the loan agreement and the Lao PDR procurement regulations

(m) Work with the Financial Management Specialist to ensure that tax exemptions for the procurement of goods for the project are secured at the appropriate time;

(n) Prepare quarterly reports of progress with implementation of the Procurement Plan, and regularly inform the National Project Coordinator of problems and make proposals to overcome bottlenecks;

(o) Update the Procurement Plan;

Minimum Qualifications

The candidate should have a bachelor's degree in procurement and supplies or a full CIPS (Chartered Institute of Purchasing and Supply) diploma.

Skills and Experience

(a) At least five years of relevant work experience, preferably including experience in procurement in government/donor projects or large institutions;

(b) Appreciation of the evolution of the public sector procurement reforms in Lao PDR;

(c) Ability to work well in teams and to interact with a wide range of private sector partners and government representatives;

(d) Knowledge and experience of IFAD guidelines and procedures;

(e) Knowledge of work planning and reporting;

(f) Excellent quantitative and analytical skills;

(g) Computer-literate and well-versed in the use of Excel and Word.

Terms of Reference: Financial Education and Business Literacy (FEBL) Service Provider

1. Background and Rationale

Under Sub-component 1.2, the project seeks to strengthen the capacity of cooperatives and micro and small enterprises (MSEs) to use credit as a productive input for business development, rather than as short-term or consumption finance. Field experience from the IFAD portfolio indicates that limited understanding of cash flow, cost structures, profit and loss, and loan obligations is a key driver of repayment stress and weak enterprise sustainability.

The FEBL programme is therefore positioned as a foundational risk-mitigation and graduation instrument, ensuring that enterprises accessing project-supported finance are able to:

- plan the use of borrowed funds,
- generate sufficient surplus to service debt,
- absorb shocks without default, and
- transition to commercial finance over time.

FEBL is a mandatory prerequisite for participation in business planning, access-to-finance mechanisms, and the three-cycle credit graduation pathway.

2. Overall Objective

To design and deliver a practical, behaviour-oriented Financial Education and Business Literacy programme that enables cooperatives and MSEs to responsibly use credit, manage enterprise finances, generate profits, and maintain repayment capacity under agricultural and market volatility.

3. Specific Objectives

The FEBL programme shall enable participants to:

1. Clearly distinguish between household finance and enterprise finance.
2. Understand the appropriate use of credit for productive investment.
3. Calculate and interpret costs, revenues, profit, and loss at enterprise level.
4. Manage cash flow under seasonal agricultural cycles.
5. Understand loan terms, interest, repayment schedules, and penalties.
6. Identify and manage financial risks (price, production, market).
7. Build the basic financial discipline required for repeat borrowing and graduation to commercial finance.

4. Target Groups

The FEBL programme shall target:

- Primary:
 - o Registered cooperatives and cooperatives under formation
 - o Micro and small enterprises (MSEs) operating within endorsed VCIPs
- Secondary:
 - o Strong and medium-capacity APGs identified under Annex V as eligible for consolidation

Priority shall be given to:

- women-led and youth-led enterprises;
- entities preparing for first-time access to formal finance.

5. Scope of Work

The Service Provider shall undertake the following tasks:

Task 1: Review and Adaptation of FEBL Curriculum

1. Review existing FEBL materials available within IFAD-supported projects and other relevant programmes.
2. Adapt content to:
 - o Lao PDR context and language;
 - o priority value chains (e.g. vegetables, poultry, rice-based systems);

- o different maturity levels (APGs, cooperatives, MSEs).
3. Ensure curriculum explicitly addresses:
 - o productive vs non-productive use of credit;
 - o loan-cycle discipline and graduation logic;
 - o seasonal cash-flow management.

Output:

- Adapted FEBL curriculum and facilitator guide, approved by the PMU.

Task 2: Design of FEBL Training Modules

The FEBL curriculum shall be structured into modular training units, at minimum covering:

1. Money and Business Basics
 - o Business money vs household money
 - o Working capital vs investment
2. Using Credit to Grow a Business
 - o Purpose of loans
 - o Matching loan size to business capacity
 - o Consequences of misuse of credit
3. Costing, Pricing, and Profitability
 - o Fixed vs variable costs
 - o Simple costing exercises
 - o Price setting for profit
4. Cash Flow and Seasonality
 - o Timing of inflows and outflows
 - o Planning repayments in low-income periods
5. Understanding Profit, Loss, and Risk
 - o Causes of losses
 - o Managing shocks without default
6. Preparing for Formal Finance
 - o What banks assess
 - o Borrower responsibilities
 - o Repeat borrowing and graduation

Output:

- Modular training content with exercises, case examples, and visual aids.

Task 3: Delivery of FEBL Training

1. Deliver FEBL training to selected cooperatives and MSEs through:
 - o classroom-style group sessions; and
 - o cluster-based workshops at district level.
2. Ensure delivery methods are:
 - o participatory and practice-oriented;
 - o adapted to low literacy levels;
 - o gender- and youth-sensitive.
3. Use real value chain examples (e.g. poultry cycle, vegetable trading margins) rather than abstract theory.

Output:

- Training sessions completed as per approved plan.
- Attendance records disaggregated by gender and age.

Task 4: On-site Coaching and Application Support

1. Conduct follow-up coaching visits to:
 - o apply FEBL concepts to real enterprise operations;
 - o support simple record-keeping;
 - o assist in cash-flow planning.
2. Identify behavioural risks (e.g. diversion of loan funds) and recommend corrective actions.

Output:

- Coaching visit reports linked to specific enterprises.

Task 5: FEBL Competency and Readiness Assessment

1. Assess whether participants can:
 - o explain how a loan will be used;
 - o calculate basic profit and loss;
 - o outline a repayment plan.
2. Classify participants as:
 - o FEBL-complete and ready for business planning;
 - o FEBL-complete but requiring further coaching;
 - o not yet ready for finance-related support.

Output:

- FEBL completion and readiness assessment summary.

Task 6: Coordination and Integration

1. Coordinate with:

- o business planning and MSME support providers;
- o MSP facilitators;
- o partner financial institutions.

2. Ensure consistency between FEBL content and:

- o loan appraisal requirements;
- o blocked deposit and graduation mechanisms.

6. Deliverables and Milestones

Deliverable	Description	Timing
FEBL curriculum	Adapted and approved	Month 1
Training modules	Finalised modules & tools	Month 1
Training delivery	Completed sessions	Ongoing
Coaching reports	Field-based application	Ongoing
Readiness assessment	FEBL completion status	Per cohort
Final report	Consolidated results & lessons	End of contract

7. Duration and Level of Effort

- Contract duration: aligned with VCIP implementation schedule
- Level of effort: to be defined based on number of cooperatives/MSEs supported

8. Reporting and Supervision

- The Service Provider shall report to the Project Management Unit (PMU).
- Technical oversight will be provided by MOIC, with coordination support from PAEO/DAEO.
- Progress will be reviewed quarterly.

9. Team Composition and Qualifications

The Service Provider shall deploy a team with:

- Lead FEBL Specialist (10+ years experience in SME or agri-business finance);
- Field Trainers with experience working with low-literacy rural groups;
- Familiarity with agricultural seasonality and value chain finance;
- Strong facilitation and coaching skills.

10. Performance Indicators

Performance will be assessed against:

- number of participants completing FEBL;
- percentage of participants demonstrating readiness for finance;
- linkage between FEBL completion and successful loan applications;
- repayment performance of FEBL-trained borrowers (proxy indicator).

11. Ethical Standards and Data Management

- Confidentiality of participant financial information must be ensured.
- Data collected shall be owned by the PMU.
- Gender-sensitive and inclusive facilitation is mandatory.

TOR: Targeting, Gender and Social Inclusion Specialist

A. Position summary

Under the overall supervision of the Project Director and in close coordination with the Project Manager, the Targeting, Gender and Social Inclusion Specialist will lead the mainstreaming of poverty targeting, gender equality, youth inclusion, disability inclusion, ethnic group engagement, and nutrition sensitivity across all components of the Project, in line with Government policies, IFAD requirements, and the project's SECAP commitments.

B. Roles and responsibilities

1. *Project implementation and mainstreaming*

- Advise and support the Project Manager, PMU specialists, and field teams in the effective integration of targeting, gender equality, youth, disability, ethnic inclusion, and nutrition sensitivity across all project activities.
- Lead the development, periodic updating, and operationalisation of the Targeting and Gender (Social Inclusion) Strategy and Action Plan, ensuring alignment with Decree No. 348 on poverty graduation, the Law on Disabled Persons, national youth frameworks, and IFAD policies.
- Work closely with PMU specialists to review component and sub-component designs, identifying entry points to strengthen inclusive outreach, women's empowerment, youth participation, and disability inclusion.
- Review core implementation processes (beneficiary selection, APG formation, PRIP review, MSP functioning, service delivery) and provide practical recommendations to enhance inclusion and equity outcomes.
- Ensure that agreed targeting and gender actions are systematically reflected in:
 - o Annual Work Plans and Budgets (AWPBs);
 - o The project M&E and MIS framework;
 - o Project progress and results reports;
 - o Supervision, implementation support, and review missions.

- Contribute to the preparation and review of TORs, procurement documents, and contracts for service providers and partners to ensure accessibility, inclusion, and effective participation of target groups.

2. Monitoring, evaluation, and knowledge management

- In collaboration with the M&E and Knowledge Management team, design and operationalise systems to collect, analyse, and report disaggregated data (sex, age, disability, ethnicity, poverty, nutrition where relevant).
- Analyse monitoring data to identify inclusion gaps or potential adverse impacts on vulnerable groups and recommend corrective or adaptive measures.
- Document good practices, lessons learned, and evidence on gender equality, social inclusion, youth engagement, disability inclusion, and nutrition-sensitive approaches, and contribute to knowledge products and learning events.

3. Capacity building

- Conduct periodic capacity assessments on targeting, gender, and social inclusion at PMU, PAEO, DAEO, and service provider levels.
- Design and deliver practical training and coaching for project staff, implementing partners, and service providers on inclusive approaches, participatory targeting, gender-responsive implementation, and disability inclusion.
- Support field teams to apply inclusion principles consistently in community engagement, group governance, and investment selection.

4. Communication, coordination, and partnerships

- Liaise regularly with the IFAD Country Office and IFAD gender and social inclusion specialists on implementation issues, learning, and reporting.
- Serve as a focal point linking the Project with relevant Government institutions, mass organisations (e.g. Lao Women's Union, Lao Youth Union), OPDs, CSOs, and development partners working on gender and social inclusion.
- Facilitate information sharing and access to good practices, tools, and guidance for PMU and field teams.

5. Advocacy and networking

- Maintain up-to-date knowledge of national laws, policies, and strategies related to poverty reduction, gender equality, youth, disability, ethnic groups, and nutrition, as well as IFAD policies.
- Establish and maintain linkages with relevant national, regional, and international programmes on gender and social inclusion.
- Present evidence-based project experiences and good practices in relevant national and sectoral forums, as appropriate.

C. Qualifications and experience

- Master's degree in social sciences, gender studies, rural development, development studies, or a related field.
- At least five years of progressively responsible experience in gender equality and social inclusion in development projects.

- Demonstrated experience in agricultural and rural development programmes, preferably with market-oriented or value-chain approaches.
- Proven experience integrating targeting, gender, youth, disability, and inclusion considerations across project components and M&E systems.
- Experience in designing and delivering training and capacity-building activities.
- Strong commitment to poverty reduction, gender equality, and inclusive development.
- Fluency in English (spoken and written); working knowledge of Lao language is strongly preferred.
- Ability to work effectively with Government counterparts, communities, and multidisciplinary teams.

ToR: Monitoring, Evaluation and KM Officer

Recruitment: National
Reports to: Project Coordinator
Assisted by: M&E Assistant

Purpose

The Monitoring and Evaluation (M&E) system at the Project level has four objectives: (i) to monitor and evaluate results and impacts; (ii) to provide a basis for decision making on necessary amendments and improvements; (iii) to promote accountability for resource use; and (iv) to document, provide feedback on, and disseminate lessons learned.

Project monitoring and evaluation is conducted in accordance with established IFAD procedures and is undertaken by the Project coordination team at all levels. The Logical Framework matrix provides performance and impact indicators for Project implementation along with their corresponding means of verification. These, along with the objectives, procedures and tools described in the M&E plan presented in the Project final design report will form the basis on which the Project's M&E system will be built at the starting phase of the Project.

General scope of the job

The M&E Specialist is responsible for guiding the overall M&E strategy and implementation of related activities within the Project and Vis a Vis partners, plus providing timely and relevant information to the NPC, PMU and Project stakeholders. This requires close coordination and communication with Project implementation agencies and other stakeholder groups, and field staff as well as consultants of external M&E-related missions.

Critical tasks for the M&E Specialist include setting up the M&E system and ensuring it is implemented efficiently and effectively. The M&E system will be based on the Project log-frame and the Project M&E plan and will build as much as possible upon existing M&E mechanisms and systems among the Project stakeholders. The M&E officer will report directly to the Project Coordinator

Main Responsibilities and Duties

(a) Setting up the M&E system.

- (b) Develop the overall framework for Project M&E in accordance to the Project document M&E plan;
- (c) Conduct a readiness assessment regarding M&E on what are the incentives at the system level, who are the beneficiaries;
- (d) Guide and coordinate the review of the Project log-frame;
- (e) Provide technical advice for the revision of performance indicators;
- (f) Ensure realistic intermediate and end-of-Project targets are defined;
- (g) Conduct a baseline study (situation at Project start);
- (h) Identify sources of data, collection methods, who collects data, how often, cost of collection and who analyses it;
- (i) Ensure all critical risks are identified.
- (j) Identify the core information needs of the PMU, the NPSC, MAE, IFAD, and the MoF;
- (k) Identify the requirements for collecting baseline data, prepare terms-of-reference for and arrange the conduct of a baseline survey, as required;
- (l) Clarify M&E responsibilities of different Project personnel;
- (m) Contribute to the development of the Annual Work Plan and Budget (AWPB), ensuring alignment with Project strategy, agreement on annual targets and inclusion of M&E activities in the work plan;
- (n) Prepare detailed annual M&E budgets;
- (o) Prepare calendar of M&E activities;
- (p) Identify needed Project M&E technical assistance and guide its recruitment.

Implementation of the M&E system

- (a) Oversee and execute M&E activities included in the AWPB, with particular focus on results and impacts as well as in lesson learning;
- (b) Based on the AWPB design the framework for the physical and process monitoring of Project activities;
- (c) Promote a results-based approach to monitoring and evaluation, emphasizing results and impacts;
- (d) Coordinate the preparation of all Project reports. Guide staff and executing partners in preparing their progress reports in accordance with approved reporting formats and ensure their timely submission. This includes quarterly progress reports, annual Project report, inception report, and ad-hoc technical reports;
- (e) Prepare consolidated progress reports for Project management including identification of problems, causes of potential bottlenecks in Project implementation, and providing specific recommendations;
- (f) Check that monitoring data are discussed in the appropriate forum (such as the review meetings of PMU, the semester meeting of the NPSC) and in a timely fashion in terms of implications for future action. If necessary, create such discussion forums to fill any gaps;
- (g) Undertake regular visits to the field to support implementation of M&E and to identify where consolidations might be needed;

- (h) Foster participatory planning and monitoring by training and involving primary stakeholder groups in the M&E of activities;
- (i) Prepare M&E reports for annual supervision missions, mid-term review and final evaluation in accordance to IFAD guidance;
- (j) Facilitate, act as resource person, and join if required any external supervision and evaluation missions;
- (k) Ensure that all project reports reflect a climate-adapted approach to agriculture production and household nutrition;
- (l) Monitor the follow up of evaluation recommendations;
- (m) Identify the need and draw up the TORs for specific Project studies. Recruit, guide and supervise consultants or organizations that are contracted to implement special surveys and studies required for evaluating Project outcomes and impacts;
- (n) Organize (and provide) refresher training in M&E for Project and implementing partner staff, local organizations and primary stakeholders with view of developing local M&E capacity;

Minimum Qualifications

The candidate should have a Bachelor's degree agricultural science, natural resource management or economics.

Skills and Experience

- (a) Strong capabilities in data collection, including instrument testing, field data collection, data entry, random quality control testing, data compilation and analysis;
- (b) Extensive experience in designing and delivering training and capacity building in PME systems operationalisation, including development of training curricula, operational guidelines, and performance management;
- (c) Proven ability and expertise in working with data management software and web-based applications for use in M&E management;
- (d) Experience in establishing and managing robust M&E performance reporting across a diverse range and volume of partners;
- (e) Ability to plan and conduct structured and supportive field monitoring, including formal partner performance assessments, stakeholder reviews, etc.;
- (f) Commitment to gender and targeting perspectives and knowledge of IP language and culture;
- (g) Proven capacity in the formulation and production of high-quality written material, including among others research studies, impact assessment reports, stories from the field, publications for media;
- (h) Demonstrable capacity to work with private sector, civil society, media and government sectors on evaluation and monitoring programs at a national scale, and to develop appropriate communication strategies and be an effective communicator in working with a diverse range of stakeholders;
- (i) Strong people management skills, willing and able to foster cross-sector collaboration and partnerships to enhance programme results. Proven ability and experience in working with ethnic minorities;
- (j) Strong communication skills, especially writing skills.

ToR: Provincial Project Coordinator

The Provincial Project Coordinator is a senior employee deputed full-time to this position to provide leadership for the full duration of the LEAD implementation period.

Reporting to: PAFE Director of the concerned Province. For day-to-day project coordination and communication with the LEAD National Project Coordinator at national level

Results

- Project management principles (decentralised implementation, joint actions) applied
- Timely and constructive interaction with Provincial implementing agencies, implementation partners and service providers
- Timely and constructive interaction with other donor-financed projects and programmes

Tasks

- Maintain constructive relationships with the departments, and other partners involved in project implementation at Provincial level
- Provide overall leadership over the organization of deputed government staff and hired project staff dedicated to LEAD at the Province
- Direct the implementation of LEAD in accordance with the Project Design Report and the Annual Work Plan and Budget
- Maintain the organization of LEAD at Province level and apply the work routines as described in the Project's Implementation Manuals, Financial Management Manual, Procurement Guidelines and Guidelines for Financing Facilities
- Pursue a management philosophy that promotes (i) implementation of project activities at the lowest appropriate level; (ii) implementation of project activities by combined efforts of concerned entities
- Propose and take remedial efforts to keep LEAD on a steady course towards achieving its objectives
- Ensure timely and candid reporting of the project's plans, progress, achievements, and challenges to the PMU
- Ensure the quality of the LEAD implementation, inter alia in terms of governance for inclusive development; reach-out to the target group and target categories; precluding negative social and environmental impacts and transparency of decisions and transactions

Qualifications

- Senior position within the PAFE
- Background or proven experience in rural development and / or agriculture
- Experience in working with international financing institutions is a pre
- Demonstrated skills in people's management and communication
- A problem-solving attitude

ToR: District Project Coordinator

The District Project Coordinator is a senior employee deputed full-time to this position to provide leadership for the full duration of the LEAD implementation period within the District.

Reporting to DAFE Director of the concerned District. For day-today project coordination and communication with the Provincial Project Coordinator and the LEAD National Project Coordinator

Results

- Project management principles (decentralized implementation, joint actions) applied
- Timely and constructive interaction with District implementing agencies, implementation partners and service providers
- Timely and constructive interaction with other donor-financed projects and programmes

Tasks

- Maintain constructive relationships with the departments, and other partners involved in project implementation at District level
- Provide overall leadership over the organization of deputed government staff and hired project staff dedicated to LEAD at the District
- Direct the implementation of LEAD in accordance with the Project Design Report and the Annual Work Plan and Budget
- Maintain the organization of LEAD at District level and apply the work routines as described in the Project's Implementation Manuals, Financial Management Manual, Procurement Guidelines and Guidelines for Financing Facilities
- Pursue a management philosophy that promotes (i) implementation of project activities at the lowest appropriate level; (ii) implementation of project activities by combined efforts of concerned entities
- Propose and take remedial efforts to keep LEAD on a steady course towards achieving its objectives
- Ensure timely and candid reporting of the project's plans, progress, achievements, and challenges to the PMU
- Ensure the quality of LEAD implementation, inter alia in terms of governance for inclusive development; reach-out to the target group and target categories; precluding negative social and environmental impacts and transparency of decisions and transactions

Qualifications

- Senior position within the DAFE
- Background or proven experience in rural development and / or agriculture
- Demonstrated skills in people's management and communication
- A problem-solving attitude

ToR: District Accountant

The District Accountant is a full-time hired project staff assigned to ensure management of the Project's funds in keeping with the LEAD Financing Agreement and its underlying documents.

Ensure resources allocated to LEAD are used correctly and transparently and provide value for money.

Reporting to District Project Coordinator / Provincial Project Coordinator / National Project Coordinator / Provincial Accountant / National Financial Management Specialist.

Results

- Timely flow of funds from IFAD to the activities to be financed by LEAD
- A high standard of financial management of LEAD resources at District level
- Up-to-date financial information available for inclusion in the Project's accounting software and other reporting systems
- Timely and accurate financial reports including Annual work Plans and Budgets, as well as the various reports described in the Financial Management Manual

Tasks

- Engage proactively with technical, procurement and M&E staff to jointly ensure that project activities provide a high value for money
- Ensure implementation of the financial management function in accordance to the Financial Management Manual and to further instructions by the Finance Manager
- Provide guidance to District staff dealing with farmer groups on correct administrative procedures and to small enterprises
- Report any malpractices promptly to the Project management

Qualifications

- Two years' experience in project accounting
- Skills in working with spreadsheets software
- Good social skills in dealing with staff, farmers, and enterprises
- A team player with a problem-solving attitude

Draft TOR for baseline survey

Background

Project objectives and expected results

Logframe indicators

Target groups and target area

Purpose

The proposed baseline survey aims at: (a) the collection of quantitative and qualitative information on the socio-economic conditions of potential project

beneficiaries; and (b) the quantification of the initial baseline values for the project Logframe indicators (impact and outcome level).

Baseline data collected will be primarily used, at mid-term and project completion, as a reference for the measurement of project effectiveness and impacts. They may also be used to inform the planning of certain project interventions, or the process of beneficiaries' selection.

Among others and in relation with the specific project objectives and target groups, the baseline survey shall provide information on the following:

- General socio-economic situation in targeted municipalities (school enrolment, literacy rate, access to healthcare, poverty rate, etc.).
- Households' characteristics (number of members, age, sex).
- Ownership of, and access to productive/arable land, irrigated land, forests (ha owned, rented, actually utilized).
- Agricultural production: Key crops grown by households (number of ha grown, average yield/ha) and income derived; Current level of production of berries, potatoes and seeds potatoes.
- Livestock production: Types and number of animals owned by households; number of animals sold/year; Dairy production (type, quantities produced and sold); Annual income from livestock and dairy.
- Other sources of income; Total household annual income; Total farming income; Number of income contributors.
- Key assets owned.
- Access to quality inputs.
- Access to agricultural extension or livestock husbandry services.
- Access to domestic water, irrigation water and water for livestock.
- Access to financial capital and credit.
- Access to roads and status of roads.
- Access to markets, traders and buyers;
- Access to market information.
- Effects of climate change on livelihoods and household-level adaptation strategy.
- Key drivers of rural poverty.

Methods of data collection

After a review of the Project Design Document, the Project Implementation Manual and other relevant documents, the Consultant shall prepare a detailed methodological note highlighting the sampling strategy, process and tools for data collection, including survey questionnaires and interview guides. The methodology and questionnaire should be prepared also in line with IFAD impact assessment guidelines^[1].

The following methods shall be used:

Households' survey: A quantitative survey will be carried out among a representative sample of rural households living in the targeted municipalities. The sample shall be representative of the key characteristics of future project beneficiaries in targeted municipalities. The purpose will be to collect quantitative data on rural households' livelihoods, income and socio-economic status, as well as on the extent of their access to essential production inputs, knowledge and markets.

One-on-one interviews with key informants: Semi-structured, open-ended interviews will be conducted with key informants (village or community leaders,

municipal staff) in order to gain an in-depth understanding on specific aspects (e.g. drivers of poverty, production and marketing constraints, production levels).

Focus group discussions: In order to better comprehend the complex issue of resilience to climate change, semi-structured interviews will be organized with groups of producers sharing common characteristics (E.g. groups of dairy producers, women, crop producers).

Use of secondary data: A thorough review of available secondary data for targeted municipalities will be carried out in order to provide background, macro-level information on targeted municipalities (access to education, health, agricultural production and sales).

Sampling strategy and framework

Ideally, the survey should be conducted among a sample of actual beneficiaries, but the process for their selection will last over two years, at least. Thus, at the time of baseline survey, the exact list of Component 1 or the location of Component 2 infrastructure will not be known. The Consultant will suggest an appropriate sampling strategy and sample size, keeping in mind the estimated size of potential beneficiary households and the various characteristics of the targeted municipalities (e.g. in terms of poverty rate, population size or agro-ecological potential). IFAD usually recommends that a sample of 900 households (30 households in 30 localities) be followed. Depending on the extent of homogeneity of target groups' socio-economic characteristics and agro-ecological potential across the targeted municipalities, the Consultant will consider the need to apply a purposeful, stratified cluster sampling method, or if other sampling methods appear more appropriate.

Key tasks to be performed

Before field work:

- Review of the IFAD Guidelines for Impact Surveys to understand broad directions for survey design.
- Preparation of a draft detailed methodological note: This document will describe, among others: (a) the proposed methodology, processes and tools; (b) the sampling framework (including specific on the design methodology and sample size calculation); (c) the field implementation plan with protocols for the enumerators and supervisors; (d) a calendar or activities; (e) Survey questionnaire and interview guide; and (f) survey report outline.
- Finalization of the methodological note based on feedback from the Project Management Unit (PMU).
- Recruitment, training and coaching of enumerators and supervisors.
- Pre-testing and finalization of the questionnaire and interview guides.
- Software/database development for e-surveys.

In the field:

- Coordination with local partners and the PMU.
- Notification to partners and communities.
- Organization of survey logistics (material, transportation, lodging, etc.).
- Sample households' selection based on agreed sampling method and identification of key informants in sample villages/localities.
- Administration of the questionnaire and data collection through KII and FGD.

- On-site, quality control of data by supervisors before entry in database (if questionnaires are completed manually) or before uploading to database (if using electronic tablets).
- Tabulations and pre-analysis of FGD and KII responses

After field work:

- Data entry in database (if not using electronic tablets) and quality control.
- Data analysis and preparation of draft report
- Finalization of survey report based on PCU and IFAD comments
- Delivery final report and electronic files and raw data
- Presentation of final survey results to the PCU

Key deliverables

At the end of the assignment, the following products will have been delivered by the Consultant:

- Detailed methodological note
- Research questionnaires and interview guides
- Draft survey report
- Final survey report
- Completed project Logframe (baseline values)
- Five printed and 2 electronic copies on CDs of the final report, including raw data and database.

The Survey Completion Report shall present the results of the quantitative survey using charts, tables and narratives according to the agreed outline, while findings from FGD, KII and secondary data will provide contextual information and help deepen or complement survey findings. It shall also include a detailed description of the procedures and processes used during the field work, the description of problems faced during the exercise (if any) and the solutions adopted to overcome these issues. The raw data collected shall be annexed to the report and will also be submitted electronically.

Consultant selection

The selection of the consultant will be according to the agreed procurement plan. At the minimum, the consultant or team leader should have the following profile:

- A University Degree in a Social Science or a related field from an accredited university.
- At least seven (7) years of experience in the conduct of development research, socio-economic and impact surveys.
- At least seven (7) years of practical experience in conducting qualitative surveys, preferably with a background in rural development.
- Specific experience in data and information analysis and report writing.
- Prior experience in conducting baseline and impact surveys for UN agencies or the EU will be a plus.

Suggested outline for Baseline survey report

Baseline Survey Report

[Project Title]

[Country / Region]

[Date]

Executive Summary

1. Introduction

1.1 Project Background

- Development problem addressed
- Project objectives and components
- Target groups and geographic coverage

1.2 Purpose of the Baseline Survey

- Why the baseline was conducted
- Link to results framework / logframe
- Intended use of findings

1.3 Scope of the Study

- Geographic scope
- Thematic areas covered
- Limitations

2. Methodology

2.1 Evaluation Design

- Survey design (cross-sectional, mixed methods, etc.)
- Alignment with indicators

2.2 Sampling Strategy

- Sampling frame
- Sample size determination
- Sampling method

2.3 Data Collection Methods

- Quantitative tools (household survey, etc.)
- Qualitative tools (FGDs, KIIs, etc.)
- Fieldwork procedures

2.4 Data Quality Assurance

- Training and piloting
- Supervision
- Data validation

2.5 Data Analysis

- Analytical techniques
- Software used

2.6 Ethical Considerations

- Consent procedures
- Confidentiality

3. Profile of Respondents / Study Population

- Demographics
- Socioeconomic characteristics
- Relevance to target groups

4. Baseline Findings

Note: Present findings using tables, charts, and clear narrative interpretation.

4.1 Socioeconomic Conditions

- Income, assets, livelihoods

4.2 Agricultural Production / Productivity

- Farming practices, yields, inputs

4.3 Food Security and Nutrition

- Dietary diversity, coping strategies

4.4 Access to Services and Infrastructure

- Markets, finance, extension

4.5 Gender and Social Inclusion

- Roles, decision-making, equity issues

4.6 Institutional / Community-Level Findings (if applicable)

- Producer organizations, governance, etc.

5. Logframe Indicator Baseline Values

- Baseline values for all Logframe indicators
- Disaggregation (gender, youth, region, etc.)

7. Discussion and Implications

- Key development challenges
- Risks and opportunities
- Implications for project implementation
- Implications for targeting strategies

8. Conclusions

- Overall baseline situation
- Priority issues

9. Recommendations

- Programmatic adjustments
- M&E considerations
- Capacity-building needs

10. Limitations of the Study

- Sampling constraints
- Data reliability considerations

11. Annexes

Purpose:

- Survey instruments (questionnaire, interview guides)

- Sampling details
- Additional tables
- Fieldwork documentation

[4] IFAD COI guidelines are available at:

https://www.ifad.org/documents/38714170/42870514/coim_guidelines_e.pdf/b6d6993e-1a1a-6683-bd3c-6fc9bb0e5aac?t=1619708052741

DRAFT

Appendix 8: Implementation Agreements - MoUs

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Ministry of Agriculture and Environment
Department of Planning and Implementation (DOPC)
No.: ____/DoPC

Reference

Vientiane,
date.....

Implementation Agreement

Between

[e.g.: DoPC]

and

[e.g.: NAFRI or MOIC]

For

LEAD Project - implementation of [project activities]

THIS IMPLEMENTATION AGREEMENT ("Implementation Agreement") is entered into this day [date, month and year], between the [DOPC], represented by the PMU for the [project name – LEAD] having its principal office located at [Address] and [NAFRI] ("the Implementing Agency") having its principal office located at [Address - Ban Dongdok, District Saythany, Vientiane Capital, Lao PDR].

WHEREAS, the [DOPC/PMU] wishes to have the Implementing Agency performing the Tasks hereinafter referred to, and

WHEREAS, the Implementing Agency is willing to perform these Tasks,
NOW THEREFORE THE PARTIES hereby agree as follows:

- 1.Tasks
 - (i) The Implementing Agency shall perform the Tasks specified in Annex [xxx], under the LEAD, as mentioned in the Finance Agreement (FA) and further specified in the Project Design Report (PDR) and Project Implementation Plan (PIM) "Terms of Reference and Scope of Tasks, Activity [xxx] under Component [xxx]," which is made an integral part of this Implementation Agreement ("the Tasks").
 - (ii) The Implementing Agency shall submit to the [DoPC/PMU] the reports in the form and within the time periods specified in Annex [xxx], "Implementing Agency's Reporting Obligations and Breakdown cost."

- 2.Term
 - The Implementing Agency shall perform the Tasks during the period commencing [month and year] and continuing through to [month and year], the LEAD Project completion date. The Implementation Agreement can be extended as may be subsequently agreed by the parties in writing. The payment schedule

as outlined below must not exceed the LEAD completion date.

3.Payment

A.Total Amount

For tasks accomplished pursuant to Annex [xxx], the DoPC/PMU shall pay the Implementing Agency US dollars [the amount in number] (write the amount in words). The total payment is an all-inclusive fixed lump-sum covering all costs required to accomplish the tasks as described in Terms of Reference. Payments will be made to the account of the Implementing Agency and according to the payment schedule. The price shall be payable in USD.

B. Schedule of Payments

The schedule of payments is specified below:

The first payment (in US Dollars) is based upon the first quarterly budget amount in the APWB.

"For subsequent payments, the imbursement will be done in US dollars in quarterly, upfront instalments, based on the submitted activity plan and budget for the next quarter. Payments will only be executed when the quarterly activity progress reports of the previous quarter, documenting performance according to the ToR, has been submitted with the payment request from [NAFRI]".

The maximum contract value shall not exceed the sum of US dollars [writ the amount in number] (write the number in word) in Total.

C.Payment Conditions

Payment shall strictly be made following the Government rules and regulations

Payment shall be made in Lao Kip (LAK) for the non-contracted activities based on the exchange rate (LAK/US\$) and in USD for the contracted activities between [PMU] and [NAFRI], according to above schedule and not later than 15 days following submission of required documentation.

PMU will pay in full the amounts spent and summarized in the accomplished activities both physical and financial progress report and incorporated in the request for payment to [NAFRI] bank account with the amount not exceeded the amount approved for the submitted activities as specified in the quarterly budget in AWPB and after the bank account balance has been deducted. The agreement is exempted from taxes.

4.Project Administration

A.Coordinator

The [DoPC] designates the National Project Coordinator, [full name] as PMU's Coordinator. The Coordinator shall be responsible for the coordination of activities under the Implementation Agreement, for receiving and approving invoices for payment, and for acceptance of the deliverables by the NPCO.

The [NAFRI] designates the following officers as coordinators:

- [Full name and position for LEAD]
- [Full name and position for LEAD]
- [Full name and position for LEAD]

Each Party may change its designated coordinator or authorized coordinator, but shall promptly notify the other Party in writing of such change and the name and position.

B. Reports.

The reports listed in Annex A: Terms of Reference and Scope of Tasks', shall be submitted in the course of the assignment and will constitute the basis for the payments to be made under paragraph 3 Payment.

C. Records and Accounts

The Implementing Agency shall keep all invoices in respect of the fixed items purchased and make all purchased items identifiable with printed labels.

D. Procurement

Procurement of goods, works, services under this Agreement shall be carried out in compliance with the process and procedures specified in the Project Procurement Manual. The Implementing Agency shall prepare and submit the PMU the annual work plan and budget and the annual procurement plan for incorporation into the project AWPB and procurement plan before submission for IFAD's review and no objection.

E. Authorized and Eligible Expenditure.

Funding is used exclusively to finance expenses that meet the following criteria:

- a. The expenses must be incurred by a Party to the Agreement and must correspond to the reasonable cost of goods, works and services required for the project and provided for in the AWPB and procured in accordance with the procedures provided for in the Guidelines for Procurement defined in the financing agreement signed between IFAD and the Government of Lao PDR.
- b. The expenses must be incurred during the period of execution of the agreement, the expenditure must also be authorized in accordance with the conditions stipulated in the Agreement.
- c. If, under the terms of the Agreement, the amount of funding is allocated to authorized categories of expenditure and the percentage is specified, the expenditure must fall into a category whose allocation has not been exhausted, and it is only authorized within the limit of the percentage applicable to the category in question.

1. Any payment prohibited by a decision of the UN Security Council under Chapter VII of the UN Charter, will not be eligible for the financing under this Agreement.
 - e. No payment made to any person or entity, or for the purchase of any good or service, shall not be eligible for funding under the Agreement if making or receiving such payment constitutes an act of coercion, collusion, corruption, or fraudulent practice by any representative of the project, government, or any party to the project.
5. Performance Standard
- The Implementing Agency undertakes to perform the Tasks with the highest standards of professional and ethical competence and integrity. The Implementing Agency shall promptly replace any employees assigned under this Implementation Agreement that the DoPC/PMU considers unsatisfactory. The Implementing Agency permits IFAD and the GOL to inspect their accounts, records and other documents relating to the procurement and contract performance, and to have them audited. The Implementing Agency shall comply with the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations and with its Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse (See annex [xx]).
6. Confidentiality
- The Implementing Agency shall not, during the term of this Implementation Agreement and within two years after its expiration, disclose any proprietary or confidential information relating to the Tasks in this Implementation Agreement or the DoPC/PMU's business or operations without the prior written consent of the DoPC/PMU/MAE.
7. Ownership of Material
- Any studies, reports or other material, graphic, software or otherwise, prepared by the Implementing Agency for the DoPC/PMU under the Implementation Agreement shall belong to and remain the property of the DoPC/PMU/MAE. The Implementing Agency may retain a copy of such documents and software.
8. Implementing Agency to pursue sustainability in AFNII target villages
- The Implementing Agency agrees that, during the term of this Implementation Agreement and after its termination, the Implementing Agency and any entity affiliated with the Implementing Agency, shall remain providing goods, works or Tasks to pursue sustainability of Component [xxx]: Activity [xxx] "mention name of activities" in LEAD target villages resulting from, or closely related to the Tasks.
9. Insurance
- The Implementing Agency will be responsible for any appropriate insurance coverage.
10. Assignment
- The Implementing Agency shall not assign this Implementation Agreement and Sub-Agreement with

any agency or any portion of it to another entity without the PMU's prior written consent.

In case of the sub-agreement with a third party is applied, the Implementing Agency must be responsible and accountable for their performance and results of works to ensure its fulfilment of the tasks assigned to the Implementing Agency within the budget and timeframe agreed.

11. Review visits and inspections by IFAD Under the terms of the financing agreement between IFAD and the Government of Lao PDR, the implementation of LEAD, the Implementing Partner and other Parties to the Agreement shall allow the agents and representatives of IFAD to:
- i. Visit and inspect the project, construction sites, the work, the facilities, and the other properties used for the purpose of implementing the Agreement.
 - i. Examine the originals and take copies of data, accounts, records, and documents relating to the Agreement to a Party to the Agreement; and
- Meet with the staff of the Implementing Partner and any staff of any party to the Agreement, enter in contact with them and gather needed information.
12. Archiving The Implementing Partner shall ensure that all Parties to the Agreement establish and maintain updated records and documents necessary to report transactions undertaken for the implementation of the Agreement (including copies or originals of all correspondence, minutes of meetings and all documents relating to procurement, if any), up to the date of completion of the Agreement and shall keep them for at least the ten (10) years that follow.
13. Law Governing Implementation Agreement and Language The Implementation Agreement shall be governed by the applicable laws of the Lao PDR, and the language of the Implementation Agreement shall be English with translation into Lao.
14. Dispute Resolution Any dispute arising out of this Implementation Agreement, which cannot be amicably settled between the parties, shall be referred to adjudication/arbitration in accordance with the laws of the Lao PDR.
15. Termination and cancelation Either party may terminate this agreement upon the provision of a written 3-month prior notice, if:
- (a) Either party has failed to perform any of its obligations under this Agreement and that either party has determined that such failure has had, or is likely to have, a material adverse effect on the Project; or
 - (b) Either party has determined that a situation has arisen which may make it improbable that the Project can be successfully carried out.
- In case of termination, the Implementing Agency can claim all reasonable costs incurred until the date of termination. Between the date of notification and the

date of termination, the Implementing Agency has the duty to avoid any unnecessary costs.

IN WITNESS WHEREOF the undersigned, being duly appointed representatives of the Parties, have on behalf of the Parties signed this Implementation Agreement as confirmation of the terms and conditions contained herein.

Signed at Vientiane, Lao People's Democratic Republic, [date, month and year];

For: THE DEPARTMENT OF
PLANNING AND IMPLEMENTATION

For: THE IMPLEMENTING AGENCY

Full name
Director-General

Department of Planning and
Implementation
Ministry of Agriculture and
Environment
Vientiane, Lao People's Democratic
Republic

Date:

Full name
Director-General

[e.g., NAFRI in full name)
Vientiane, Lao People's Democratic
Republic

Date:

Appendix 9: Code of Conduct

[Code of Conduct of Project Parties \(2023\)](#)

DRAFT

Appendix 10: Financial Management Manual

Introduction

The purpose of this Project Financial Management Manual is to provide detailed guidance to implementing agencies on financial management procedures. The manual outlines the financial procedures to be followed by Single Project Coordination Unit (SPCU) and implementing partners during the following stages of the project cycle: i) preparation and planning, ii) implementation and iii) completion of the project.

The manual aims to describe in detail the necessary steps to be undertaken by project financial management staff and implementing partners, when undertaking actions related to a) planning and budgeting, b) accounting, c) records management, d) internal controls, e) flow of funds, f) withdrawal of financing proceeds, g) processing of payments, h) financial reporting, i) fixed asset management, j) audit arrangements, k) supervision by IFAD and l) project completion and financial closure.

These guidelines are intended to be used by all implementing agencies of the project. While it is acknowledged that the Implementing Partners will be selected through a competitive recruitment process and IPs may have its own financial procedures, IFAD's guidelines will be applicable to this project, and where the implementing partners' and IFAD's financial procedures diverge, IFAD's financial procedures shall take precedence.

A financial management due diligence will be carried out on the implementing partners to ensure that the selected implementing partners have the capacity and adequate financial management arrangements in place to implement the project in accordance with the provisions of the financial agreement and IFAD requirements.

This manual is a living document and it is to be reviewed and updated when needed. It should be noted that on-going improvements and updates to financial management arrangements be updated in this section of the PIM under the supervision of the Finance Officer and subject to IFAD's no objection.

The manual should be read together with the Project Implementation Manual and the Procurement Manual. It is fundamental that the PIM is shared with all IPs and project staff master these documents before the implementation of the project begins.

Reference material.

This document should be read together with the:

- ✓ Project financing agreement entered into between the Recipient and IFAD
- ✓ Project Financial Management and Financial Control Arrangements Letter (FMFCL)
- ✓ IFAD General Conditions for Agricultural Development Financing
- ✓ The Project Financial Management and Financial Control Handbook
- ✓ IFAD Handbook on Financial Reporting and Auditing of IFAD-funded projects

Click [here](#) for links to documents.

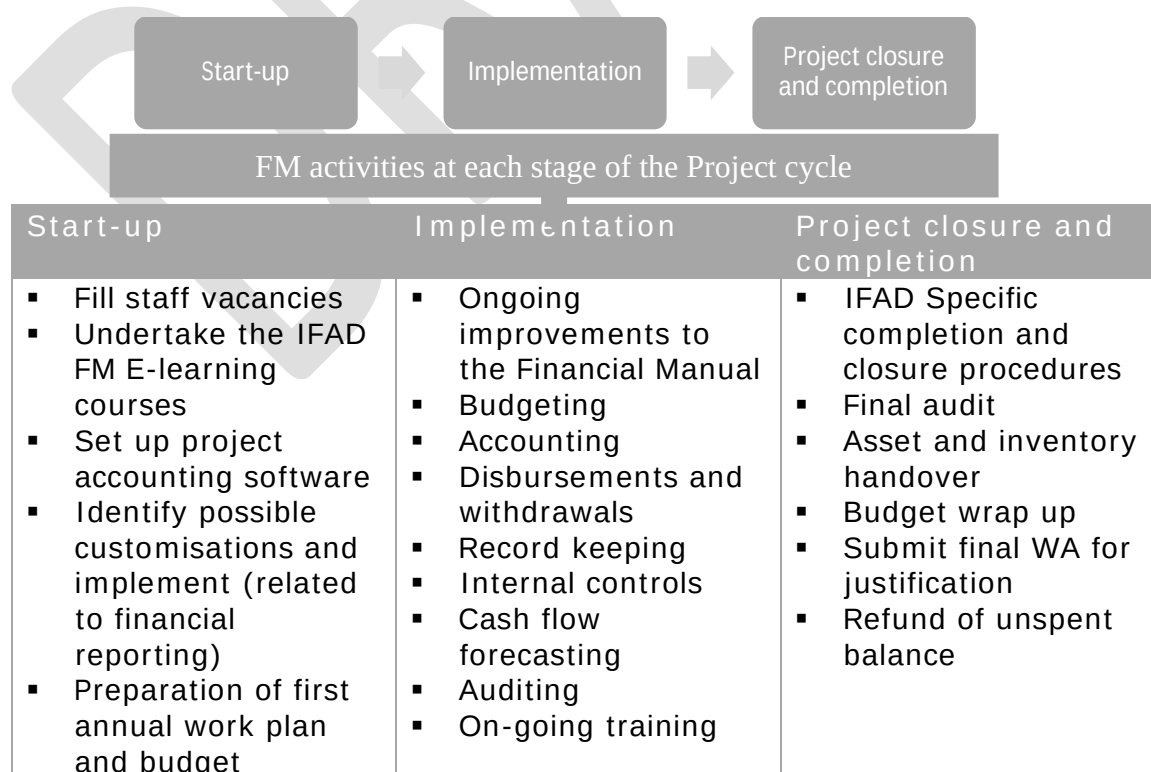
Total Project financing

Project summary

Project name	Linking Enterprises, Agriculture and Development for Green Growth (LEAD) Project
Financiers, contributors, facilities	IFAD LOAN USD17.59m IFAD GRANT N/A Other financiers N/A Government of Lao PDR USD2.421m Beneficiaries Cash contribution USD0.380m Beneficiary In kind Contribution USD0.067m SMEs cash contribution USD0.211m
Project effective date	
Implementation period	7 years
Project completion date	
Project closure date	
Project area	

Project cycle and financial management activities

The Financial staff of Project will have final responsibility for the execution of the activities at each stage of the Project cycle as outlined in financial management below:



▪ Opening of bank accounts ▪ Start-up training ▪ Attend anticorruption workshop hosted by IFAD. ▪ Finalise the FM inputs to the PIM, all administrative manuals ▪ PMU: conclude MOUs with implementing agencies if any	▪ Implement performance evaluation⁹ ▪	



NB: The Financial Manager will have the final responsibility to prepare consolidated financial reports for submission to IFAD.

Pre-implementation activities

During project start up PMU start to undertake the following activities.

Activity	Overview
<i>Financial management staff appointment</i>	• <i>Fill vacancies within Project in line with the FM Organogram.</i>
<i>Accounting software</i>	▪ Procure accounting software use of 1C. ▪ Configure chart of accounts ▪ Upload project financial data
<i>Open bank accounts</i>	▪ The Finance Officer and Project Coordinator, with the assistance of MAE and MoF, will be responsible for the opening of the Designated Account and Project bank accounts (Refer Annex 7 for bank accounts).
<i>Preparation of first annual work plan and budget</i>	▪ The Finance Officer will be responsible for the consolidation of the first Annual Workplan and Budget, under the guidance of the Project Coordinator and submission to IFAD for no-objection.

⁹*Develop (in consultation with the Project Coordinator) a performance evaluation process for FM staff within 1 year of project commencement and document process in the PIM. This process should identify skills gaps and assist with identifying appropriate training interventions.*

<i>Staff training and capacity building</i>	▪ Newly appointed PMUs financial Management staff as well as any existing, to complete the IFAD FM e-learning (https://www.ifad.org/en/w/publications/project-financial-management-e-learning-course-multilingual) ▪ All staff are required to study the project related documents at project start-up. ▪ Training during project start up.

IFAD Anticorruption policy

The management of Project funds shall be sufficiently rigorous to safeguard against Fraud and Corruption. Fraud and corruption include, but are not limited to (as defined in the IFAD anticorruption policy):

- Corrupt practice - offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
- Fraudulent practice - any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.
- Collusive practice - an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.
- Coercive practice - impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

IFAD applies a zero-tolerance policy towards fraudulent, corrupt, collusive or coercive actions in Projects financed through its loans and grants. 'Zero tolerance' means that IFAD will pursue all allegations falling under the scope of this policy and that appropriate sanctions will be applied to parties or entities involved where the allegations are substantiated. IFAD takes all possible actions to protect individuals who submit allegations of fraudulent or corrupt practices in its activities from reprisal. The primary responsibility for enforcing the Anticorruption Policy lies with the Project, and the first defence for controls shall be exercised by Project staff and counterparts Pursuant to this, the Project shall have the responsibility to incorporate pertinent provisions of the Anticorruption Policy in its contracts with Project staff, cooperating/implementing partners, and suppliers/consultants.

It is the Project Director and the Project Financial Manager's responsibility to make sure that all Project staff are aware of IFAD's and the National's anticorruption policies and whistle blowing procedures.

The project can contact the IFAD Officer of Audit and Oversight to report events.

All communications are treated with the utmost CONFIDENTIALITY.

By phone: +39 06 54592888

By fax: +39 06 54597888

By e-mail: anticorruption@ifad.org

Through the online complaint form:

www.ifad.org/governance/anticorruption/how.htm

In person or by mail to:

IFAD Office of Audit and Oversight, Investigation Section

Via Paolo di Dono, 44
00142 Rome, Italy
(Mark all mail "Personal and confidential")
Refer to [annexure](#) for useful links.

FM organisational structure, roles and responsibilities (to be updated by PMU)

Overview of FM organizational structure

The project will be implemented by the Ministry of Agriculture and Environment (MAE) as the lead implementing agency, through its Department of Planning and Cooperation (DoPC). The Ministry of Industry and Commerce (MOIC) will serve as co-implementing agency specifically for Component 1. A formal Memorandum of Understanding (MoU) will be signed between MAE and MOIC to define roles, responsibilities, coordination mechanisms, and accountability frameworks. A Project Management Unit (PMU) will be established within MAE to lead planning, technical support, fiduciary management, and coordination with executing and implementing partners. The FM team is composed of a **finance Officer, Assistant Finance Officer and government Accountant**. Provincial and District Coordination Units (PCU and DCU) will be embedded within MAE's local offices. Technical Assistance (TA) may be located in provinces or districts along with key local project staff to support planning, implementation, management and reporting, while ensuring cost-efficiency. At the PCUs, Government will provide a seconded **Accountant**, and an **Assistant Accountant** will be recruited. These FM staff will also cover the target districts, however depending on the FM and accounting requirements during implementation, **Finance Assistants** may be recruited at district level to support the Provincial level staff.

MOIC and other implementing partners will designate qualified and experienced FM staff to manage funds for the activities under its purview. The focal persons will be responsible for all FM aspects including requests for advances, liquidations, and reporting.

FM staff - key roles and responsibilities

Detailed job descriptions for **Finance Officer and Finance Assistant** are attached as annexes to the [PIM](#).

Planning and budgeting

The following components and categories provide guidance and reference for preparation of the Annual work plan and budget and monitoring of progress in line with the overall Project financing.

Components	Expenditure categories
Component 1: Development of Inclusive value chains	✓ Identify the relevant categories
Component 2: Promotion of Climate-resilient Technologies and Diversification in Farming Systems	✓ Identify the relevant categories

Components	Expenditure categories
Component 3: Project Management	✓ <i>Identify the relevant categories</i>

The **Finance Officer** will prepare the consolidated AWPB with input from Provinces and implementing partners. The Finance Officer will consolidate the separate AWPBs as per IFAD format, and per component, category and by financier. The Provincial Project Steering Committee (PPSC) will endorse provincial plans and the District Project Steering Committee (DPSC), will review and approve quarterly plans. The National Project Steering Committee (NPSC) will approve the AWPBs ensuring alignment with national policies and priorities. The AWPB will be submitted to IFAD 60days before start of the financial year for No Objection clearance. The approved AWPB will be entered into the accounting software and budget monitoring reports prepared by the system, but if the installed accounting system has no budget module, the budget will be monitored in excel. Provinces and implementing agencies will monitor their own AWPB and submit regular reports to PMU. **The Finance Officer** should ensure that consolidated expenditure per category is in line with the approved totals on schedule 2 of the Financing Agreement. If expenditure is expected to be over the approved category allocation, a request for reallocation among categories should be submitted to IFAD for No Objection.

Project budget as per schedule 2 and share the costab tables by link

Internal controls

Internal control is an integral process implemented by management and staff to manage risks and to provide reasonable assurance that project objectives are achieved. Internal controls aim to ensure:

- Execution of orderly, ethical, economical, efficient and effective operations.
- Fulfillment of accountability obligations.
- complying with applicable policies, laws and regulations.
- safeguarding resources against loss, misuse and damage.

Internal control is a dynamic integral process that is continuous and adapts to changes in the project. Management and staff at all levels should be involved in the processes to identify and address risks for the achievement of the project's financial and operational objectives.

It is recommended that the PMU and Finance Officer consider the guidance outlined in [Guidelines for internal controls for Public Sector Entities \(INTOSAI GOV 9100\)](#) when developing/improving the system of internal control (also see COSO Integrated Framework – Internal Control). In terms of the Guidelines for Internal Control Standards for the Public Sector (INTOSAI GOV 9199):

At project start-up it is recommended that the **Financial Manager** of PMU use the general framework for considering the internal control

environment with the intention of improving the existing control environment. In terms of the general framework:

- 1) Perform a risk assessment
- 2) Develop control activities which address identified risks (or improve existing control activities)
- 3) Implement control activities (by documenting controls, updating the information systems, communicating to relevant parties)
- 4) Develop a system for monitoring the effectiveness of controls implemented

Detailed activities and **responsible positions** for the internal controls activities are as below:

Control activities	Description
<i>Authorisation and approval procedures</i>	Authorisation and approval controls should ensure transactions are valid, accurate, and comply with project policies and procedures and help to maintain accountability and transparency in financial operations and safeguard project funds and assets from loss or misuse. All approvals must be in writing (signed or electronic) and retained for audit purposes. Authorisation levels of Project staff should be in line with their underlying roles.
<i>Segregation of duties</i>	There should be separate responsibilities for initiating, reviewing, approving, recording transactions, reconciliations, custody of assets; these roles should not be assigned to a single individual. Ensure segregation of duties in the processing of transactions
<i>Access to resources and records</i>	Project records and resources should be safeguarded against unauthorized use, loss, or damage. Records and financial resources including petty cash should be kept securely. Back -up processes should be implemented with regular testing procedures. Access should be granted only to individuals with appropriate authority. Ensure all data, records and assets are securely kept and used only for the purposes of the project
<i>Verifications</i>	Transactions and significant events must be verified before and after processing. The verification process must be documented and attached to the transaction records for audit and accountability purposes.
<i>Reconciliations</i>	Reconciliations between independent, corresponding sources of data is a key control to identify and correct any errors, omissions or disparities and irregularities. The reconciliations should be done monthly. Any reconciling or balancing amounts should be promptly cleared. Unusually long outstanding reconciling items should be investigated. Physical checks should also be performed on assets and petty cash.
<i>Reviews of operating performance</i>	Operating performance is reviewed against a set of standards on a regular basis, assessing effectiveness and efficiency. If performance reviews determine that actual accomplishments do not meet established

Control activities	Description
	objectives or standards, the processes and activities established to achieve the objectives should be reviewed to determine if improvements are needed.
<i>Reviews of operations, processes and activities;</i>	Operations, processes and activities should be periodically reviewed to ensure that they are in compliance with current regulations, policies, procedures, or other requirements. When it is determined that there are changes in regulations, the PMI & FMM should be revised and updated accordingly to reflect the new requirements.
<i>Supervision</i>	Competent supervision helps to ensure that internal control objectives are achieved. This includes assigning, reviewing, and approving an employee's work.
<i>Information and technology related controls</i>	Information and technology controls can be both general and related to applications. The major categories of general controls are (1) entity-wide security program planning and management, (2) access controls, (3) controls on the development, maintenance and change of the application software, (4) system software controls, (5) segregation of duties, in both accounting system an online banking system and (6) service continuity. Application controls are the structure, policies, and procedures that apply to separate, individual application systems, and are directly related to individual computerized applications. These controls are generally designed to prevent, detect, and correct errors and irregularities as information flows through information systems

Project should reach an adequate balance between detective and preventive control activities. Corrective actions are a necessary complement to control activities in order to achieve the objectives

Reconciliations, Reviews and Monitoring

The following reconciliations, checks, monitoring and review activities should be prepared on a monthly basis. **This should be finalised with the PMU**

Type	Description	Preparer	Reviewer (signed by)
<i>Designated account bank reconciliation</i>	Reconciliation of the bank balance of the designated accounts to the cash book balance. (IFAD format outlined in Appendix 21.12)	Finance Assistant	Finance Officer and Accountant
<i>Transit accounts / interest accounts / tender accounts reconciliations (local currency)</i>	Reconciliation of the bank balance of the transit accounts to the cash book balance.	Insert title as per the project FM Organogram	Insert title as per the project FM Organogram

Type	Description	Preparer	Reviewer (signed by)
<i>Petty cash reconciliation</i>	Reconciliation of petty cash to relevant cash book. Refer 21.14 for reconciliation form.	<i>Insert title as per the project FM Organogram</i>	<i>Insert title as per the project FM Organogram</i>
<i>Petty cash spot checks</i>	Financial Manager to undertake random sport checks of petty cash (compare cash balance to petty cash book)	<i>Insert title as per the project FM Organogram</i>	<i>Insert title as per the project FM Organogram</i>
<i>Advance justifications</i>	Clear all outstanding advances within 2 days of each quarter (received and record approved expenditure) and follow up on long overdue items for which invoices/supporting documentation has not been received.	<i>Insert title as per the project FM Organogram</i>	<i>Insert title as per the project FM Organogram</i>
<i>Review of monthly reports from NGOs/Implementing Agencies (as per 21.17)</i>	Obtain monthly reports from NGOs/implementing agencies and confirm: ✓ Report was approved by designated official ✓ Bank balances agree to bank statement / bank reconciliation ✓ Petty cash balances agree to petty cash reconciliation ✓ Listed expenses are supported by valid invoices and other supporting documentation (review original documentation) ✓ All advances from PMU are recorded in line with advances recorded in system ✓ Expenses have been incurred in line with the approved AWPB	<i>NGO/Implementing Agency designated officer –insert title</i>	<i>PMU designated officer – insert title</i>
<i>Quarterly and Monthly internal report</i>	Prepare internal reports for the purposes of monitoring project progress and identifying issues. Refer section 13.7.	<i>Insert title as per the project FM Organogram</i>	<i>Insert title as per the project FM Organogram</i>

In all instances, issues identified during the review/reconciliation process should be followed up and resolved in a timely manner.

Information and technology related controls

Password is required to log into accounting software

- ✓ accounting software to require password change on a regular basis
- ✓ User rights are defined and documented and linked to log-in credentials
- ✓ Daily back-up of accounting software data on server
- ✓ Sensitive information (e.g. payroll files) are password protected
- ✓ Regular software updates are undertaken to ensure that accounting software version is supported by technical team at accounting software

Internal control environment – implementing agencies

The PMU Finance Officer will be responsible for the assessment of the internal control environment of implementing agencies which report to it. In terms of the MOUs, it will be required that implementing agencies perform an annual self-assessment of their financial management. It is recommended that the Finance Officer use the information contained in this section to consider the soundness of the internal control environments and provide guidance on improving controls if weaknesses are identified.

Flow of funds

General flow of funds arrangements:

To be finalised by PMU

- A designated account in USD will be opened at the bank of Lao.
- PMU will request funds from IFAD loan through a withdrawal application. The funds will be both for PMU and for the implementing agencies and co-implementor for component 1
- IFAD funds will be disbursed in USD into the designated account
- Project accounts will be opened as a commercial bank at national and at the 2 Provinces for transaction purposes.
- Co-implementing, other implementing partners and Provinces will request advances based on quarterly cash forecast as per approved AWPB and upon liquidation of previous advances.
- Cash in local currency should be held for the shortest possible period to minimize exposure to exchange rate fluctuations. Direct Payments for relatively large payments, based on approved budget thresholds, should be initiated for direct payments from the Central Office/PMU. This reduces the need for currency conversions and further mitigates foreign exchange risk.
- A dedicated Interest control account will be maintained for the purposes of tracking interest earned in the designated and project accounts. The interest will flow back to MoF.
- Government counterpart contribution in cash will be transferred to a separate Government PA in Kip.
- IFAD may make direct payments to suppliers of goods and services up to certain thresholds.

Funds flow diagram:

Petty cash account

PMU will establish a petty cash account in local currency. The purpose of the petty cash is to allow payments of small value items in a quick and efficient manner. Payments through petty cash will only be allowed for amounts up to the established limit in Kip. PMU will designate the custodian of petty cash as per approved organogram. Approval must be obtained from the designated approvers for each expenditure item and Petty Cash Voucher should be used for petty cash transactions. The Petty cash must be stored in a secure, locked safe at all times. Access to the petty cash should be strictly controlled, and only the designated custodian is authorized to hold the key.

Authorised bank signatories

All project bank accounts will have at least two designated signatories, and all payments and transfers will be authorised by two of the assigned signatories.

Accounting

Accounting system

The accounting system should be designed to ensure availability of required financial information in a timely and accurate manner. The system should provide real-time access to financial data for authorized users, ensure accuracy and completeness of transactions through built-in validation and control features, support timely reporting for internal management, donors, and regulatory bodies, maintain an audit trail for all transactions to enhance transparency and accountability and facilitate integration with budgeting, procurement, and payroll processes for efficiency. The system should ensure data security and confidentiality through role-based access controls.

The project will adopt IPSAS cash basis of accounting. The project will follow the double entry system of accounting. A standalone accounting software will be procured and installed for project accounting purposes. All financial transactions at all locations will be recorded promptly using the accounting system. The accounting software will be customised to enable reporting requirements including the financing sources, categories and components and should provide for easy generation of WAS.

Centralized accounting at PMU

The Co-implementor and other implementing partners will receive advances upon submission of request for advances based on the signed MOUs and AWPBs. All IPs will be required to liquidate advances and submit financial reports to the PMU. Advances will be treated as expenditure upon liquidations supported by adequate documents and financial reports.

Accounting software

At project start-up the PMU should identify the required customization to ensure that the system can generate forms/reports in the formats required by IFAD and/or other financiers.

Chart of accounts

The accounting software should include the appropriate Chart of Accounts. The Chart of Accounts should be developed to cater for:

- All components and sub-components are incorporated in the AWPB (outlined in the financing in agreement)
- All categories as outlined in the financing agreements
- Sources of finance (Government, IFAD, SMEs, Beneficiaries etc)
- Sub categorisation to cater for activities at the various states

The Chart of Accounts should be structured to mirror the cost tables to ensure that actual project costs incurred during implementation can be accurately compared with the estimates at design.

Recording and processing of transactions

The project will apply a cash-basis accounting framework complemented by commitment controls to ensure that expenditures are recognized only when they are incurred while commitments will be recorded at the time of contract signature to facilitate budget control and monitoring. Advances will be treated as expenditure and recorded as such upon liquidations supported by adequate documents.

Each transaction should be recorded in the accounting software based on the following:

- Use double entry accounting (debit and credit, with cash always being one of the entries)
- Capture the transaction using the correct account code (as determined by the chart of accounts)
- Capture transactions which have the required supporting documentation
- Capture information accurately and completely.

Accounting for in-kind contribution

IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects requires the project to account for and disclose in-kind contributions. In order to meet this requirement, the Project is required to measure contributions and record in the accounting system.

In-kind contributions refer to goods or services provided to the project without monetary payment. These contributions must be captured and recorded to reflect the true cost of project implementation and support. Contributions are measurable in monetary terms and fair value should be reliably determined. For valuation purposes, fair market value should be used based on published price lists, valuations, or independent appraisal. Documentation should include agreements, delivery notes for goods, timesheets for volunteer services as well as the valuation method and approval. In kind contribution should be recorded in the accounting system; (i) Record as contribution under the relevant "In-kind Contributions" eg from government, beneficiaries etc in the Sources and uses of funds. (ii) Record an equivalent amount under the relevant cost category and component.

The following process is followed to account for in-kind contributions received from government, Community Groups/beneficiaries: **(to be identified with the PMUs based on nature of the in-kind contribution provided)**

Measure	XXXX
Review	XXXX
Approve	XXXX
Record	XXXX

Some examples of In kind contributions and necessary calculations and supporting documentation required.

Type	Measurement calculation	Supporting documentation to be retained
<i>Labour hours</i>	Value = total hours worked X applicable wage rate (in most cases the applicable minimum wage rate for uneducated labour in the country)	Time sheet outlining the persons, and the hours they contributed during a specified time period. The time sheet should be duly signed
<i>Maintenance costs</i>	Value = actual cost of materials purchased	Copies of invoices.
<i>Construction material – gravel</i>	Value = cubic meters of gravel	Bill of lading prepared by the consulting engineer which indicated the estimation of gravel volume. The sheet should be duly signed by the community representative and Project technical/M&E staff
<i>Construction material – other</i>	Value = actual cost of materials purchased	Copies of invoices.

In-kind contributions must be by linked to an activity/component, by category and by financing source (government and/or beneficiaries) to ensure that consolidated financial reports can be produced without any extra effort.

In-kind contributions should be disclosed separately in the financial statements. The notes of the financial statements should also briefly explain the methodology of how it was calculated.

NB: Government will pay for project related taxes. This is not considered in-kind unless Government provides and exemption instead of transferring the tax portion to the Project. In addition, Government will provide in-kind contribution consisting of salaries for seconded staff, Office equipment & maintenance, essential services (water, electricity, internet), provision of audit services, office furniture, and printers. The in-kind contribution commitments will be formalized through a time bound In-Kind Contribution guideline specifying units, availability of the contribution, responsible departments, documentation, and quarterly reporting, with a similar approach applied to beneficiary in kind contributions.

Accounting for exchange rate matters

Funds will be transferred from IFAD to the designated account (DA) in USD and subsequently transferred to the Project Account in local currency (Kip). The transactions must be recorded using the exchange rate obtained at the time of each transfer using the First-In, First-Out (FIFO) principle. For example:

- IFAD transfers funds in USD into the Designated Account (DA).

- A portion of USD is transferred from the DA to the Project Account in Kip at the prevailing exchange rate.
- Record the converted amount in the accounting system using this rate.
- Payments made from the Project Account should use the specific rate applied at the time of conversion for expense recording and reporting.
- When the initial converted funds are exhausted, another transfer is made.
- The new exchange rate obtained at the time of this transfer for all subsequent transactions funded by it should be applied.

Accounting for advances

Advances are recorded in the system at the time of issuing the advance following required approval processes. The advance is treated as a receivable until fully liquidated or acquitted. After the activity is implemented, the responsible staff must submit liquidation report together with supporting documentation, financial report and activity report. The report and documents will be reviewed and approved before entries are processed to record the expenditure under the appropriate category/component and clear the advance from the ledger. Unspent funds should be banked promptly and copy deposit slip attached to the liquidation report. Amounts due to staff member will be reviewed and settled as per project payment processes. The liquidations should be submitted within 10days after the activity. Any outstanding advances beyond the 10day period will be deducted from the staff member salary on the next payroll.

Cash flow forecasting

The project cash requirements will be determined by the cash forecast as projected on the quarterly IFRs informed by the approved AWPB. The DA balance will be deducted from the cash needs to inform the actual cash replenishment for the WA (refer to IFR template Report I). At project level the amount to be transferred from DA to the Project account should be based on the monthly cash requirements to avoid holding huge cash balances in local currency which might be affected by currency fluctuations.

Disbursements

First disbursement will be made upon fulfilment of conditions precedent to disbursement including appointment of key project staff, approval of the first AWPB and procurement plan as well as an approved PIM & FMM. The DA should be opened and banking instructions submitted to IFAD, and the ICP authorized signatories and users must be registered in ICP.

Start-up advance.

The Project will be eligible for start-up advance for an amount of US\$500,000 to accelerate activities for the fulfilment of conditions for first disbursement. The startup costs will be in accordance with the 18-month procurement plan to cover start up activities including baseline study; staff recruitment costs, procurement and installation of accounting software; cost of equipment, and operational costs. The start-up advance can be provided from the loan proceeds on entry into force and prior to the fulfilment of the condition's precedent to first

withdrawal. When the DA is opened and signatories appointed and ICP registration completed, a WA supported by approved AWPB for startup activities can be submitted to IFAD for up to US\$500 000. The start-up costs will be charged to the respective expenditure categories on schedule 2 of the financing agreement.

Eligibility of expenditures

In accordance with the IFAD disbursement procedures, between the date of entry into force of the Financing Agreement and the Financing Closing Date, the project may request withdrawals from the IFAD Loan and Grant for eligible expenditures.

Eligible expenditures are defined in the IFAD General Conditions Section 4.08 as follows:

The Financing shall be used exclusively to finance expenditures meeting each of the following eligibility requirements:

- o The expenditure shall meet the reasonable cost of goods, works and services required for the Project and covered by the relevant AWPB and procured in conformity with the Fund's Procurement Guidelines.
- o The expenditure shall be incurred during the Project Implementation Period, except that expenditures to meet the costs of winding up the Project may be incurred after the Project Completion Date and before the Financing Closing Date.
- o The expenditure shall be incurred by a Project Party.
- o If the Agreement allocates the amount of the Financing to categories of Eligible Expenditures and specifies the percentages of such Eligible Expenditures to be financed by the Financing, the expenditure must relate to a category whose allocation has not been depleted and shall be eligible only up to the percentage applicable to such category.
- o The expenditure shall be otherwise eligible in accordance with the terms of the Financing Agreement.
- o The Fund may from time to time exclude certain types of expenditure from eligibility.
- o Any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, shall not be eligible for financing by the Financing.
- o Any payments to a person or an entity, or for any goods, works or services, if making or receiving such payment constitutes a coercive, collusive, corrupt or fraudulent practice by any representative of the Borrower/Recipient or any Project Party, shall not be eligible for financing by the Financing.
- o All expenditures must be supported by sufficient supporting documentation as stated in the FMFCL and the FMFC handbook
- o The proceeds of the financing shall not be used to pay taxes. However, taxes paid by the ultimate recipient of an expenditure (e.g. withholding tax, income taxes paid by a Project employee or taxes on the profits of a contractor) are not considered to be taxes paid by the Project.

The IFAD disbursement procedures as outlined below are governed by the FMFC Letter and the FMFC Handbook. The handbook is also available on the IFAD website.

Disbursement procedures

Disbursement procedures will follow the revolving fund mechanism based on the six-month cash forecasts as projected on the quarterly IFR. WAs for replenishments of the DA will be submitted to IFAD quarterly through the ICP system based on the six-monthly cash forecast supported by IFRs. The WAs will be in accordance with the approved AWPBs. The PMU will be responsible for the preparation and consolidation of IFRs, reconciliation of the DA, and preparation of WAs for review and approval by designated signatories of MAE and MoF prior to ICP upload for IFAD review and payment. The Project may request IFAD for direct payment to contractors and/or suppliers for single payment with a value of US\$200,000 or more.

Co-implementor and implementing partners will receive advances upon submission of request for advances based on the signed MOUs. All IPs will be required to liquidate advances and submit financial reports to the PMU.

Government counterpart contribution in cash will be transferred to a separate Government PA in Kip. In kind contributions such as financing of taxes and duties foregone will be based on invoices and recorded at the point of payment processing whilst seconded staff salaries will be based on actual staff working under the project.

Beneficiary contributions for blocked grants under blended finance arrangements will be deposited into the financial institutions and will release grants to beneficiaries upon fulfillment of creditworthiness as per agreements.

Beneficiary in kind contribution for livelihood grants will be based on proposals with verifications for actual in-kind contributions to be conducted by PMU.

Evidence of Authority to sign Withdrawal Applications

IFAD requires Borrower/Recipient, as designated in the financing agreement, to furnish satisfactory evidence of the authority and authenticated specimen signatures of the individuals who will sign WAs on behalf of Project

IFAD must also be notified of the designated signatories for operating any designated and/or Project or other accounts, including changes thereto, whether or not these authorized signatories are included in the financing agreement.

The Designated Account

The project will open a Designated Account (DA) in United States Dollars at the Bank of Lao, managed by MoF. IFAD loan will be disbursed into the DA following receipt of WAs submitted by MoF through the ICP system. Users authorised to operate the DA will be designated by MoF together with users to approve Withdrawal Applications (Was).

Withdrawal of Financing Proceeds using withdrawal applications

The PMU Finance Officer prepares the WAs which is then uploaded in ICP and approved by the authorised signatories. The WA is supported by an Interim Financial Report (IFR) together with supporting documents of expenditure (for justifications) as detailed in the IFAD handbook of financial management and financial control as well as the FMFCL. The submission is scheduled on a quarterly basis. The designated account reconciliation and statement should be prepared

and accompanied by bank statements of the designated account and operating Project accounts. The closing bank balances for bank accounts should correspond to the closing balances on the IFR at the end of the reporting quarter as per the WA dates.

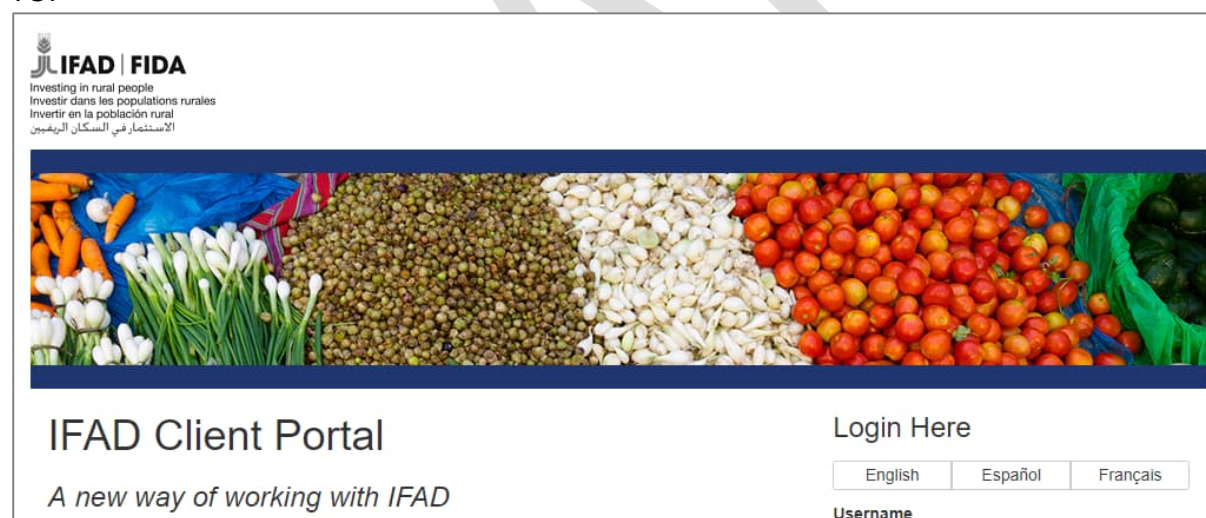
Initial advance

Ensure the disbursement conditions as per the financing agreement and the FMFCL Letter have been met including

- Evidence that a designated account has been opened and the names/titles of the persons authorised to operate this account are communicated.
 - The ICP letter from authority to assign the persons to submit the WA and IFR to IFAD.
 - Submit the quarterly IFR together with the supporting bank statements of the DA and Project account, and any other document requested.
 - Submit the WAs for replenishment of advance supported by the IFR package.
- Foreign exchange conversion in preparing withdrawal applications

When expenditure in local currency is justified on a WA, the FIFO method should be applied for currency conversion on reporting. Refer to section on 'accounting for exchange rate matters' for details.

ICP



The IFAD client portal (ICP) enables the project to:

- Access real-time financing information on country portfolios as well as operational and financial information related to Projects
- Submit Withdrawal Applications directly and obtain electronic approvals required both from concerned ministries and IFAD
- Manage banking instructions electronically
- On-line submission of all project financial reports and related documentation to IFAD, including quarterly interim financial reports as supporting documentation for Withdrawal Applications (WA), as well as annual audited and unaudited financial statements.
- Create and download relevant reports

The Project may submit electronic copies of its withdrawal applications and maintain hardcopies for audit purposes

Refund of withdrawals

If IFAD determines that any amount withdrawn from the Loan Account was not used for the purposes indicated or will not be needed thereafter to finance Eligible Expenditures, the Borrower shall promptly refund such amount to the IFAD upon instruction by the Fund.

Processing of payments

Procedures for payments is outlined as follows:

Supporting documentation

The processing of all payments are subject to the Project retaining the following original supporting documentation after processing:

Expenditure type	Supporting documentation
<i>All</i>	▪ Signed contract or confirmed purchase order – showing the specified amount that is due to be paid; ▪ The bank guarantee for: - o advance payment, as specified in the contract documents; - o performance, as specified in the contract documents; ▪ Copies of communications sent by the IFAD Country Director to the project providing the 'no objection' to the contract award; and ▪ Evidence of payment made by the project.
<i>Goods</i>	▪ Items listed above under "all" ▪ Supplier's invoice, duly certified for payment by the Project Director– specifying the goods, their quantities, and prices; ▪ Bills of lading or similar documents; and ▪ As appropriate, the certificate of delivery (to include condition of goods on delivery).
<i>Civils works</i>	▪ Items listed above under "all" ▪ The claim of the contractor, including a financial progress report, stating the work performed and the amount due; ▪ A certificate – signed by the Project consultants or owner's representative, if any, or by the borrower's chief engineering officer or resident supervising engineer assigned to the Project, to the effect that the work performed is satisfactory and the payment claimed is due in accordance with the terms of the contract; and ▪ A copy of the contract payment monitoring form signed in original by the certifying officer.

Expenditure type	Supporting documentation
<i>Services (including consultants)</i>	▪ Items listed above under “all” ▪ The supplier’s or consultant’s claim duly certified for payment by the Project director and showing sufficient detail. ▪ As appropriate, a certificate of delivery of satisfactory services.
<i>Grants/ Lines of Credit/vouchers</i>	Examples of some supporting documents may include; ▪ Contracts ▪ Agreement that will be signed with the participating institutions, which is defining the eligibility criteria and amounts ▪ Application forms and evaluation documents showing the eligibility for the grant/lines of credit/vouchers ▪ Documents showing the approval of the loan/grants as disbursements will be based on approval of the loan/grant. ▪ signed vouchers by the farmers ▪ Payment Request Letter ▪ All other documents listed in the agreement that is signed with the ▪ financing institution
<i>For payment of Trips, fuel, stationary and other expenses</i>	▪ Items listed above under “all” ▪ Supplier invoices; ▪ Evidence of payment; ▪ Back to office report; ▪ Training certificate, ▪ Travel authorization; and/or ▪ Expense reports by the traveller (including invoices) ▪ Boarding passes

Pro forma invoices are not acceptable replacements for invoices. In all instances, supporting documentation need to include final invoices.

General guidelines for processing of payments

For invoice related payments, the following general process is applicable:

Activity	Procedures
<i>Request and approve activity in line with AWPB</i>	Generally, ensure that expenses are in line with the AWPB/Procurement Plan and that IFAD no objection has been obtained if required.
<i>Service delivered, or</i>	Obtain evidence that the goods were delivered / services received to the satisfaction of the Project. Evidence to be

Activity	Procedures
<i>goods received</i>	retained for the purposes of providing supporting evidence for processing of invoice. (delivery notes, completion reports etc.)
<i>Prepare payment request</i>	▪ Once invoices are received, the disbursement specialist prepares a payment request which includes supporting documentation and indicates accounting codes, category of payment, component of payment and source of finance. ▪ The Financial Manager reviews the payment request for accuracy and validity. ▪ The Financial Manager adds the correct account codes for the purposes of recording the transaction in the accounting software. ▪ The disbursement officer forwards the payment request with supporting documentation to the relevant Technical Officer /Component Head for review and sign off.
<i>Review of payment request</i>	The Project Director shall review and sign the payment request, checking/confirming: ▪ The expenditure is included in the approved AWPB ▪ IFAD no objection was obtained (if applicable). ▪ All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date. ▪ Payment was cleared by the relevant component technical officer/head. ▪ All supporting documentation is attached
<i>Approve payment request</i>	The Project director shall review and sign payment request, checking/confirming: ▪ The expenditure is included in the approved AWPB ▪ All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date ▪ Payment was cleared by the relevant component technical officer/head. ▪ All supporting documentation is attached ▪ The payment request was reviewed and approved by the Financial Manager.
<i>Process payment</i>	▪ The approved payment request with related documents shall be sent to the accountant for processing and uploading on the online banking platform. ▪ The accountant shall confirm that the bank details provided by the supplier corresponds to the signed legal agreement / original bank letter provided. ▪ Once loaded on the banking platform, the payment to be released by 2 authorised signatories (using unique digital signatures)

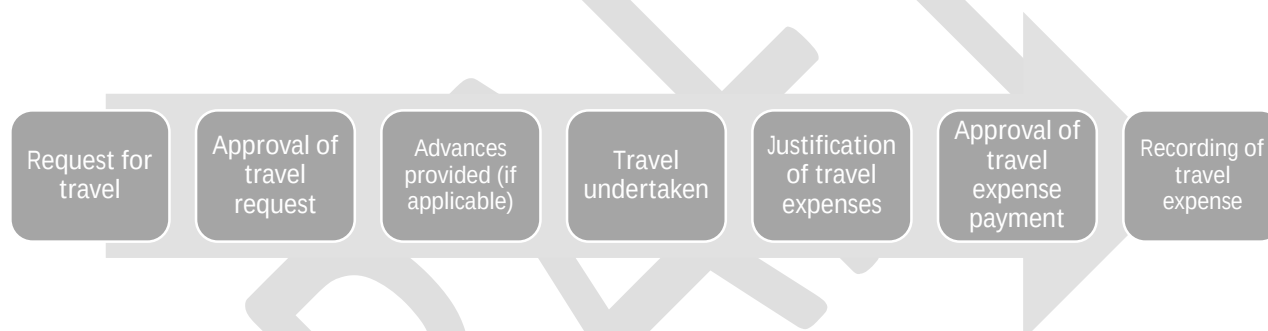
Activity	Procedures
<i>Record payment</i>	- Account record the transaction in the accounting software, using the correct codes as captured on the payment request. - File supporting documentation, include proof of payment (bank statement/bank confirmation of payment)

Travel related payments

The following type of travel may take place by Project staff or Project beneficiaries:

- International travel
- Local travel

All types of travel payments follow the general process:



The process for each type of travel is outlined below:

International travel

International travel	
<i>Type of travel</i>	- Training which is conducted for Project staff or beneficiaries at an international location. - Business trips
<i>Overview of entitlement</i>	- Individuals are entitled to DSA, paid based on the number of days of travel for training purposes. - The per diem should be used to pay for the cost of accommodation, meals and travel - Taxi trips to/from airport and visa is paid for separately based on actual cost estimates. - Unused per diem is not returned to the Project. - The per diem amount is determined in line UN DSA rates for International travel. - The per diem is reduced in the event that meals or accommodations is provided to the individual. 100% of the DSA is advanced before commencement of the travel. - The number of travel days are calculated from date of departure from home until last day of the training.

International travel	
	Air travel is booked by the project and paid for by the Project directly.
<i>Request for travel</i>	The relevant department will prepare a request for travel which includes: - List of individuals to attend external training - Dates of training - Invitation to training / training registration confirmation - Overview of training (agenda, location noted) – brochure / email correspondence or other suitable evidence - Related AWPB classification (category, component) - Calculation of total per diem due (100%) - Estimated cost of air travel - Estimated cost of visas <i>(Air travel is paid directly by the Project)</i>
<i>Approval of travel request</i>	- The travel request is reviewed by the accountant for: - Accuracy and compliance with the UN approved DSA rates. - Alignment with the approved ABPB - The travel request is submitted to the Project Director for approval. - IFAD and MoF no-objection should be obtained for travel request after approval by the Project Director.
<i>Advance provide</i>	- Upon approval of the travel request by the Project Director, the Project accountant will advance 100% of the total per diem to individuals or the team leader as appropriate. - The Project accountant will record the advance in the accounting system, indicating the amount, date of advance, to who advanced and related budget line item. (advance is not recorded as an expense at this stage)
<i>Justification of travel expenses</i>	- Within 10 business days after the travel, the team leader / individual is required to prepare a travel expense report which includes: - Advance report - Boarding passes for air travel - Attendance register completed at the training event

International travel	
	- o Back to the office report - o Confirmation of IFAD/Ministry no objection (email correspondence) ▪ The travel expense claim is submitted to the accountant who confirms the accuracy and validity of the travel expense claim. ▪ The Financial Manual reviews the travel expense claim for accuracy and validity and captures the correct account codes on the request (in line with AWPB line items). (sign as evidence of review)
<i>Approval of travel payment</i>	▪ The travel expense is approved by the Project Director by way of signing the travel expense report.
<i>Recording of expense</i>	▪ The total travel expense is recorded as training expenditure/business trip, by clearing the travel advance, in terms of the correct category and component, in line with the account codes which are captured on the travel expense report.

In all instances, unjustified travel advances will need to be reimbursed to the Project by the traveller within one month after the travel date or the amount will be deducted from the payroll.

Local travel

Local travel	
<i>Type</i>	Training / field visits
<i>Overview of entitlement</i>	▪ The number of travel days used for the calculation of per diem is calculated from date of departure from home until last day of the training. ▪ If Project vehicles are used, the driver is responsible for ensuring the vehicle is refuelled in terms of the process outlined in 12.9 ▪ If private vehicles are used, staff are reimbursed in line with the allowable rate per kilometre as specified in the staff bylaws, based on actual distance travelled.
<i>Request for travel</i>	The relevant department will prepare a request for travel which includes: Training: ▪ List of individuals to attend training ▪ Dates of training ▪ Overview of training (agenda, location noted) – brochure / email correspondence or other suitable evidence ▪ Related AWPB classification (category, component)

Local travel	
	- Confirmation from the Officer Manager that a Project vehicle(s) is available for the travel dates should this be the mode of transportation - Calculation of per diem in line with Government decree. Field visits: - Request for field trip from technical department
<i>Approval of travel request</i>	- The travel request is reviewed by the accountant for: - Accuracy and compliance with the staff bylaws in terms of the pocket money allowance / estimation for fuel costs - Alignment with the approved AWPB - The travel request is submitted to the Project Director for approval. - Once approved, the team leader or individual should submit a request for vehicle use.
<i>Advance provide</i>	- No fuel advances are provided in cash (driver will use fuel card to refuel) - Applicable per diem is advanced in cash.
<i>Justification of travel expenses / return of unused fuel advance</i>	- Within 5 business days after the travel, the team leader / individual is required to prepare a travel expense report which includes: - Attendance register completed at the training event - If a private vehicle was used, indication of total distance travelled in kilometres with payment due to vehicle owner, based on the approved rate in the bylaws. - If a Project vehicle was used, invoiced for fuel which was paid from fuel advance. - Back to the office report (in case of field visits) - The travel expense claim is submitted to the accountant with the fuel advance which was not used. - The accountant confirms the accuracy and validity of the travel expense claim and determines the per diem which is due. - The Project accountant reviews the travel expense claim for accuracy and validity and captures the correct account codes on the request (in line with AWPB line items). (sign as evidence of review)
<i>Approval of travel payment</i>	The travel expense is approved by the Project Director by way of signing the travel expense report.
<i>Recording of expense</i>	The total travel expense is recorded as expenditure in terms of the correct category and component, in line with the account codes which are captured on the travel expense report. (advance cleared at this stage)

Local travel	
	Only fuel expenses may be charged to the training budget code. If other vehicle maintenance was incurred, this expense is recorded as maintenance.

Civil works, equipment and tools

Activity	Procedures
<i>Request and approve activity in line with AWPB</i>	- Civils works, equipment and tools are defined and outlined in both the AWPB and the Procurement Plan. - Civil works, equipment and tools is contracted via a procurement process as outlined in the Project Operations Manual. - IFAD no objection is required on the bidding document, recommendation of award and contract outline before the final bid award is made. (refer to Letter to the Borrower)
<i>Prepare payment request</i>	- The procurement officer will request payment of invoices, subject to providing the following supporting documentation: - Copy of civils contract with award letter (for civils only) - Contract amendment letter (if applicable) - Bid analysis and evaluation report - Evidence of IFAD no objection related to the contract award - Purchase order / Invoice - Progress report prepared by consulting engineer - The accountant prepares a payment request which includes the supporting documentation. - The disbursement specialist reviews the payment request for accuracy and validity. - The Financial Manager adds the correct account codes for the purposes of recording the transaction in the accounting software. - The accountant forwards the payment request with supporting documentation to the relevant Technical Officer /Component Head for review and sign off.
<i>Review and approval of payment request</i>	The Financial Manager reviews and signs the payment request before submission to the Project Director. The Project Director shall review and sign the payment request, checking/confirming: - The expenditure is included in the approved AWPB - IFAD no objection was obtained related to procurement as applicable - All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date. - Payment was cleared by the relevant component technical officer/head. - All supporting documentation is attached (refer 12.1).

Activity	Procedures
	▪ <u>Where stipulated in the contract, the required bank guarantees are valid and is retained in the project's safe.</u>
<i>Process payment</i>	▪ The approved payment request with related documents shall be sent to the accountant for processing and uploading on the online banking platform. ▪ The accountant shall confirm that the bank details provided by the supplier corresponds to the signed legal agreement / original bank letter provided. ▪ Once loaded on the banking platform, the payment to be released by 2 authorised signatories (using unique digital signatures)
<i>Record payment</i>	▪ Accountant records the transaction in the accounting software, using the correct codes as captured on the payment request. ▪ File supporting documentation, include proof of payment (bank statement/bank confirmation of payment)

Payments for consultant services

Activity	Procedures
<i>Request and approve activity in line with AWPB</i>	▪ The process for requesting and approving consultants is outlined in the procurement section of the POM and is dependent on whether the service is recruited internationally, nationally, locally or on a single source basis. ▪ In all instances the procurement of consulting services is subject to IFAD's no objection.
<i>Prepare payment request</i>	▪ The procurement officer will request payment of consulting services subject to providing the following supporting documentation: - Copy of consulting contract and invoice requesting payment (invoice to specify bank details in line with contract) - Copy of output (report / study etc) - Copy of timesheets (if time-based payment is required) - Written recommendation for payment from the relevant technical department which confirms that the consultant(s) have delivered the key outputs as specified in the consulting contract. - Confirmation of IFAD no objection. ▪ The accountant prepares a payment request which includes the supporting documentation. ▪ The disbursement specialist reviews the payment request for accuracy and validity.

Activity	Procedures
	▪ The Financial Manager adds the correct account codes for the purposes of recording the transaction in the accounting software. ▪ The accountant forwards the payment request with supporting documentation to the relevant Technical Officer /Component Head for review and sign off.
<i>Review and approval of payment request</i>	The Financial Manager reviews and signs the payment request before submission to the Project Director. The Project Director shall review and sign the payment request, checking/confirming: ▪ The expenditure is included in the approved AWPB ▪ IFAD no objection was obtained related to procurement as applicable ▪ All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date. ▪ Payment was cleared by the relevant component technical officer/head. ▪ All supporting documentation is attached (refer 12.1). The Financial Manager reviews and signs the payment request before submission to the Project Director. The Project Director shall review and sign the payment request, checking/confirming: ▪ The expenditure is included in the approved AWPB ▪ IFAD no objection was obtained related to procurement as applicable ▪ All expenditures are eligible in line with the financing agreement and has been incurred before/completed before Project completion date. ▪ Payment was cleared by the relevant component technical officer/head. ▪ All supporting documentation is attached (refer 12.1).
<i>Process payment</i>	▪ The approved payment request with related documents shall be sent to the accountant for processing and uploading on the online banking platform. ▪ The accountant shall confirm that the bank details provided by the supplier corresponds to the signed legal agreement / original bank letter provided. ▪ Once loaded on the banking platform, the payment to be released by 2 authorised signatories (using unique digital signatures) ▪
<i>Record payment</i>	▪ Account record the transaction in the accounting software, using the correct codes as captured on the payment request.

Activity	Procedures
	File supporting documentation, include proof of payment (bank statement/bank confirmation of payment)

Advances to NGOs/implementing agencies

Implementing agencies will request funds from PMU for the purposes of implementing activities.

Activity	Procedures
<i>Receive payment request</i>	- NGOs/Implementing agency submit ad-hoc funds requests in writing, using a request for funds form. - The request for funds form to be duly authorised by the Project Director of the Implementing Agency. - The request for funds form to stipulate the individual activities for which funds are requested in line with the approved AWPB.
<i>Prepare payment request</i>	- The PMU disbursement specialist to receive and review the request for funds from the NGO/implementing agency and confirm that requested funds are for activities approved in the AWPB related to the specific agency. <i>The disbursement specialist may reject a request for funds if the implementing agency has large advances which have not been justified for previous funds requests.</i> - The accountant prepares a payment request which indicates the details of the implementing agency and amount to be transferred.
<i>Review and approval of payment request</i>	- The disbursement specialist submits the payment request and supporting documentation to the Project Director for review and approval. - The Project Director shall review and sign the payment request, checking/confirming that the funds allocation is included in the approved AWPB.
<i>Process payment</i>	- The approved payment request will be submitted to the accountant. - The accountant to load the payment on the online banking platform. - Payment released by 2 authorised signatories.
<i>Record payment</i>	- Accountant to record the advance in the accounting software against the specific implementing agency. <i>Do not record the advance as an expense. Once advance is justified (refer procedures in 9.2), account for expenses using the correct expense codes (component, category) at the historical exchange rate.</i>

Capacity Building, Workshop and Training

Supporting documentation requirements for workshops and trainings are listed below:

- Approved request for capacity building, workshop and training from originating department
- Contract signed between the consultant/firm/service provider clearly indicating the deliverables, supporting documents required for payment, reporting requirements and timelines.
- Copy of applicable procurement policy and evidence of application of policy
- Purchase order issued to training venue, duly authorised.
- Reference to AWPB line item – clear linkage to project activities
- Copy of workshop/capacity building agenda which shows clear linkage to project
- Invoice for training venue hire / equipment hire/ refreshments
- Copies of invitation letters to participants
- List of participants duly signed
- Training workshop agenda and report
- Proof of delivery of services (e.g. copy of certification, which is signed off by the contract manager indicated in the contract, showing that all deliverables are delivered by the service provider/consultant)
- Payment requisition to evidence entry into accounting records
- Copy of bank statement showing payment

Salaries and Payroll

Supporting documentation requirements for salaries and allowances:

- Reference to AWPB line item – clear linkage to project activities
- Employee contracts, appointment letters, approved list of staff paid from the project financing.
- Copies of employee remuneration related policies
- Summary of salary payment– reconciled to individual pay slips
- For seconded / part-time staff subject to cost sharing – detailed calculation to support the apportionment applied.
- Evidence that consultant deliverable was reviewed
- Copy of consultant invoice.
- Payment requisition to evidence entry into accounting records
- Copy of bank statement showing payments to individual employees

Petty cash payments and replenishments

The purpose of the petty cash is to make payments for low value items in a quick and efficient manner.

Describe the process of safe custody of the petty cash, request and payments. Accounting for petty cash in the system replenishment of the petty cash amounts and the necessary supporting documentation.

■

Payments for fuel

Project vehicles may be fueled as required following clearances of fuel requisition by the Admin Assistant or Officer. Requisitions should state vehicle details, estimated fuel quantity, purpose of travel, vehicle mileage.

Arrangements should be put in place with local service stations for fuel purchases, payments should be settled monthly or as agreed. The service station will submit a monthly statement together with invoices detailing fuel transactions for the month.

The Admin Officer will reconcile the statement/invoices and verify them against the fuel requisitions and logbooks. Payment will be processed after reconciliations and approvals, supported by invoices, requisitions and vehicle logbooks. No cash will be requested for fueling at service stations with prior arrangements. Cash advances may be provided for fueling at other service stations when necessary. Liquidations for cash advances must follow the FMM requirements.

Financial Reporting to IFAD and other financiers

PMU is responsible for preparing consolidated project financial reports and submission to IFAD as per reporting timelines stipulated below. The IFAD Handbook for Financial Reporting and Auditing for IFAD-financed projects outlines the financial reporting requirements. PMU is required to prepare financial reports and submit to IFAD as outlined in the table below:

Type	Period / Frequency of submission
<i>Annual Financial Statements</i>	▪ <u>Unaudited</u>: Prepare annual reports and submit to IFAD within 4 months of the end of the financial year-end (31 December). ▪ <u>Audited</u>: Submit audited financial statements within 6 months of the end of the financial reporting period. The reports should be prepared in line with requirements are outlined in 13.4. The annual financial statement should be authorised by the Project Coordinator for authorisation before submission to the auditor/IFAD.
<i>Interim financial reports</i>	Prepare quarterly reports and submit to IFAD within 30 days of the end of the quarter. The reports should be prepared in line with requirements as outlined in the FMFCL

Financial reporting requirements

PMU is required to prepare financial reports in line with IPSAS, "Financial Reporting under the Cash Basis of Accounting" (IPSAS Cash).

General principles for the preparation of financial reports

The project shall prepare financial reports with consideration of the following specific principles:

Principal	Guidance

<i>Completeness</i>	▪ The financial reports shall be complete and include the activities of both PMUs and other NGOs/implementing agencies and present the results of a single entity. ▪ The sources and uses of all categories/components shall be included (including sources received in-kind). ▪ Include the sources and uses from all financiers shall be included as identified in the PDR including government funding as well as beneficiary contributions both cash and in kind as part of the notes.
<i>Accuracy</i>	▪ Ensure that the various disclosures are reconcilable as appropriate
<i>Accountability</i>	▪ The financial reports should promote the concept of accountability.

Minimum prescribed content for interim and annual financial reports

PMU will prepare interim and annual financial reports.

For the annual financial statements, detailed guidance on the preparation of the disclosures as prescribed by IPSAS Cash can be found in the Standard (<https://www.ifac.org/publications-resources/revised-cash-basis-ipsas>).

Project will adopt IPSAS Cash basis of accounting.

Content	Source of requirement	Guidance on preparation of content
<i>Statement of Cash Receipts and Payments</i>	Prescribed by IPSAS cash basis	▪ Receipts – Payments = Surplus/Deficit + Opening Cash +/- Exchange rate difference = Closing Cash Balance ▪ Opening and closing cash balance should include the balance of the designated accounts (USD) and all Project accounts ▪ The opening and closing cash balance in the Designated & Project Account is derived by applying the spot rate on the date of translation. Present the cash receipts in line with the financier. Present cash payments/expenditures as per categories and components. Disclose the exchange rate gain/loss resulting from the translation of funds at year end.

Content	Source of requirement	Guidance on preparation of content
<i>Budget to Actual Comparison</i>	Prescribed by IPSAS cash basis	▪ The Budget period should correspond to the Financial Reporting Period ▪ Derive the budget disclosure from the approved AWPB. Disclose both the original and final approved AWPB. ▪ Calculate the variance between budgeted and actual results for both receipts (sources) and uses (payments) ▪ Provide narrative on the reason for the variances observed.
<i>Accounting policies and explanatory notes</i>	Prescribed by IPSAS cash basis	▪ Develop accounting policies with reference to the guidance provided in IPSAS cash basis ▪ Disclose the authorisation date ▪ Disclose the basis of presentation ▪ Disclose the presentation currency
<i>Sources and Uses of Funds Statement</i>	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	▪ Include both cash and in-kind contributions in the Sources of Funds ▪ Provide disclosure on uses of funds by financier/by category and financier/component
<i>Designated account reconciliation</i>	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	• Prepare reconciliation, which provide justification for the IFAD advance – disclose for each designated account. • Explain variances.
<i>Designated account Statement</i>	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	▪ Ensure that opening and closing cash balances presented in this Statement is reconciled with the cash balances used in the Statement of Cash Receipts and Payments. ▪ Disclose the exchange rate gain/loss separately and ensure that this is reconciled with the Statement of Cash Receipts and Payments. ▪

Content	Source of requirement	Guidance on preparation of content
<i>Summary of Withdrawal Applications</i>	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	▪ Ensure that summary information is reconcilable with the IFAD historical transaction statement (to be requested from the IFAD Finance Officer) with regards to the value date of the transaction amount of withdrawal in loan denomination currency. ▪ Cross reference amounts included here per WA to amounts included in the Designated Account Statement / Designated Account Reconciliation.
<i>Fixed asset register</i>	Prescribed by the IFAD Handbook for Financial Reporting and Auditing for IFAD-financed Projects	▪ Include a fixed asset register which lists all Project assets (<i>including those purchased on behalf of the Community Groups if the Project retains the title and the assets will be returned to the Project at Project closure</i>). ▪ Indicate the implementing agency which procured the asset and related component. ▪ Ensure that all fields are included

In addition to the above disclosures, the Project is required to maintain and Action Tracker log which is a log of agreed actions. This document should be maintained on an ongoing basis provide together with the financial report (interim or annual). Share a sample of the tracker if possible. It is required that the Action Tracker include actions which have been agreed on with IFAD during missions or the Auditor during the audit (derived from the management letter). The purpose of the Action Tracker is to keep track of progress regarding agreed on actions.

The content of the Quarterly Interim Financial Reports (IFRs):

The PMU will prepare consolidated quarterly Interim Financial Reports (IFRs) and submit them to IFAD within 30days of quarter end.

The first objective is to provide regular, timely financial information, offering fiduciary assurance to IFAD that the funds are being used for the purposes intended and in the most efficient way. IFRs should also provide comparative figures with respect to the approved AWPB. The second objective of IFRs is to support disbursements / justifications of eligible expenditures incurred at projects.

At the minimum, IFRs should include only sources and uses of funds from IFAD Financing and other Project financing sources administered by IFAD. Any additional financing sources (such as counterpart financing or beneficiary contribution) may be included as supplementary information, if considered necessary by the Finance Officer to monitor financial progress. Annual financial statements, on the other hand, include all project financial sources and uses.

The format of IFRs should provide the minimum information indicated in the reporting template provided. However, some customisation may be necessary based on specific project features.

PMU should prepare IFRs using the same accounting basis/standard and currency that they use for annual financial statements. Otherwise, the financial data of the IFR will not reconcile with the data of the audited annual financial statements.

The reporting currency of IFRs can be either the functional currency (the currency in which transactions are recorded in the accounting system – usually the local currency) or the currency of the DA (e.g., US\$). Selection of a presentation currency other than the functional currency should be agreed with IFAD during preparation and should be consistently followed throughout the project period.

The DA Activity Statement (Report III in the template) will always be in the currency of the Designated Account. When the report on Sources and Uses of Funds (Report II) is prepared in the functional currency, the equivalent amounts for the DA Activity statement (Report III) should be calculated using the forex rates on a FIFO basis. The FIFO method will also apply to determine the amounts to be justified.

Cash forecasts (Report I) should be backed up by working papers that link expenditure forecasts to procurement plans and progress reports, updated every quarter. Forecast figures should be converted to DA currency based on period-ending forex rates. Forex rates used for conversion should be disclosed in the IFR.

The financial information presented in IFRs should ideally be generated using an accounting software. Excel spreadsheet should only be used to edit and combine data derived from accounting software to fit the agreed format.

Submission of IFRs is due by the project even though no cash disbursement to the DA is being sought from IFAD, so four are mandatory each year, except of Year 1 or the final year, where the reporting period can be shorter than one full year. In cases when project becomes effective in the middle of the calendar quarter, the first quarterly submission should be for a period less than a quarter.

Other considerations

The following specific issues should be considered in the preparation of the financial reports:

- Accrual related information should be disclosed in the notes of the financial statements. This includes outstanding advances, which, in terms of the cash basis of accounting, should be expensed when provided. This entails that the advance will be recorded in the relevant categories /components at year-end. (NB: Best practice is that zero advances are outstanding at the end of the fiscal year).
- In-kind contributions should be reported in the financial statements in line with the process as outlined in accounting policy and explanatory notes.

Implementing Agencies / NGOs reporting to PMU

All implementing agencies/NGOs which report to PMUs are required to submit periodic (state the period) reports to the PMUs. The PMUs will review the reports

and verify bank balances/expenses with reference to supporting documentation attached to the report. PMU will proceed to record individual transactions in the system and clear related advances. [Insert template for reporting](#) IAs is responsible for the accuracy and completeness of reports submitted to PMUs and will be required to respond to queries on report content in a timely manner.

Internal reporting

The following internal reports will be prepared by the PMUs and IPs for the purposes of internal monitoring of project finances and progress:

Type	Period / Frequency of submission
<i>Quarterly project reports</i>	<i>Describe</i>
<i>Monthly management accounts</i>	It is required that each implementing agency/NGO prepare monthly management accounts for the purposes of monitoring allocated components/sub-components. The content may include (but not limited to): ▪ A financial progress report (sources and uses) ▪ Monthly bank reconciliations ▪ Cashflow forecast ▪ Summary of contract commitments ▪ Overview of budget to actual expenditure analysis with variance explanations ▪ Monthly vehicle maintenance and fuel consumption report ▪ Travel and DSA report. The monthly management accounts should be prepared within 10 days of the end of the month. The purpose of the monthly management accounts is to provide a monitoring tool for management with the purposes of identifying issues and taking corrective action.

Audit matters

Internal Audit

MAE Department of Inspection (DoI) will conduct regular internal audits of the project to ensure compliance with policies, procedures, and donor requirements. The audits will cover national, sub-national Level to cover provincial and district operations. It will also cover Implementing Partners to assess adherence to agreements and financial management standards. The DoI will prepare an Internal Audit Report and submit it to the National Project Steering Committee. The report must include findings and observations, management responses and action plan with timelines for corrective measures

The internal audit reports must be translated into English before submission to IFAD and other stakeholders.

External Audit

Auditing standards

An private auditor will be appointed under the guidance of SAO, to perform the annual external audit of the project's financial statements based on a TOR acceptable to IFAD. The IFAD Handbook for financial Reporting and Auditing will be followed. At a minimum, the auditor will confirm whether the project financial statements have been prepared following an acceptable accounting framework, IPSAS cash basis; confirm the auditing standards applied for the audit ISA and obtain audit evidence that the financial statements are fairly presented and free of material misstatements, in accordance with the IPSAS cash basis. The Audit Report and Management Letter will be submitted to IFAD through ICP no later than six months after the end of financial year i.e by 30 June of each year. The audit firm must confirm that:

- The firm is independent from the project, its staff and activities, in accordance with international best practices.
- The firm is not currently providing consulting services to the project or preparing its project financial statements (nor has it done so in the previous two years).;
- The Auditor is suitably qualified, and a member of a professional body affiliated with the International Federation of Accountants (IFAC).;
- The auditor is able to conduct the audit in accordance with auditing standards acceptable to IFAD pursuant to paragraph 4 (I);
- The firm can assign an audit team with the necessary competence and skills to the audit.
- The firm has a proven track record in conducting audits of a similar nature and complexity

Appointment of the auditor

Auditors should normally be appointed in advance of the start of the period to be audited, to allow the auditor sufficient time to plan and carry out a comprehensive examination of the borrower's/recipient's financial records and accounts. Guidance is provided in the IFAD Handbook on Financial Reporting and Auditing for IFAD funded Project.

Auditor terms of reference

Sample TOR is as per **annex 2**

Audit opinion and audit package

The audit report will outline the audit opinion on the audited financial statements.

The auditor is expected to submit an audit package that at a minimum includes the audited financial statements, the audit report and the management letter. The management letter is an integral part of the audit package, which documents internal control issues identified by the auditor. The management letter should:

- Outline the auditor's recommendations to address identified internal control issues, and the responses to them on the part of the Project's management.

- Where applicable, provide follow-up commentary on the issues identified in the previous year's management letter.
- Include any ineligible expenditures identified during the audit be outlined in the management letter.

IFAD Audit Report review

IFAD will review the audit reports and will provide a written feedback to the Borrower/Recipient within sixty days of receipt of the audit package.

Public disclosure of audit reports

IFAD will publicly disclose the report in accordance with its public disclosure procedures. The project must ensure that the audit TORs explicitly mention the right of the project and IFAD to publish the audit report, with no limitation-of-use clause.

Records Management

In terms of IFAD's General Conditions for Agricultural Finance:

"The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the Project until the Financing Closing Date..."

In order to comply with the above requirement, the project and the implementing agencies are required to store up project information and records that may include:

Type	Example
<i>Electronic information</i>	• Data and information maintained within the accounting software • Other documents and files maintained electronically, either on desktops, laptops or removable storage devices
<i>Correspondence</i>	• Emails • Hard copy correspondence (letters)
<i>Documents received from external sources</i>	• Bank statements • Supplier documentation
<i>Internally generated information</i>	• Employee files • Withdrawal applications • Forms

All documents and information are the property of the project and may not be removed.

Filing and storage of the financial records

To fulfil this responsibility:

- Project parties should maintain files in a chronological order, assigning appropriate codes/sequential numbers;
- Project parties should perform filing activities on a regular basis to prevent the accumulation of papers and to ensure that the financial records are always maintained in an up-to-date manner.
- Project parties should allocate an appropriate storage area for the financial records in paper format and maintain them in locked cabinets, safe from water and fire, to which access is controlled and limited.
- Project parties should also classify the financial records as "Confidential", or "General".

Off-site archiving of financial records

The respective Financial Managers should ensure that the financial records are archived at an off-site location on a regularly basis. Once a year, the Financial Managers should make sure that the completed or inactive files are archived in a manner that will allow for easy retrieval of the files in case they are required at some future date.

Electronic back-up procedures

Back-up of electronic information is an important function to be undertaken under instruction from the Financial Manager. It is required that:

- Daily: Electronic information at each Project office is backed up on the local server
- Weekly: Electronic information is saved on an external storage device and kept in a locked cabinet

Project staff access to backup files are subject to authorisation by the Project director or Financial Manager. The access of external persons is prohibited except for the auditors and IFAD staff.

Retention period

Project parties are required to retain accounts and records for at least ten (10) years after Financial Close. The Financial Manager should ensure that all documents and records (electronic and paper) are handed over to GoT at financial closure to ensure that records can be maintained for the 10-year period.

Fixed Asset Management

Three elements in fixed asset management that require the attention of the Financial Managers:

- Purchase of equipment
- Setting up and maintaining an asset register including verification
- Setting up a plan for disposal and/or handover of the asset once the Project is completed

Purchase of Equipment

The Accountants should follow the following process for each fixed asset purchased:

- Assign a unique, sequential asset number (excluding minor items such as stationary).
- Tag each item with its unique asset number.
- Record the item of equipment in fixed asset register

Fixed asset register

The accountants must maintain a fixed asset register in the asset management module of the accounting software. The asset register should record the following information for each individual piece of equipment

- Asset description
- Asset number
- Individual responsible for asset
- Implementing agency responsible for purchase
- Source of funding of asset (IFAD, government etc),
- Location of the asset
- Date of purchase
- Cost of purchase and invoice number
- Remarks regarding the condition of the asset

The Finance Managers shall ensure that the consolidated fixed asset register is maintained and updated regularly.

Assets purchased for beneficiary use should be included in the fixed asset register if the assets remain under the ownership of the Project (therefore beneficiaries to return to Project at Project closure).

Asset Verification Review

Under the management of the Financial Manager, the project must conduct an annual asset verification process whereby the following checks are performed:

- Verify that all fixed assets are still held in the location recorded on the register;
- Confirm the completeness and accuracy of the information recorded on the fixed asset register;
- Check that equipment and vehicles are still in a reasonable state of repair and that remarks regarding the condition of the assets are correct as recorded in the fixed asset register;

Asset verification should be conducted by the **Admin Officer or Assistant**. The results of the verification should be compared against the Asset Register and accounting records through a reconciliation performed by the **Finance Officer**. Any discrepancies identified should be properly documented and investigated, with recommendations for write-offs reviewed and approved by the Project Coordinator. The Asset Register and accounting system should be updated accordingly to reflect any approved disposals or impairments.

Vehicle Maintenance and Fuel

Drivers should maintain Vehicle logs.

All project vehicles shall be used strictly for official purposes and maintained in good operating condition to ensure efficiency, safety, and cost control. Each vehicle shall be assigned a Vehicle Logbook, to be completed by the driver for every trip. The logbook will record details of vehicle usage, fuel consumption, and maintenance activities. Fuel purchases and maintenance costs must be supported by original receipts or invoices. The Admin Officer shall review the vehicle logbooks on a monthly basis and reconcile them with:

- Fuel receipts and supplier invoices
- Maintenance invoices
- Odometer readings
- Approved travel authorisations, where applicable

The review shall confirm the reasonableness of fuel consumption relative to distance travelled and identify unusual patterns such as excessive fuel usage, unexplained trips, or inconsistencies in mileage. The Admin Officer shall document evidence of review (e.g. signature and date) on the logbook or a monthly summary sheet. Any discrepancies identified—such as: Missing or unsupported fuel receipts; Fuel consumption inconsistent with distance travelled; Gaps or alterations in odometer readings; Unauthorised or unclear trip purposes shall be formally queried with the driver. If the explanation is satisfactory, the issue shall be documented and cleared. Where discrepancies remain unresolved, they shall be escalated to the Project Coordinator for further investigation and corrective action. Repeated or material irregularities may result in recovery of costs, disciplinary action, or other administrative measures in line with project policies.

Vehicle insurance

The Financial Managers should ensure that all Project vehicles are comprehensively insured every year. The safety of cars is the responsibility of the drivers assigned to the vehicles. Consequently, they must ensure that the vehicles are parked in a secure area when not in use or outside working hours.

Maintenance

All project vehicles must be well maintained and proper maintenance records filed by the drivers.

IFAD financial management support

Describe the role of FMD throughout the project cycle and how project monitoring will be done, necessary mission reports that will be shared with the project.

Overview of IFAD support

IFAD's Procurement and Financial Management Division (PFM) will be involved from Project inception (starting at Project design) to Financial Closure ensuring that project fiduciary requirements are met. PFM's Finance Officer will establish ongoing contact with the Project, by liaising with the PMU Finance Officer and be available to provide remote support on financial management matters. In addition, PFM will visit the project during missions (represented by either the

Finance Officer or an appointed consultant). Mission types include supervision missions, mid-term reviews and implementation support missions. During missions, PFM will assess and monitor the adequacy of project financial management arrangements such as accounting, budgeting, internal controls, flow of funds, financial reporting and the auditing practices. If financial management arrangements of project are deemed acceptable, IFAD will rely on them to provide assurance that the financing proceeds are being used for the intended purposes. In case IFAD identifies weaknesses in the financial arrangements, it will require project to take the appropriate measures to mitigate the risks. The key findings and recommendations of missions will be captured in the Aide Memoire and mission reports.

Roles and responsibilities related to IFAD support:

Stage	Project roles and responsibilities
<i>Before IFAD missions</i>	• Prepare Appendix 1 <u>before</u> commencement of the mission – the FO/Consultant will specify the date range to be covered within Appendix 1. • Each project party (PMU and other implementing agencies) to complete the Financial Management Assessment Questionnaire (FMAQ) and submit to the FO/Consultant in electronic format (FO to provide most recent template). • Prepare all other information as requested by FO/Consultant before commencement of the mission.
<i>During IFAD missions</i>	• Provide the FO/Consultant with all information which was requested before the mission. • Arrange meeting with the auditors (internal and external) and any other selected party requested by the mission. • Ensure that all FM staff are available to assist the FO/Consultant in performing their duties which may include: - o Review of financial reports, reconciliations - o Physical verification of fixed assets and inventory - o Meeting with the auditor - o Reviewing and completing the FMAQ • Discuss identified FM weaknesses and risks and assist the FO/Consultant with developing appropriate actions for inclusion in the aide memoire.
<i>After IFAD missions</i>	• Respond to any wrap-queries from the FO/Consultant • Commence with implementing all actions which are included in the Aide Memoire • Update the Action Tracker with all actions raised during the missions.

Stage	Project roles and responsibilities
<i>Ongoing</i>	- Monitor and update the Action Tracker to ensure all actions are implemented in a timely manner. Liaise with the Financial Manager if required. - Respond to ad-hoc queries received from the Financial Manager or other IFAD staff as it related to FM matters.

Project completion and closure

The Project completion date is defined in the financing agreement and the Project closure date is 6 months thereafter. The following is relevant to period before Project completion up to Project closure:

<u>STEP 1</u> Prior to the Project completion date <u>STEP 2</u> Between Project completion and closure Subsequent to Project closure date Project completion date <u>STEP 3</u> Project closure date		
STAGE 1	STAGE 2	STEP 3
Up to the Project completion date	Between Project completion and closure	Project closure date
- Justification of advances for all expenditures spent by completion date - Agree on the audit scope of work and submit to IFAD for no objection - Incur eligible expenditure up to the Project completion date	- Commencement of the final audit - Auditor performs the final audit in line with scope of work approved by IFAD - Incur winding up expenditure only (cost of audit, staff salaries, operating costs, Project completion report) - Submit final withdrawal application for justification - Develop an asset handover and disposal plan (include up to date fixed asset register, indicate condition of all assets and to which entity the assets will be transferred.	- Submit final audit report on or before the Project closure date - Submit Project completion report on or before the Financial Closure Date (as required in the financing agreement) - Confirm the final withdrawal application with IFAD - Return outstanding advance if applicable (all unjustified balances) - Closure of the grant with IFAD

A notice is sent to the Borrower at least six months prior to the PCD to advise that all applications must be submitted before the closing date, and to remind the Borrower that expenditures incurred and commitments made after the PCD will not be honoured, except for authorised expenditures during the “Winding Up Period” (from PCD to Financing Closing Date). This means that goods are delivered, civil works are completed and services are rendered on or before such date.

After the financing closing date, IFAD informs the Borrower of the formal closure of the loan/grant account, provides a history of disbursement transactions and cancels the unused loan/grant balance. A re-amortisation schedule will be sent by IFAD to the government where the financing is a loan.

Asset handover plan

The plan should develop report outlining the following for the purposes of handing over Project assets to the identified beneficiaries:

- The value of all the assets bought under the Project
- Summary of the current condition of the assets,
- To which entity, will the assets be transferred to and on which date and for what purpose.
- List the assets that will be disposed and the reason for being disposed.

IFAD Financing agreements – amendments and budget reallocations

If amendments are required to the financing agreement:

- a formal written request should be submitted to IFAD
- outlining the required amendment and motivation thereof.

Amendments to the agreement may be required for (but not limited to):

- Changes to the project completion date and grant closing date,
- Changes to the project budget/budget reallocation (noting that the budget may not be increased above the original total amount)

Budget reallocations

- In some cases, the expenses category amounts as outlined in the financing agreement requires a revision if the project notes that actual expenditure is deviating from the original budget.
- In such instances a reallocation is required, depending on the size of the reallocation per category (expressed as %)
- Reallocation of equal to or less than 10% (of each category) between the various categories if such a reallocation does not change the basic purpose of the project.
- For reallocation greater than 10% of any expense category, the Borrower is required to formally request a reallocation from IFAD (supported by a detailed motivation).

20. Useful links

Document	Link
<i>IFAD financial management e-learning</i>	https://www.ifad.org/e-learning/financial-management-assessment/
<i>Revised IFAD policy on preventing fraud and</i>	https://www.ifad.org/en/document-detail/asset/40189695

<i>corruption in its activities and operations (December 2018)</i>	
<i>Guidelines for internal controls for Public Sector Entities (INTOSAI GOV 9100)</i>	 Guidelines for internal controls for Public Sector Entities (INTOSAI GOV 9100).pdf
<i>IFAD General Conditions for Agricultural Development Financing</i>	https://www.ifad.org/documents/38711624/39421024/general_e.pdf/47c5f14b-2903-4285-b0b0-62c67cd650b8
<i>IFAD Handbook for Financial Reporting and Auditing of IFAD -financed projects (English)</i>	IFAD Handbook for Financial Reporting and Auditing of IFAD-Financed Projects_March 2021 Version.pdf
<i>ICP page</i>	https://icp.ifad.org/
<i>ICP support email</i>	icpsupport@ifad.org

Annex 1: IFR TEMPLATE

INTERIM FINANCIAL REPORT

USER GUIDE

Protection Password: 1234

Tips:

Provide information in cells highlighted with this color

Text in blue: Provide period for the reporting statement

The cells containing sums and analysis shall be updated automatically.

Cash Forecast:

Provide project information in the highlighted Cells of the Sheet. The "Descriptions" of Categories and Components in this sheet are linked with other sheets. Once provided in this statement will automatically update the "Descriptions in all other statements.

Projects are to provide Cash Forecasts, if disbursements are approved under IFR based disbursements method. For other projects, this statement would be optional.

Provide funds forecast for the next two quarters along with anticipated direct payments, in line with approved Annual Work Plan & Budget for current year and, if not approved, draft Annual Work Plan & Budget for first quarter of subsequent financial year.

Summary of Sources and Uses of Funds-DA Account:

Provide actual data in cells highlighted with this color.

Provide the amounts received in/paid out from the Designated Account only.

Provide required information in the cells highlighted with this color

Variance Analysis - Reporting Quarter:

Provide forecasted figures in the highlighted cells for the reporting quarter. The Planned figures for the Quarter are to be taken from "Cash Forecast" of last submitted IFR.

The Columns for actual data are linked with relevant columns for actual figures in "Summary of Sources and Uses of Funds" statement.

Variance Analysis - Financial Year:

Provide approved AWPB figures in the highlighted cells for the respective year.

The Columns for actual data are linked with relevant columns for actual figures in "Summary of Sources and Uses of Funds" statement.

The Columns for Cash Forecast are linked with relevant columns of "Cash Forecast" statement.

Variance Analysis - Cumulative:

Provide overall project allocations as per Project Design/Revisions (if any) in the highlighted cells.

The Columns for actual data are linked with relevant columns for actual figures in "Summary of Sources and Uses of Funds" statement.

Please provide brief comments to explain significant variances in extra sheet

Optional additional information (High, Substantial Risk Projects)

Trial Balance

Bank Reconciliation Statements

Transaction Lists for selected expenditure categories

Report I: AWPB and Cash Forecast for next 2 quarters

Country

Name of the Project:

IFAD Instrument number:

List other instruments if applicable

Expressed in Designated Account Denomination Currency

Currency:

For the Period:

Starting Date

To

End Date

		IFAD Instrument n. (add more columns for other instruments)						
			Annual Allocations	Actual cash outflow as of (current. Qtr. End)...	Annual Balance	Cash Forecast Next Quarter	Cash Forecast Following Quarter	Total Cash Forecast for the two quarters
		Ref.	A	B	C = A-B	D	E	F = D+E
Category:								
1	Category 1							
2	Category 2							
3	Category 3							
4	Category 4							
5	Category 5							
Total		I	-	-	-	-	-	-
Component:								
1	Component 1							-
2	Component 2							-
3	Component 3							-
4	Component 4							-
Total		II				-	-	-
Total Cash Forecast Expenditure		III				-	-	
Less: Planned Direct Payments/Reimbursements		IV						-
Net forecast expenditure from DA		V=III-IV				-	-	-
Opening balance available funds (DA+Project Banks +petty cash)		VI						
Forecast: DA Replenishments (After reducing Advance Recovery		VII						
Projected closing balance		VIII=VI-V+VII						-

Note 1: (VII) may be higher than (V) when there is need to have an extra amount in the DA to cover potential delays in future disbursements

Note 2: The AWPB data covers Project Financial Year. Please note that Cash forecasts are rolling for next 2 quarters, which may not be within the same Financial Year for the 1st and 4th quarter.

Note 3: In Role VII, if a part of the advance is to be recovered in the period prior to Project Completion, reduce the recovery amount proposed.

Date

Approver Name

Approver Signature

Report II: Summary of Sources and Uses of Funds - DA Account

Country

Name of the Project:

IFAD Instrument number:

List other instruments if applicable

For the Period:

Starting Date

To

End Date

Currency:

	Ref.	IFAD Instrument n. (add more columns for other instruments)		
Opening Balance Reporting Quarter: DA				
Opening balance Operating / Project account(s)				
Opening Balance Petty cash				
Opening Balance Total Funds available	I	-		
Funds Received	II			
Total Funds Available	III=I+II			
Uses of Funds by Category:		Actual expenditures Quarter	Actual expenditures YTD	Actual expenditures Inception To Date
Category 1		-	-	-
Category 2		-	-	-
Category 3		-	-	-
Category 4		-	-	-
Category 5		-	-	-
Category not yet identified/advance		-	-	-
Total Funds Used	IV	-	-	-
Funds Closing Balance (I minus II):	V=III-IV	-		
Represented by:				
DA Closing Balance				
Operating account Closing Balance				
Petty cash Closing Balance				
Uses of Funds by Component		Actual expenditures Quarter	Actual expenditures YTD	Actual expenditures Inception TD
Component 1		-	-	-
Component 2		-	-	-
Component 3		-	-	-
Total Funds Used (must equal II)	VI	-	-	-

Note 1: this Form to include IFAD Financing & Other Financing that is administered by IFAD

Note 2: Total IV must equal Total II

Note 3: If figures are stated in the functional / reporting currency that is different from DA currency, please show equivalent figures in DA currency in additional columns, using forex rates applied on FIFO basis as disclosed.

Date

Approver Name

Approver Signature

Report III: Designated Account Activity Statement

Country		
Name of the Project:		
IFAD Instrument number:		
List other instruments if applicable		
For the Period:	Starting Date	To End Date
Expressed in Designated Account Denomination Currency		
		Notes
PART I (Advances and Expenditure)		
1. Cumulative Advances by IFAD to the end of current Reporting period / quarter		Total advances received from IFAD (into the DA or equivalent in Govt. Treasury) to the end of current reporting period / Quarter. State last WA Number and Date through which advance was received
2. Cumulative Expenditure justified by IFAD since project start till the beginning of Reporting Quarter		Total Amount of eligible Project expenditure justified / Reported in IFRs till previous quarter end. This should <u>not</u> include direct payments / reimbursements to other accounts if any
3. Outstanding Advances to be accounted for (Line 1 minus Line 2)		This balancing figure should be matched to IFAD's Loan Account record
PART II (Designated Account - DA - Activity)		
4. DA balance at beginning of Reporting Quarter		Match to Report II (Ref. I)
5a. Advances disbursed by IFAD during the Reporting Quarter		To support this figure, please attach a List of WAs processed by IFAD.
5b. Add/Subtract cumulative adjustments, if any		This may be reconciling items, e.g. funds recalled or any refund of ineligible expenditures during the quarter, if any.
5c. Total amount of Advances received during current reporting Quarter, net of adjustments (Line 5 plus Line 5b)		
6. Outstanding Advances to be accounted for (Line 4 plus Line 5c)		This is the total amount to be justified / accounted for. This should normally be same as Line 3. If not, difference to be explained in notes below
7. DA balance at end of Reporting Quarter		Match to Report II (Ref. I)
8a. Expenditure incurred during the Reporting Quarter		Match to Report II (Ref. II)
8b. Add/Less Adjustments, if any		This may be reconciling items, e.g. WAs submitted but not yet justified / recorded by IFAD at quarter-end. Adjustment details to be noted below
8c. Total expenditure reported (net of adjustments) Expenditure (Line 8a plus 8b)		Match to Report II (Ref. II)
9. Total Advance accounted for: Add Line 7 and Line 8c		This should normally be same as Line 3 and Line 6. If not, difference to be explained in notes below
10. Difference if any (Line 6 minus Line 9)		This represents advance that has not yet been explained. This should ideally be zero. If not, explain reconciliation in note below
PART III (CASH FORECASTS and REPLENISHMENT REQUIREMENT)		
11. Net Forecast Spend from Designated Account		Match all figures to Report I
12. Replenishment Requirement for Subsequent 2 Reporting Quarters		Figures from Report I (REF V). This excludes planned direct payments and Reimbursements)
13. Advance Recovery, if any		Figures from Report Ref VII
14. Disbursement requested this quarter		Recovery will be processed during the 6 months preceding the Completion Date
		Give WA Reference Number
NOTES		
Explanation for item 5b (if not zero):		IFR, WA Ref
Explanation for item 8b (if not zero):		IFR, WA Ref
Explanation for item 10 (if not zero):		IFR, WA Ref
Note 1: IF the Reports II and II are in functional currency other than the DA currency, equivalent amounts in DA currency in this report and Report I should be prepared using forex rates on a FIFO basis		
Date		Approver Name

Report IV: Variance Analysis of Use of Funds by Quarter

Country				
Name of the Project:				
IFAD Instrument number:				
List other instruments if applicable				
Reporting period:				
Currency				

		IFAD Instrument (add more columns for other instruments)			
		Planned (AWPB)	Actual	Variance*	
		A	B	C = A-B	D=C/A (%)
Expenditure by Categories:					
	Category 1				
	Category 2				
	Category 3				
	Category 4				
TOTAL	I				
Expenditure by Components:					
	Component 1				
	Component 2				
	Component 3				
	Component 4				
TOTAL	II				

* Note 1: Provide reasons if the quarterly variances are equal to or more than 10%

Note 2: Figures in column B (Actuals) should match corresponding figures in Report II and III

Report V: Variance Analysis of Use of Funds - FY

Country				
Name of the Project:				
IFAD Instrument number:				
List other instruments if applicable				
Reporting period:				
Currency				

		IFAD Instrument (add more columns for other instruments)			
		Planned (AWPB)	Actual	Variance*	
		A	B	C = A-B	D=C/A (%)
Expenditure by Categories:					
	Category 2				
	Category 3				
	Category 4				
	Category 5				
TOTAL	I				
Expenditure by Components:					
	Component 2				
	Component 3				
	Component 4				
TOTAL	II				

* Note: Provide reasons if the variances are equal to or more than 10%

Note 2: Figures in column B (Actuals) should match corresponding figures in Report II and III

Note 3: Planned figures in Column A should be adjusted for phasing up to the reported quarter

Report VI: Variance Analysis of Use of Funds - Cumulative					
Country					
Name of the Project:					
IFAD Instrument number:					
List other instruments if applicable					
Reporting period:					
Currency					
		IFAD Instrument (add more columns for other instruments)			
		Planned (AWPB)	Actual	Variance*	
		A	B	C = A-B	D=C/A (%)
Expenditure by Categories:					
Category 2					
Category 3					
Category 4					
Category 5					
TOTAL I					
Expenditure by Components:					
Component 2					
Component 3					
Component 4					
TOTAL II					
* Note 1: Provide reasons if the variances are equal to or more than 10% Note 2: Planned expenditure in Column A should be cumulative of all approved AWPBs to date, adjusted for phasing to the reported quarter					

Annex 2: Terms of Reference for external audit

Terms of reference for the financial audit of LEAD

1. Background

- The International Fund for Agricultural Development (IFAD) aids the Borrower/Recipient in the form of Loan(s) and Grant(s).
- A Financing Agreement(s) has been signed between IFAD and the Borrower/Recipient – refer annex 1.
- IFAD requires the Borrower/Recipient to appoint an independent auditor to audit the accounts related to the project in accordance with the IFAD Handbook on Financial Reporting and Auditing.
- The reporting entity is MAE for LEAD project.
- The entity prepares its financial statements in accordance with International Public Sector Accounting Standards (IPSAS) “Financial Reporting under the Cash Basis of Accounting”.
- The auditor conducts its audit in terms of International Standards on Auditing.

2. Objectives

The objective of this audit is to enable the Auditor to express an opinion on whether the financial statements (including additional disclosures as outlined in Section 5.) fairly present, in all material respects, the financial position of the LEAD from 1 January xxx to 31 December XXX, and/or the results of its operations and its cash flows for the years then ended in conformity with the International Public Sector Accounting Standards (IPSAS) “Financial Reporting under the Cash Basis of Accounting”.

3. The responsibilities of the Borrower/Recipient

(i) General

- Provide financial statements for the activities financed by the loan and grant which is reconcilable to its records and accounts.
- Provide the auditor with access to all legal documents, correspondence with consultants, contractors and other persons or firms engaged by the project and any other information associated with the project and deemed necessary by the auditor.
- Ensure that the accounting policies are consistently applied and disclosed.
- Ensure that appropriate internal controls are implemented to prevent misstatements and susceptibility to fraud.
- Ensure compliance with all relevant laws and regulations that pertain to the entity as well as the financing agreement between the Borrower/Recipient and IFAD.
- Provide the financial statements to the auditor within a reasonable time and to be available for any queries that the auditor may have.

(i) Financial Statements

The Borrower/Recipient shall:

- Prepare financial statements covering the reporting period January 01, 20XX to December 31, 20XX in accordance with IPSAS Financial Reporting under the cash basis of accounting. In addition, the following specific disclosures will be included in the financial statements:
 - Sources and Uses of Funds Statement
 - Statement of Cash Receipts, Payments and Comparison of Budget and Actual Amounts
 - Withdraw Application Statement
 - Fixed Asset Schedule
 - Designated Account Reconciliation Statement

4. The responsibilities of the auditor

(i) Auditing standards

- The auditor is responsible for the formulation of an opinion on the financial statements in accordance with International Standards on Auditing (ISA).

(i) General Principles

By agreeing these terms, the Auditor confirms that:

- The firm is independent from the project, its staff and activities, in accordance with international best practices;
- The firm is not currently providing consulting services to the project or preparing its project financial statements (nor has it done so in the previous two years).;
- The Auditor is suitably qualified and a member of a professional body affiliated with the International Federation of Accountants (IFAC).;
- The auditor is able to conduct the audit in accordance with auditing standards acceptable to IFAD pursuant to paragraph 4 (I);
- The firm can assign an audit team with the necessary competence and skills to the audit;
- The firm has a proven track record in conducting audits of a similar nature and complexity.;

(i) Reporting

The Auditor is required to deliver an audit package which includes:

- The audited financial statements, including additional disclosures as outlined in 3 (ii);
- An audit opinion on the financial statements, considering the scope as outlined in 5.;
- Report on factual findings, considering the scope of agreed upon procedures as outlined in 6. Any ineligible expenditure identified should be clearly mentioned.
- A Management Letter, including information outlined in 4 (iv);

(i) Management letter

The Management Letter is an integral part of the audit package which documents accounting and internal control issues identified by auditors. The format of the management letter should classify the findings by risk priority. The management letter should:

- Provide comments and observations on the accounting records, systems and internal controls examined during the course of the audit, identify specific deficiencies and areas of weakness in systems and controls and make recommendations for their improvement;
- Include project management's responses to the identified control issues and its proposal to address the issues identified within a specific time.
- Where applicable, follow up on the issues identified in the previous year's management letter.
- Provide comments on economy, efficiency, and effectiveness in project management's use of resources.
- Report on the degree of compliance with each financial covenant in the financing agreement and provide comments, if any, on internal and external matters affecting such compliance.
- Communicate matters that have come to the auditor's attention during the audit that might have a significant impact on the implementation of the project.
- Review results and findings on IFR reliability for the reporting period.
- Any other matters that the auditors deem pertinent.
- List additional procedures, if applicable.

The audit report should provide sufficient detail as to the nature and extent of the procedures performed by the auditor. The auditor is required to provide the audit package by no later than {insert date}. Reports are to be delivered in the official language of the financing agreement.

5. Scope of the financial audit

In performing the audit, the auditor shall, at a minimum:

- Confirm whether the financial statements have been prepared following international (IPSAS, GAAP, IFRS), regional or national accounting standards; in the latter case, identify elements of difference with the international standards.
- Confirm the auditing standards used for the audit.
- Obtain audit evidence that the financial statements are fairly presented and free of material misstatements, in accordance with the applicable accounting framework.
- Assess internal controls related to the financial reporting process, and identify any weakness that might result in misstatements, whether due to fraud or error.
- Verify the reliability of the IFRs, as the case may be, used to support withdrawal applications and ensure that they are reliable and accurately

reflect expenditures incurred and activities carried out during the reporting period.

- Verify whether expenditure incurred in the name of the project is consistent with the terms of the financing agreement(s) (appendix 1) and incurred for the purposes intended in this agreement. Both IFAD and third-party funding should be considered.
- Verify whether counterpart funds provided by the Government of Tonga have been provided and used in accordance with the relevant financing agreement; verify that the amount of in-kind contribution is reported according to the agreed accounting principles and that the reported fair-market value for all in-kind contribution items is reasonable and fully and accurately disclosed in the financial statements.
- Verify that the inventory and fixed assets held by the entity exist, are complete, are properly accounted and are used for project purposes; at project closure, confirm that the project assets are transferred to the borrower/recipient or the entity identified in the financing agreement.
- Verify the project's recurrent costs (salaries and operating costs) claimed under WAs and ensure they are reasonable, congruent with the implementation needs of the project and within the acceptable threshold (FA schedule II and its revisions).
- The audit should cover selected project regional/provincial implementing units as per the audit plan agreed with the PMU.

6. Scope of the agreed upon procedures

The auditor is required to perform the following specific procedures and report on factual findings as required in 4 (iii).

(i) Withdrawal application statement

The auditor is requested to obtain the individual withdrawal applications (WAs) submitted to IFAD, as summarized in the withdrawal application statement, and develop test procedures to:

- Confirm that the withdrawal application statement is reconciled with the amounts disbursed by the Fund and deposited to the designated account (DA).
- Confirm that the withdrawal application statement is reconciled with the IFRs submitted to the Fund.
- Ascertain whether the designated account currency equivalent was determined using the historical exchange rate of transfers to the operating account or the accounting rules used.
- List additional procedures, if applicable.

(i) Designated account statement

The auditor is requested to review the activities of the designated account(s) associated with the project, including the initial advance, replenishments, interest that may accrue on the outstanding and year-end balances. The auditor is requested to develop test procedures to:

- Check the accuracy of the DA reconciliation(s).
- Confirm that the DA(s) has/have been maintained in accordance with the provisions of the financing agreement and that transactions from the DA(s) are accurately and correctly recorded in the financial accounts and statements of the project.
- Check that expenditures as reported in the project's financial statements are reconciled with the amounts withdrawn from the DA and that the amounts deposited to the DA are reconciled with the amounts disbursed by the Fund.

- Reconciliation should also be made with the amounts paid from the prefinancing account and direct payments (if any).
- List additional procedures, if applicable.
- (i) Interim Financial Reports (IFRs) and Certified Statements of Expenditure (SOEs)

The auditor is requested to obtain the certified IFRs as submitted to IFAD and apply such tests and control as the auditor deems necessary under the circumstances, to:

- Ascertain that the financial management system is reliable to produce the IFRs and has met Fund requirement during the year.
- Determine whether the expenditures incurred are related to activities outlined in the AWPB and consistent with the grant agreement.
- Determine whether the funds have been utilized for the intended purposes, with due regard to economy, efficiency and social equity.
- Determine whether the SOE threshold was set for the financing instrument and the IFRs prepared accordingly.
- Determine whether the expenditures claimed through IFRs or SOEs were properly and appropriately authorized, classified and supported by adequate documentation.
- Identify any ineligible expenditures, including the nature of the ineligible expenditures, the date incurred, and the IFR period.
- List additional procedures, if applicable.

(i) Expenditure transaction list

The Auditor is requested to obtain the expenditure transaction list submitted to IFAD and develop testing procedures to:

- Determine if expenditure incurred is related to the Project Description as per Financing Agreement;

(i) Other

- Confirm that the e-archiving system is of sufficient quality and substance;
- Confirm the level of exchange rate gains/losses that been incurred by the Recipient;
- Confirm the degree of compliance with the recipient's procurement policy and identify noncompliance (this can also be done as a compliance audit)

7. Public disclosure

IFAD promotes public disclosure of project financial information to enhance the level of transparency and accountability. IFAD will publish project audit reports, as appropriate, in line with the Fund's disclosure policy. Management Letters issued by auditors are not subject to public disclosure by IFAD. In agreeing to the terms of reference, the auditor explicitly acknowledges IFAD's right to publicly disclose audit reports (audited financial statements and audit opinion) and will issue reports without a limitation of use clause.

To facilitate the public disclosure process, the auditor is requested to submit two separate files as follows:

- Audited financial statements, audit opinion and report on factual findings (the latter where applicable).
- Management Letter.

8. Annexures

Annex 1: Financing/ Grant Agreement(s)	

Annex 2: Letter to the Borrower	
Annex 3: IFAD Handbook on Financial Reporting and Auditing for IFAD-Funded Projects	

Signed by:
Authorised representative of the Auditor

Date

DRAFT

DRAFT

Appendix 11: Technical Paper on Value Chains

1. The provinces of Savannakhet and Khammouane, located along the Lao segment of the Greater Mekong Subregion (GMS) East–West Economic Corridor (EWEC), present a unique combination of a strong agricultural production base, strategic market connectivity, and evolving institutional capacity. These characteristics make them highly suitable for an inclusive value chain (VC) development approach, which serves as the foundation of the LEAD project's market-oriented interventions.
2. Agriculture in both provinces is dominated by smallholder systems producing a diverse mix of staples, livestock, aquaculture, fruits, vegetables, and emerging high-value crops. Updated production data from the Agricultural Statistics Yearbook (2024) confirms significant output in rice, fish culture, vegetables, fruit trees, poultry, pigs, and cassava, with Savannakhet contributing the largest share of national production in several commodities. Despite this strong production base, most smallholders remain engaged in low-value transactions, face high post-harvest losses, and have limited integration into formal markets.
3. Geographically, both provinces benefit from transport infrastructure and cross-border linkages with Thailand and Vietnam, offering opportunities for trade, logistics development, and private-sector engagement. However, market access remains uneven due to fragmented value chain coordination, limited quality standards, climate-related vulnerabilities, and insufficient aggregation and processing capacity at the producer level. These structural gaps hinder smallholders' ability to capture higher value or transition into more commercial and resilient production systems.
4. The Policy Action Plan for Agriculture and Rural Development in Lao PDR (2026–2030) emphasises strengthening agrifood value chains, improving competitiveness, and promoting climate-resilient production systems. LEAD's VC approach aligns with these national priorities by focusing on market integration, productivity enhancement, and institutional strengthening, while ensuring that the poorest, women, youth, and persons with disabilities are not left behind. This is further reinforced by the project's geographic targeting strategy, which concentrates investments in districts with strong agricultural potential, UXO-cleared land, and institutional readiness for inclusive market development.
5. The VC approach also responds to the need for climate-resilient agricultural transformation. Both Savannakhet and Khammouane experience recurrent floods, erratic rainfall, and ecosystem degradation. Climate risks affect production, quality, storage, and market reliability. Embedding resilience across value chain nodes—through improved production practices, climate-smart infrastructure, diversification, and risk-mitigating finance—is essential to sustaining agricultural incomes in both provinces.
6. Furthermore, LEAD builds on the strong presence of Agricultural Producer Groups (APGs) and the evolving cooperative ecosystem in both provinces. These groups form the entry point for upgrading market participation,

enhancing governance, and achieving efficient aggregation. When supported through clustering, business planning, food-safety compliance, and blended finance mechanisms, APGs can become commercially oriented entities capable of linking with traders, processors, and financial institutions.

Existing Value Chain Landscape in Savannakhet and Khammouane

7. The agricultural landscape of Savannakhet and Khammouane is diverse, with strong production across staples, horticulture, livestock, and aquaculture. The tables below present the 2024 production profile, followed by concise analytical observations on the structure, opportunities, and constraints of each value chain. This structured presentation provides a factual baseline for understanding market systems and identifying where value chain strengthening is most needed. Production Profile of Major Commodities (2024) is given below.

Table 1. Staple Crops, Horticulture, Aquaculture and Livestock
Commodity / Category Unit Khammouane (2024) Savannakhet (2024)

Poultry Population	Thousand head	1,580	6,166
Capture Fish Production	Tons	7,596	14,834
Culture Fish Production	Tons	8,575	92,110
Rice – Total Paddy	Tons	434,300	1,010,800
Fruit Trees – Planted Area	Ha	3,205	4,732
Vegetables (cabbage, onion, chilly, cucumber, lettuce, carrot)	Ha	2,074	4,305
Fruit-bearing & Leguminous Vegetables	Ha	1,940	4,213
Pig Population	Thousand head	131	640
Cattle Population	Thousand head	164	462
Buffalo Population	Thousand head	88	336
Cassava (Manioc)	Ha	1,840	45,300
Hard Maize (Maize)	Ha	1,121	4,204
Sugarcane	Ha	868	1,840
Coffee *	Ha		Identified potential but no current production

Note:

Khammouane has no coffee production. In Savannakhet, potential highland land exists but is not UXO-cleared, therefore not yet suitable for investment.

8. Commodities Excluded from Project Support

Table 2. Excluded Commodities and Rationale

Commodity	Reason for Exclusion
Tobacco	Not supported by IFAD policy.
Maize (feed use)	Mainly for livestock feed; low inclusiveness; environmental risk.

Cassava (feed/industrial)	Industrial/export crop; soil degradation; limited smallholder benefit.
Job's tears	Low commercial value; limited data; not ADS priority.
Rubber	High environmental impact; long gestation; misaligned with nutrition/rural livelihood goals.
Broom grass	Non-strategic; low market impact.
Cattle & Buffalo	High emissions, high upfront investment, low inclusiveness.
Sugarcane	Soil depletion; dominated by industrial processors; high climate vulnerability.

9. Value Chain Characteristics by Category

Table 3. Staple Food Systems (Rice, Fish, Vegetables)

Value Chain	Current Situation	Key Gaps
Rice	Very high production; Savannakhet >1M tons. Mostly sold as paddy at farm-gate.	Weak milling linkages; limited quality grades; high post-harvest losses; limited premium markets.
Aquaculture	Strong growth, especially in Savannakhet (92,110 tons). Mix of pond and cage systems.	Inconsistent fingerling supply, feed quality issues, no cold chain, limited processing.
Vegetables	Expanding area; high women/youth participation; strong local demand.	Seasonal gluts; spoilage; weak aggregation; low compliance with food safety/GAP standards.

Table 4. Horticulture (Fruit Trees and Leguminous Vegetables)

Value Chain	Current Situation	Key Gaps
Fruit Trees	Significant planted area; potential for cross-border markets.	Orchard management gaps; inconsistent quality; SPS issues; absence of structured buyer contracts.
Leguminous & Fruit-bearing Vegetables	Important diversification crops; widely grown.	Fragmented supply, limited aggregation, weak varietal standardisation.

Table 5. Livestock Systems (Poultry, Pigs)

Value Chain	Current Situation	Key Gaps
Poultry	One of the highest volumes; dominant smallholder activity.	Limited improved breeds; biosecurity concerns; no cold chain; informal market channels.
Pigs	Large population in Savannakhet; strong domestic demand.	Disease risks, high feed costs, inconsistent quality, limited commercial scaling.

Table 6. Large-Scale Commercial Crops

Commodity	Nature of Value Chain	Key Limitations
Cassava	Industrial/export crop controlled by processors.	Soil degradation; price volatility; low smallholder capture of value.
Sugarcane	Contracted to industrial buyers.	Low inclusiveness; climate risk; soil depletion.
Hard Maize (feed)	Mainly feed-grade, linked to commercial livestock chains.	Limited relevance to household nutrition and inclusive markets.

Table 7. Potential Emerging Crops

Commodity	Status	Constraints
Coffee (Savannakhet highlands)	Identified potential zone.	Not UXO-cleared; no production structure yet; requires full feasibility analysis.

10. Cross-Cutting Market System Features

The following systemic characteristics influence all value chains in both provinces:

Table 8. Market system Dimensions

Market System Dimension	Observations
Aggregation	Highly fragmented; APGs operate independently; limited cooperative-led marketing.
Post-Harvest Storage &	Significant losses in vegetables, fruits, fish, and rice due to inadequate infrastructure.
Quality & Standards	Limited adoption of grading, sorting, food safety, SPS, and GAP compliance.
Climate Risks	Flooding, erratic rainfall, drought, and temperature stress affect yields and quality.
Processing & Value Addition	Minimal local processing; most commodities sold raw.
Finance	Limited access to working capital and investment loans; weak risk mitigation tools.
Gender & Youth Participation	Concentrated in horticulture, small livestock, and trading; strong potential for inclusive VC engagement.
Connectivity & Logistics	EWEC corridor offers significant market opportunities but requires stronger producer–market linkage mechanisms.

11. The production base of Savannakhet and Khammouane is deep and diverse, but value chains remain largely informal, fragmented, and exposed to climate and market risks. Most smallholders capture only a small share of

market value due to weak aggregation, limited quality differentiation, low processing capacity, and insufficient financial and institutional support. These structural characteristics justify the use of a value chain approach focused on strengthening market linkages, upgrading production systems, and enhancing the capacity of APGs, cooperatives, and MSMEs.

Strategic Rationale for a Value Chain Approach

12. The agricultural systems of Savannakhet and Khammouane are characterised by strong production volumes across multiple commodities but remain constrained by structural gaps that prevent smallholders, APGs, and emerging cooperatives from fully participating in commercial markets. A value chain (VC) approach provides a coherent framework for addressing these constraints, enhancing market integration, and ensuring that agricultural growth is inclusive, climate-resilient, and financially viable.
13. Despite high production in rice, vegetables, aquaculture, poultry, and fruit trees, most producers operate in informal and fragmented markets. Farm-gate transactions dominate, with limited quality differentiation, grading, or structured contracting. As a result, smallholders capture minimal value beyond primary production. A VC approach allows:
 - from input suppliers to end markets;
 - Identification of bottlenecks that limit value creation (e.g., aggregation, SPS, logistics);
 - Development of targeted upgrading strategies (process, product, functional, and channel upgrading);
 - Introduction of climate-proofed infrastructure and storage to reduce losses.
14. By shifting the focus from production alone to market systems, LEAD can help producers transition from subsistence-level participation to market-responsive, commercially oriented engagement.
15. The presence of numerous Agricultural Producer Groups (APGs) provides a strong institutional entry point for VC-based interventions. However, APGs vary in capacity, organisational maturity, and market linkages. Without effective aggregation, smallholders remain price-takers and lack bargaining power. A VC approach enables:
 - Organising APGs into clusters to achieve economies of scale;
 - Facilitating cooperative formation, governance strengthening, and collective marketing;
 - Improving the bargaining position of producers vis-à-vis traders and processors;
 - Enhancing their ability to comply with quality standards and negotiate contracts.
16. Through structured linkage to input suppliers, buyers, and financial institutions, APGs evolve into market actors capable of sustained commercial engagement.

17. Both provinces face climate vulnerabilities—including flooding, erratic rainfall, drought, and ecosystem degradation—that affect production, quality, storage, and market reliability. A VC lens allows resilience measures to be integrated at multiple nodes, not only at farm level. Climate resilience is enhanced through:
- Diversification into nutritionally rich and climate-adaptive crops;
 - Improved post-harvest management to minimise climate-induced losses;
 - Climate-smart irrigation, water use efficiency, and soil management embedded in VC upgrading;
 - Infrastructure that safeguards transport, aggregation, and storage during climate events.
18. By embedding climate-resilient practices along the chain, LEAD strengthens both production stability and market continuity, helping protect livelihoods. Fragmented market systems in both provinces result in high transaction costs and inconsistent supply. Critical gaps include:
- Poor quality standards and weak SPS/GAP compliance;
 - Absence of cold-chain logistics;
 - Limited access to reliable market information;
 - Multiple uncoordinated collectors and brokers;
 - Weak linkages to provincial and cross-border buyers.
19. A value chain approach enables the design of Multi-Stakeholder Platforms (MSPs)—at district, provincial, and national levels—to coordinate market actors, resolve bottlenecks, share information, and support policy feedback loops. MSPs serve as a structured mechanism to align private sector interests, government services, APG capacities, and investment planning.
20. Smallholders, APGs, and MSMEs face pervasive financial constraints rooted in collateral requirements, risk perceptions, and limited technical appraisal tools for agriculture. These constraints inhibit investment in improved inputs, technologies, processing, and aggregation. A VC approach strengthens financial access by:
- Developing bankable business plans tied to specific VC functions;
 - De-risking lending through blocked deposit mechanisms and blended finance instruments;
 - Demonstrating predictable cash flows and structured demand through cluster-based production;
 - Enabling financial institutions to move from collateral-based to cash-flow-based lending.
21. This reduces barriers for first-time borrowers while enabling sustained commercial scaling. Value chain development provides a direct pathway for

enhancing nutrition and inclusion outcomes. Horticulture, fish, poultry, and fruit-based value chains have strong links to dietary diversity and income. Women and youth are heavily engaged in these chains, especially in production, processing, and local trading. A VC approach supports:

- Improved availability and affordability of nutrient-rich foods;
- Women's leadership roles in APGs, MSPs, and cooperatives;
- Youth participation in production, processing, marketing, and digital tools;
- Tailored livelihood entry points for persons with disabilities.

22. Value chains therefore become a platform for economic empowerment and for strengthening household nutrition.

23. The Policy Action Plan for Agriculture and Rural Development (2026–2030) emphasises upgrading agricultural value chains, improving competitiveness, promoting climate resilience, and strengthening producer organisations. The VC approach under LEAD is fully consistent with these national priorities and with provincial development plans in Savannakhet and Khammouane.

Value Chain Categorization and Prioritization

24. This technical annex provides a comprehensive, data-driven methodology used to categorize and prioritize agricultural value chains in Savannakhet and Khammouane Provinces. The objective is to ensure that the value chains selected for investment under the Project align with market opportunities, climate resilience requirements, nutrition needs, and inclusive livelihood pathways for women and youth. This annex also serves as a reference tool for PAEO/DAEO teams, enabling replication of the scoring methodology during future planning cycles.

25. **Scoring Methodology** A structured multi-criteria assessment framework was applied to evaluate eight commodities commonly produced in the two provinces. The framework uses eight criteria, each assigned a weight reflecting its relative importance to the Project's development objectives (market demand, profitability, climate resilience, nutrition, and inclusiveness).

Table 9: Criteria and Weights

SN	Criteria	Weight
1a	Import Substitution	0.15
1b	Export Potential	0.15
2	Profitability / Return on Investment	0.2
3	Value Addition Potential / Employment	0.1
4	Climate Resilience	0.1
5	Women's Inclusiveness	0.1
6	Youth Engagement	0.1
7	Nutrition Impact	0.1
—	Total Weight	1

26. Each criterion was scored on a 1–5 scale, with 5 indicating highest relevance or performance. The following tables (Tables 10–17) present the raw scores for each criterion and commodity. These raw scores were then multiplied by the criterion weight to generate the final weighted scores in Table 9.

27. Step-by-Step Scoring Process for Each Criterion: To ensure an objective and replicable prioritization process, each commodity was assessed against eight criteria. For each criterion, a five-point scale (1–5) was applied, accompanied by standard definitions and evidence-based justification. The following describes in detail how each score was assigned and the analytical sources used.

(a) Export Potential (Score 1–5; Weight 0.15)

Definition: Measures the capacity of the commodity to access regional/global markets, considering demand trends, competitiveness, and export infrastructure.

How scoring was done:

- High export volumes recorded in Laos or neighbouring provinces (Score 5)
- Demonstrated cross-border trade and private-sector demand (Score 4)
- Localized exports with limited volumes (Score 3)
- Minimal or no export activity (Score 1–2)

Data sources: Provincial production statistics, existing export records to Thailand/Vietnam/China, consultation with traders and PAEO.

Example: Vegetables score 5 due to seasonal export to Thailand; poultry scores 3 due to limited formal export channels.

Table 10. Scores for Export Potential (1–5)

Commodity	Export Potential (1–5)	Key Rationale
Vegetables (Mixed)	5	Seasonal export to Thailand; strong demand.
Poultry (Local)	3	Limited formal exports; mostly domestic market.
Rice + Aquaculture	3	Some cross-border potential; limited volumes.
Pig Rearing	2	Primarily domestic consumption.
Mushroom	1	No export volume; niche domestic product.
Fruits (Papaya/Banana)	5	Banana strong export crop to China; papaya niche export.
Rice (Paddy)	5	Major export commodity nationally.
Honey	2	Limited artisanal exports only.

(b) Import Substitution (Score 1–5; Weight 0.15)

Definition: Assesses a commodity's potential to replace imported products and improve national food self-sufficiency.

How scoring was done:

- High dependency on imports + strong domestic production feasibility → Score 5
- Moderate imports and stable domestic demand → Score 3–4
- Commodity largely domestically produced already → Score 1–2

Example: Vegetables score 5 due to high wet-season imports; poultry scores 3 due to ongoing inflow of Thai poultry products.

Table 11. Raw Scores for Import Substitution (1–5)

Commodity	Import Substitution (1–5)	Key Rationale
Vegetables	5	High wet-season imports; strong substitution potential.
Poultry	3	Thai products compete heavily in markets.
Rice + Aquaculture	4	Domestic deficit for fish; strong substitution.
Pig Rearing	4	Import-dependent during shortages.
Mushroom	3	Moderate substitution for domestic demand.
Fruits (Papaya/Banana)	2	Mostly domestic supply already.
Rice	4	Exported but also imported in small volumes; domestic supply dominant.
Honey	3	Imported honey present; domestic supply can substitute partially.

(c) Profitability / Return on Investment (Score 1–5; Weight 0.20)

Definition: Reflects the likely economic returns for smallholders based on B:C ratios, enterprise margins, and cost structures.

How scoring was done:

- Probable B:C ratio calculated for each commodity
- Standard scoring rule applied:
 - o <1.5 = Score 1
 - o $1.5–2.0$ = Score 2
 - o $2.0–3.0$ = Score 3
 - o $3.0–4.0$ = Score 4
 - o 4.0 = Score 5

Example: Poultry, pig, mushroom, rice–aquaculture all exceeded $B:C \geq 3.0$ → Score 4.

Table 12. Profitability Scores (1–5)

Commodity	B:C Ratio	Score (1–5)	Rationale
Rice	1.5	2	Low-margin commodity.
Poultry	3.61	4	Good profitability; fast turnover.

Vegetables	3.13	4	High returns; seasonal variability.
Fruits	2.5	3	Moderate profitability; longer cycle.
Rice + Aquaculture	3.81	4	Strong profitability; high nutrition.
Pig Rearing	3.58	4	High profitability.
Mushroom	2.37	4	High returns with low operating costs.
Honey	2.48	3	Moderate profitability; depends on flora availability.

(d) Women's Inclusiveness (Score 1–5; Weight 0.10)

Definition: Evaluates women's level of participation, control of income, decision-making, and workload distribution.

How scoring was done:

- Women's roles mapped along the VC functions (production, post-harvest, marketing).
- If women dominated management + income control = Score 5
- If women involved only in labour with limited control = Score 2–3
- Little or no involvement = Score 1

Example: Poultry and mushrooms score 5 due to strong women-led enterprise structures; fruits score 3 due to male-dominated orchard management.

Table 13. Scores for Women's Inclusiveness (1–5)

Commodity	Women Involvement	Score	Rationale
Rice	High labour but low control	4	Women involved heavily but limited decision-making.
Poultry	Women-led	5	Women manage production and sales.
Vegetables	Strong women-led chain	5	Women manage production, harvest, marketing.
Fruits	Moderate involvement	3	Men dominate orchard management.
Rice + Aquaculture	Shared roles	4	Women in feeding; men in pond operations.
Pig Rearing	Support roles	3	Women in care/cleaning; men in marketing.
Mushroom	Women-led	5	Full involvement in production and income control.
Honey	Partial involvement	2	Women participate in bottling, not hive management.

(e) Nutrition Impact (Score 1–5; Weight 0.10)

Definition: Measures the commodity's contribution to addressing stunting, anemia, dietary diversity, and micronutrient gaps.

How scoring was done:

Four sub-scores were calculated:

1. Macronutrient score (1–5)
2. Micronutrient score (1–5)
3. Child growth impact (1–5)
4. Diet diversity contribution (1–5)

These were aggregated to produce a 20-point score and normalized to 1–5.

Example: Fish (rice–aquaculture) achieved the highest nutrition score (4.75) due to omega-3, calcium, iron, and high protein density.

Table 14. Nutrition Scores (1–5)

Commodity	Final Nutrition Score	Rationale
Rice	1.75	High energy, low micronutrients.
Poultry	4.5	High-quality protein, iron, zinc, B12.
Vegetables	3.5	Vitamin A, folate, fiber.
Fruits	3	Vitamin C, A; moderate micronutrients.
Rice + Aquaculture (Fish)	4.75	Best nutrition profile; omega-3, calcium, iron.
Pig Rearing	3.75	High iron, zinc, B-vitamins.
Mushroom	2.75	B-vitamins, minerals; moderate protein.
Honey	1	Pure energy, not nutrient-dense.

(f) Value Addition Potential (Score 1–5; Weight 0.10)

Definition: Captures opportunities for processing, aggregation, storage, and small-enterprise development.

How scoring was done:

- If multiple transformation steps feasible (milling, drying, bottling, freezing, pickling) → Score 4–5
- If only basic cleaning/grading possible → Score 2–3
- If no feasible processing (raw commodity) → Score 1

Example: Rice scores 5 due to established milling, grading, and packaging value-addition pathways; mushrooms and honey also score 4 due to artisanal processing potential.

Table 15. Value Addition Scores (1–5)

Commodity	Score	Rationale
Rice	5	Milling, grading, parboiling.
Poultry	4	Dressing, freezing, packaging.
Vegetables	4	Grading, drying, pickling.
Fruits	4	Drying, chips, puree, juice.
Rice + Aquaculture	3	Filleting, drying, freezing; requires cold chain.
Pig Rearing	3	Basic slaughtering, cuts; limited SME role.

Mushroom	4	Fresh, dried, pickled, powdered.
Honey	4	Bottling, filtering, wax extraction, cosmetics.

(g) Climate Resilience (Score 1–5; Weight 0.10)

Definition: Reflects vulnerability to drought, flood, heat stress, pests, diseases, and the need for water control.

How scoring was done:

- Indoor/controlled production systems = Score 5
- Short-cycle, moderate sensitivity = Score 3–4
- Highly climate-sensitive, flood-prone, long maturity crops = Score 1–2

Example: Mushrooms (Score 5) are climate-independent; rice and aquaculture (Score 2) are highly climate-sensitive.

Table 16. Climate Resilience Scores (1–5)

Commodity	Score	Rationale
Rice	2	Highly climate-sensitive; drought/flood risk.
Poultry	4	Indoor/near-house; manageable heat stress.
Vegetables	3	Sensitive but short cycle.
Fruits	3	Banana resilient; papaya vulnerable.
Rice + Aquaculture	2	High climate sensitivity (pond evaporation, floods).
Pig Rearing	4	Shed-based; heat stress manageable.
Mushroom	5	Indoor controlled environment.
Honey	4	Resilient; bees adapt; only nectar flow affected.

(h) Youth Engagement (Score 1–5; Weight 0.10)

Definition: Measures the attractiveness of the VC to youth as an enterprise opportunity.

How scoring was done:

- Low capital, short cycle, scalable enterprises = Score 4–5
- Medium capital, moderate risk, knowledge needs = Score 3
- High investment, long cycles, or land requirement = Score 1–2

Example: Poultry and mushrooms score 4–5 due to ease of entry and fast turnover; rice scores 2 due to land and machinery requirements.

Table 17. Youth Engagement Scores (1–5)

Commodity	Score	Rationale
Rice	2	High labour, long cycle, land requirement.
Poultry	5	Fast cycle, low capital, youth-friendly.
Vegetables	4	Low capital; multiple youth-entry points.

Fruits	3	Medium capital; long-term orchards discourage youth.
Rice + Aquaculture	3	Requires ponds, water management, moderate capital.
Pig Rearing	4	Profitable; requires moderate capital and space.
Mushroom	4	Highly youth-friendly; low cost, fast cycle.
Honey	3	Attractive enterprise but requires technical training.

4.1.2 Calculation of Weighted Scores

For each criterion, raw scores (1–5) were multiplied by the assigned weight. The sum of all eight weighted parameters produced the final composite score for each commodity, presented in Table 18.

Thus, the final prioritization is a function of:

Final VC Score = Σ (Score $\times$ Weight) Across all eight criteria.

Table 18: final composite score

Commodities	Market Demand								
	Export Potential (0.15)	Import Substitution (0.15)	Profitability (0.20)	Women Inclusiveness (0.10)	Nutrition (0.10)	Value Addition (0.10)	Climate Change (0.10)	Youth (0.10)	Total
Vegetables (Mixed)	0.75	0.75	0.8	0.5	0.35	0.4	0.3	0.4	4.25
Poultry (Local)	0.45	0.45	0.8	0.5	0.45	0.4	0.4	0.5	3.95
Rice+ Aquaculture	0.45	0.6	0.8	0.4	0.475	0.3	0.22	0.3	3.525
Pig Rearing	0.3	0.6	0.8	0.3	0.375	0.3	0.4	0.4	3.475
Mushroom (Smallholder)	0.15	0.45	0.8	0.5	0.275	0.4	0.5	0.4	3.475
Fruits (Papaya & Banana)	0.75	0.3	0.6	0.3	0.3	0.4	0.3	0.3	3.25
Rice (Paddy)	0.75	0.6	0.4	0.4	0.175	0.5	0.18	0.2	3.225
Honey (10 Hives)	0.3	0.45	0.6	0.2	0.1	0.4	0.4	0.3	2.75

28. Interpretation of Results: The scoring highlights three distinct groups of commodities:

(a) High-Priority Value Chains (Score $\geq$ 3.8)

These demonstrate strong performance across multiple criteria and align strongly with project objectives:

1. Vegetables (4.25): High market demand, strong import substitution, profitable, highly women-inclusive, strong youth engagement. Critical for nutrition-sensitive agriculture. Strong SME and value-addition opportunities.
2. Poultry (3.95): High profitability and nutrition impact; near-house, women-led enterprise. Rapid turnover, low entry barriers, strong youth engagement.

These two are consistently preferred due to their nutrition impact, inclusiveness, and market potential, making them ideal for smallholder upgrading.

(b) Medium-Priority Value Chains (Score 3.3–3.6)

These have strong potential but may require targeted investments to address specific constraints:

1. Rice–Aquaculture (3.525): Highest nutrition score of all value chains; strong profitability. Climate vulnerability requires careful management (pond management, water control). Strong potential for integrated farming systems.
2. Pig Rearing (3.475): High profitability and good youth engagement; moderate climate resilience. Opportunities for improved biosecurity and feed efficiency.
3. Mushroom (3.475): Highly inclusive (women/youth), climate-independent, strong value addition potential.. Requires training and reliable substrate supply chains.

These value chains remain highly relevant for diversified livelihood strategies.

(c) Lower-Priority Value Chains (Score < 3.3)

4. Fruits (Papaya/Banana) – Good market potential but moderate inclusiveness and long production cycles constrain participation of women and youth.
5. Rice (Paddy) – Strong for food security but limited inclusiveness, low nutrition density, and high climate sensitivity.
6. Honey – Attractive niche enterprise but limited scale and weak nutrition relevance.

29. Recommended Value Chains for IFAD Investment in Phase 1 Provinces: Based on the prioritization results, field consultations, and alignment with project objectives (nutrition, inclusiveness, climate resilience, market potential), the following value chains are recommended for investment under Phase 1 (Savannakhet and Khammouane):

1. Vegetables (Mixed) – High priority
2. Poultry (Local, meat & eggs) – High priority
3. Rice–Aquaculture Integrated Systems – Medium-high priority; high nutrition value

These three value chains collectively:

- strengthen food and nutrition security
- offer inclusive employment for women and youth
- provide profitable enterprise opportunities for smallholders
- create value addition and aggregation opportunities for cooperatives, APGs, and rural MSMEs
- align with provincial production strengths and market trends

- support climate resilience through diversification
30. The remaining value chains may be considered for secondary piloting, contingency support, or district-specific interventions where local conditions justify their inclusion.

Strategic Rationale for Selected Value Chains

31. The selection of value chains for IFAD investment in Savannakhet and Khammouane is grounded in the multi-criteria prioritization process presented in Section 4, supplemented by production data, market trends, institutional feedback, and alignment with IFAD's corporate priorities. This section provides a clear justification for the three value chains proposed for Phase 1 investment: Vegetables, Poultry, and Rice–Aquaculture Integrated Systems. These value chains collectively maximize the project's contributions to income generation, nutrition improvement, inclusiveness, climate resilience, and market integration.
32. **Alignment with Provincial Agricultural Context:** Both provinces exhibit strong agricultural production systems with high potential for commercialization. However, they also face structural challenges, including seasonal market fluctuations, climate variability, limited value addition, and persistent nutrition gaps. The selected value chains respond directly to these constraints:
- Savannakhet is the country's largest producer of vegetables, rice, and aquaculture products, supported by favourable agroecology and established cross-border market routes with Thailand and Vietnam.
 - Khammouane has diversified production systems, strong local demand for poultry and fish, and expansion potential for horticulture linked to domestic and regional markets.
33. Together, the selected value chains enable households to diversify from low-margin staples into higher-value, more resilient, and more nutrition-sensitive enterprises.
34. **Consistency with IFAD's Development Priorities:** The selected value chains are aligned with IFAD's thematic focus areas:
35. **Income and Market Opportunities:** Vegetables, poultry, and integrated rice–aquaculture scored consistently high in profitability, market demand, and value addition potential. These VCs have demonstrated:
- Strong domestic and regional market pull.
 - Opportunities for aggregation and commercialization through APGs/cooperatives.
 - Multiple entry points for rural MSMEs (nurseries, feed supply, processing, cold-chain services).
36. **Gender Inclusion:** Vegetables and poultry rank among the most women-inclusive value chains in the region:
- Women dominate horticulture production, harvesting, and direct market sales.
 - Poultry is typically a near-household, woman-managed enterprise, offering control over income.

- Rice–aquaculture integrates family labour, enabling shared roles and labour diversification. This supports IFAD's objective of expanding economic empowerment pathways for rural women.

37. Youth Employment and Entrepreneurship: All selected VCs offer youth-friendly entry points:

- Poultry and mushroom-type models (related in scoring) remain highly accessible due to low startup capital and fast turnover.
- Vegetables offer opportunities in nurseries, irrigation services, aggregation, logistics, and retail.
- Integrated aquaculture introduces youth to technical production, pond management, and digital farm monitoring. These align with youth aspirations for enterprises that are modern, market-oriented, and scalable.

38. Climate Resilience: The selected VCs maintain acceptable levels of climate resilience, particularly when supported by improved practices:

- Vegetables: short-cycle crops reduce climate exposure and allow rapid recovery.
- Poultry: largely indoor and climate-buffered.
- Integrated aquaculture: can be climate-vulnerable, but resilience improves significantly through low-cost practices such as improved aeration, water recycling, and diversified stocking.
- Investments will focus on climate-smart production packages to mitigate sensitivity, especially under rising temperatures and fluctuating rainfall patterns.

39. Nutrition Improvement: The scoring matrix consistently underscores the nutrition benefits of the selected VCs:

- Vegetables supply essential micronutrients (Vitamin A, folate, iron absorption enhancers).
- Poultry provides high-quality protein, iron, zinc, and B12—critical for reducing anemia and improving child growth.
- Fish (within rice–aquaculture) provides calcium, omega-3 fatty acids, iron, and zinc—the most nutrition-dense profile of all assessed value chains.
- Given high stunting rates in both provinces (28–30%), integrating these value chains directly advances the project's nutrition-sensitive agriculture objectives.

Strategic Synergies Across the Three Selected Value Chains

40. A core advantage of the selected value chains is the high complementarity among them:

(a) Production Synergies

- Vegetable production and poultry manure align well with integrated rice–fish systems.
- Crop–livestock–fish integration enhances soil fertility, water efficiency, and farm-level resilience.

(b) Market Synergies

- Vegetables and poultry have strong domestic retail and wet market linkages.

- Fish products support both domestic consumption and regional wholesale markets.

(c) Processing and Value Addition Synergies

- Vegetables: cleaning, packing, drying, pickling.
- Poultry: basic dressing and frozen products.
- Fish: drying, smoking, filleting.

These create layered opportunities for rural MSMEs and women-led enterprises.

41. Contribution to Household Income Diversification: The three selected VCs collectively enable smallholders to shift from single-enterprise dependence (often rice-only systems) toward multi-enterprise resilience strategies, which:

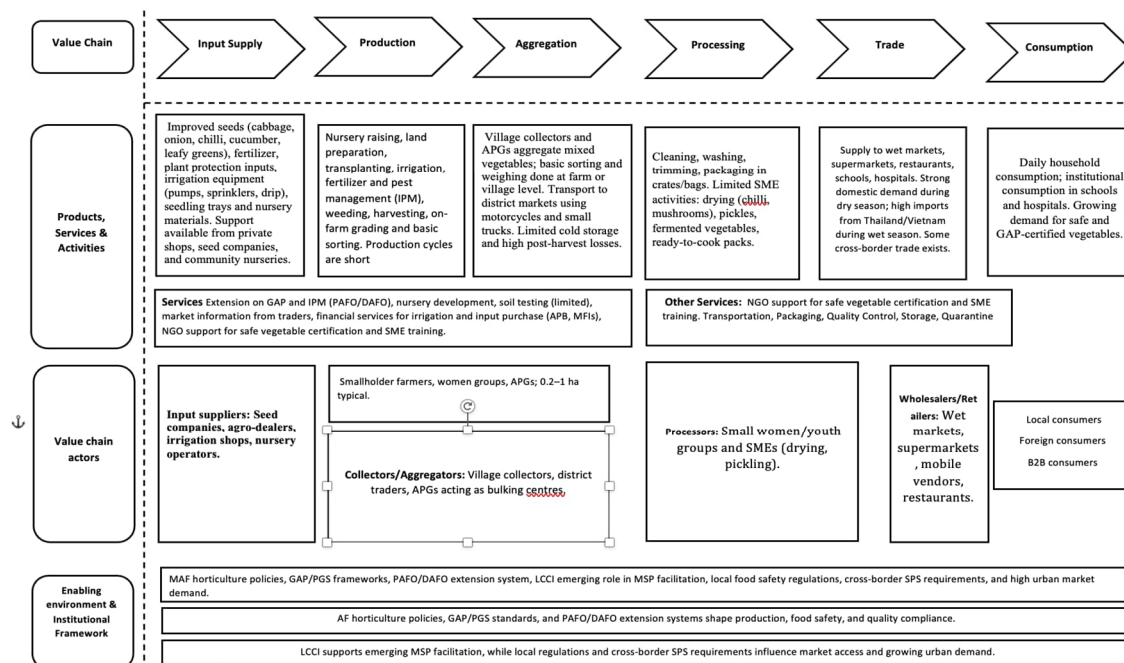
- Spread risk across short- and medium-cycle commodities.
- Provide year-round cash flow.
- Stabilize household income during shocks.
- Improve household food and nutrition security simultaneously.

42. Potential for Cooperative and Private Sector Engagement: The selected VCs align well with the project's cooperative and MSME development pathways:

- Vegetables and poultry aggregators already operate in several districts, providing anchor market linkages.
- Integrated rice-aquaculture systems can be scaled through cooperative-led input services, technical training, and bulk marketing arrangements.
- Private agribusinesses have expressed interest in contracting for vegetables and poultry supply during dry-season production surges.

43. This ensures strong opportunities for: Structured market linkages, Volume consolidation, Contract farming pilots, and MSME value-addition enterprises

Vegetable Value Chain | Laos PDR



VC constrains and opportunities

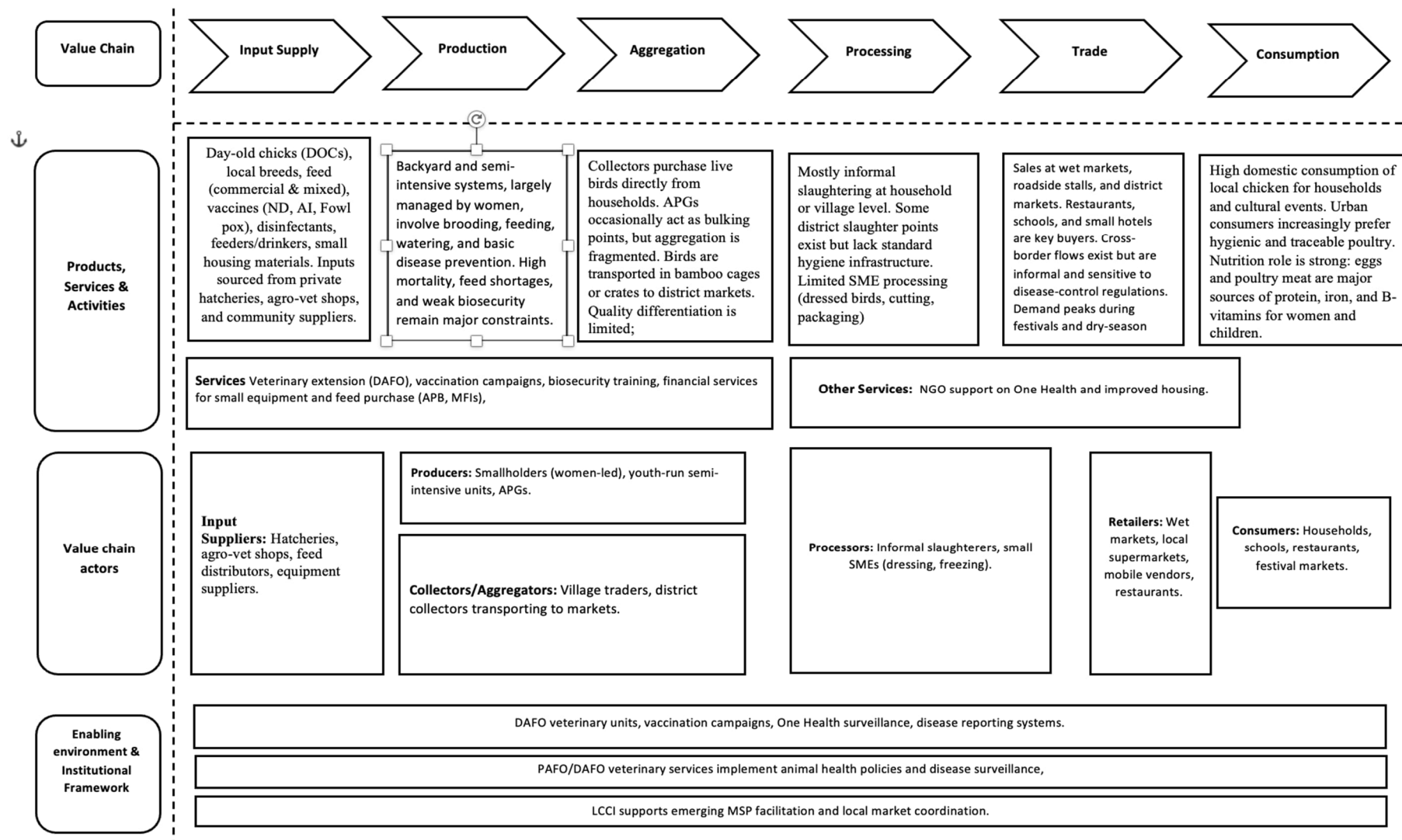
1. The vegetables value chain in Savannakhet and Khammouane faces several structural and operational constraints across its core nodes. At the input stage, farmers experience limited access to high-quality seeds, GAP-compliant inputs, and affordable irrigation technologies, which restricts productivity and increases vulnerability to pests and diseases. Production constraints include low adoption of GAP and IPM practices, weak technical knowledge, and reliance on rainfed irrigation, resulting in high seasonality and crop losses. Aggregation remains underdeveloped, characterized by inconsistent grading, fragmented bulking, and significant post-harvest losses due to lack of cold storage and handling infrastructure. Processing activities are minimal, with only small-scale drying and pickling enterprises operating, largely constrained by limited equipment and food-safety knowledge. Marketing challenges stem from strong competition with Thai imports, variable quality, weak buyer linkages, and poor access to timely market information. Compliance with SPS and quality standards for domestic and cross-border trade is limited, affecting the ability of producers and aggregators to supply higher-value buyers. Consumer demand for safe vegetables is increasing, but supply consistency and certification systems remain inadequate to meet emerging market preferences.
2. To address these constraints, the value chain requires both financial and non-financial improvements. Financial support should enable farmers and APGs to invest in irrigation systems, protected cultivation, plastic mulch, improved nurseries, and basic post-harvest infrastructure such as crates, cooling units, and sorting tables. SME-level financing is needed for simple processing equipment, including dehydrators, sealers, and improved packaging systems. Non-financial interventions should focus on strengthening extension services for GAP, IPM, and climate-smart practices; enhancing nursery management capacities; improving APG-level aggregation, grading, and quality assurance systems; and building stronger market linkages through MSPs, contract farming, and regular price information. Additional support is required to enhance knowledge of SPS requirements, improve compliance documentation, and strengthen GAP/PGS certification and branding to position safe vegetables as a premium domestic and cross-border product.

Table 19: Constraints and Required Improvements – Vegetables Value Chain

VC Node	Key Constraints (Short Description)	Required Improvements – Financial & Non-Financial
Input Supply	Limited access to quality seeds, nursery materials, and affordable irrigation equipment. Inconsistent supply of bio-pesticides and GAP-compliant inputs.	Financial: Small loans for irrigation, nurseries, protected cultivation. Non-Financial: Strengthen nursery networks, training on input use, promote GAP-compliant suppliers.
Production	Low adoption of GAP/IPM; high pest & disease incidence. Limited irrigation leading to seasonality; shortfalls in technical know-how.	Financial: financing for drip/sprinkler irrigation, plastic mulch, net houses. Non-Financial: Extension training on

		GAP, IPM, climate-smart practices; demo plots.
Aggregation	Weak bulking and inconsistent quality; limited cold storage; high post-harvest losses (20–30%). APGs lack grading and basic QA systems.	Financial: loans for crates, packing sheds, cold boxes. Non-Financial: Training on grading, sorting, basic post-harvest management; strengthen APG aggregation functions.
Processing	Very limited SME processing capacity; traditional drying/pickling done at small scale only. - No access to simple equipment (dehydrators, sealers).	Financial: SME loans for small dryers, sealers, packaging units. Non-Financial: Training on food safety, packaging, value addition; support for product development.
Marketing / Trade	Strong competition from Thai imports, especially wet season. Weak market information; fragmented linkages with supermarkets/restaurants.	Financial: Loans for transport, crates, cooling solutions. Non-Financial: Facilitate MSPs, develop direct buyer linkages, provide price/market info systems.
Cross-border / SPS	Limited adherence to SPS protocols for export to Thailand/Vietnam. Packaging and quality standards not met consistently.	Financial: Support for basic certification equipment (washing stations, packing). Non-Financial: Training on SPS, GAP/PGS, documentation, quality management.
Consumers	Growing demand for “safe vegetables” but inconsistent supply and certification. Limited awareness of GAP/PGS products.	Financial: Subsidised testing/certification costs. Non-Financial: Promote safe vegetable branding, strengthen certification schemes.

Poultry Value Chain | Laos PDR



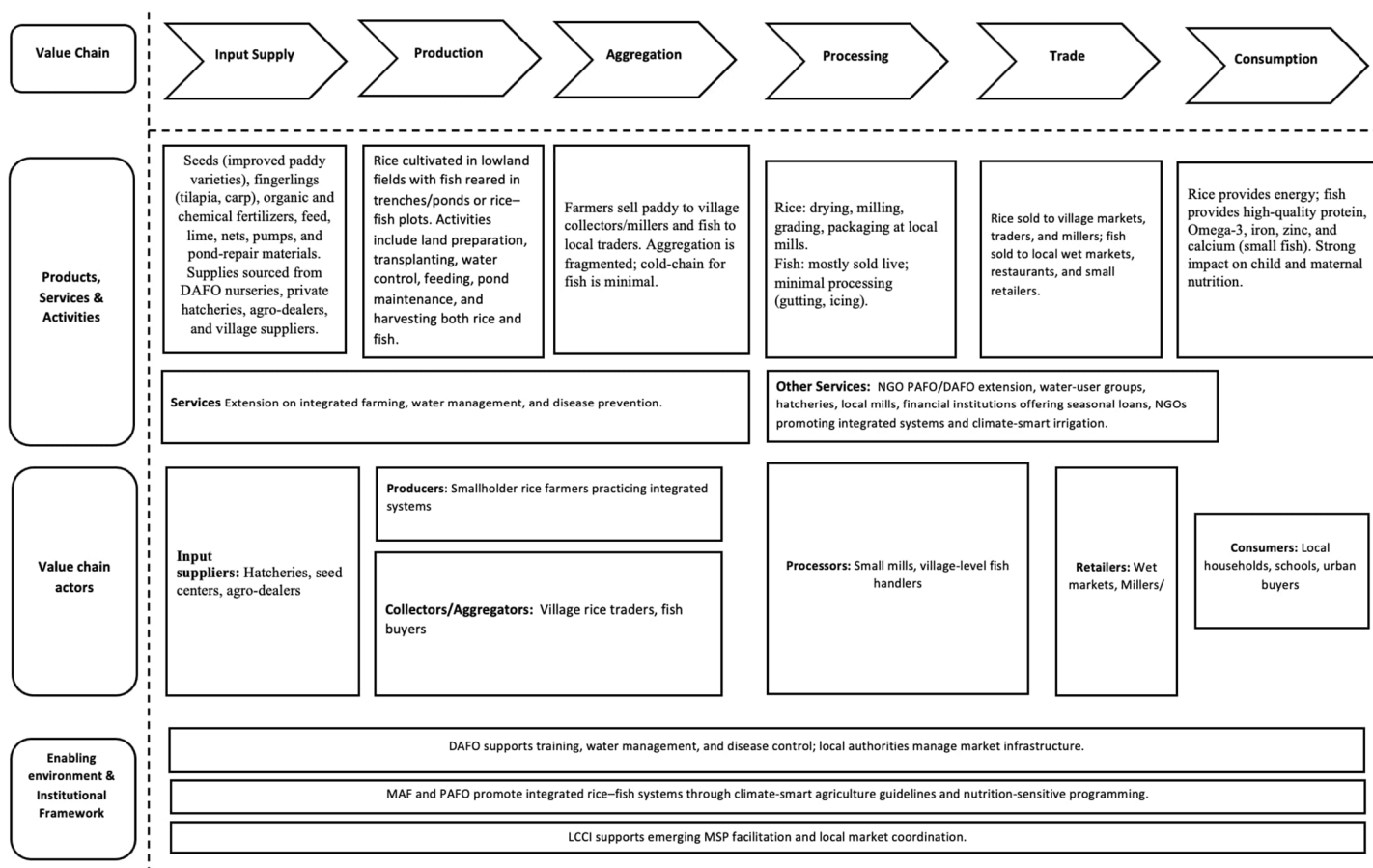
3. The poultry value chain in Laos faces multiple constraints across its core nodes, beginning with limited access to quality day-old chicks, fluctuating feed supply, and inconsistent availability of veterinary inputs. At the production level, high mortality driven by preventable diseases, poor housing, and weak biosecurity practices significantly reduce productivity. Aggregation and processing remain informal and fragmented, lacking hygienic slaughtering facilities, cold storage, and standardized handling systems. Market linkages are underdeveloped, with producers primarily reliant on local collectors, while disease outbreaks and low compliance with SPS standards further restrict access to higher-value markets. These constraints limit the growth potential of smallholder poultry systems, despite strong consumer demand and high participation from women and youth.
4. Addressing these gaps requires a package of coordinated financial and non-financial interventions. Financial improvements should prioritize access to working capital for feed and chicks, investment in improved housing and brooders, and SME financing for hygienic slaughtering and cold-chain infrastructure. Non-financial support is equally critical and includes strengthening veterinary extension and vaccination campaigns, training farmers in biosecurity and husbandry practices aligned with the National Action Plan, and upgrading APG roles in aggregation and market coordination. Enhanced food safety training, One Health surveillance, and structured buyer linkages will enable smallholders to access safer, more stable, and higher-value markets. Together, these interventions create a foundation for a more resilient, productive, and inclusive poultry value chain.

Table 20: Constraints and Required Improvements – Poultry Value Chain

VC Node	Key Constraints (Short Description)	Required Improvements – Financial & Non-Financial
Input Supply	Limited access to quality DOCs and improved breeds. Fluctuating feed prices and inconsistent feed supply. Weak availability of vaccines, disinfectants, and basic biosecurity supplies.	Financial: Working capital for feed; loans/grants for chick purchase, feeders/drinkers, housing materials. Non-Financial: Strengthen hatchery networks; improve vaccine distribution; training on feed formulation and biosecurity inputs.
Production	High mortality due to preventable diseases (ND, AI, Fowlpox). Poor housing and ventilation; weak biosecurity practices. Limited producer skills in vaccination, hygiene, and brooding.	Financial: Co-financing for improved housing, brooders, water systems, and vaccination tools. Non-Financial: Regular vaccination campaigns; training on improved housing and management; One Health extension; producer record-keeping skills.
Aggregation	Fragmented bulking and small volumes; inconsistent quality. No	Financial: Loans/grants for crates, transport cages, and basic cold storage. Non-Financial: Strengthen

	cold-chain transport; market access depends on village collectors.	APG aggregation functions; introduce standard live-bird handling; build trader–producer linkages.
Processing	Slaughtering mostly informal with low hygiene standards. Lack of equipment and infrastructure for safe dressing, packaging, and chilling.	Financial: SME financing for small hygienic slaughter points, freezers, and cutting/packing tools. Non-Financial: Training on food safety; support to establish village or district-level hygienic slaughter units; promote compliance with hygiene and meat inspection guidelines.
Marketing / Trade	Informal markets dominate; no grading or branding. Weak and inconsistent relationships with restaurants, retailers, and institutional buyers.	Financial: Support for transport, small cold-chain investments, packaging. Non-Financial: Facilitate MSP-led market linkages; buyer–supplier agreements; provide market information (prices, demand).
Animal Health / SPS	Inconsistent vaccination; weak disease surveillance and reporting. Limited One Health coordination for outbreak control.	Financial: Subsidies/support for vaccination campaigns, PPE, and disinfection equipment. Non-Financial: Strengthen DAEO vet services; improve reporting and surveillance; regular One Health awareness programs.
Consumers	Concerns over hygiene and safety of local poultry products. Limited availability of dressed, hygienic poultry.	Financial: Support for cold storage and hygienic packaging. Non-Financial: Promote local “safe poultry” branding; improve traceability; awareness on hygienic products.

Rice + Fish Value Chain | Laos PDR



5. The integrated rice–fish value chain faces several constraints across its nodes, starting with limited access to quality fingerlings, high feed costs, and weak water-management infrastructure. Production is highly climate-sensitive, with floods, droughts, and poor pond maintenance frequently reducing yields. Farmers have limited knowledge of fish disease control and optimal feeding, while aggregation remains fragmented with virtually no cold chain for fish, leading to significant post-harvest losses. Processing is minimal and mostly informal, and weak linkages with higher-value buyers limit income potential. SPS compliance and hygienic fish-handling practices remain low, restricting access to premium markets.
6. To address these issues, the value chain requires a mix of financial and non-financial interventions. Financial support is needed for pumps, pond rehabilitation, feed, ice boxes, cold-chain tools, and basic fish-processing equipment. Non-financial measures include strengthened extension on integrated farming, improved water management, fish health training, and SPS/hygiene practices. APG aggregation roles should be reinforced, and MSP platforms can facilitate stronger buyer–supplier linkages and market information. Together, these improvements will significantly increase productivity, reduce losses, and enhance nutrition outcomes through a more resilient and profitable rice–fish system.

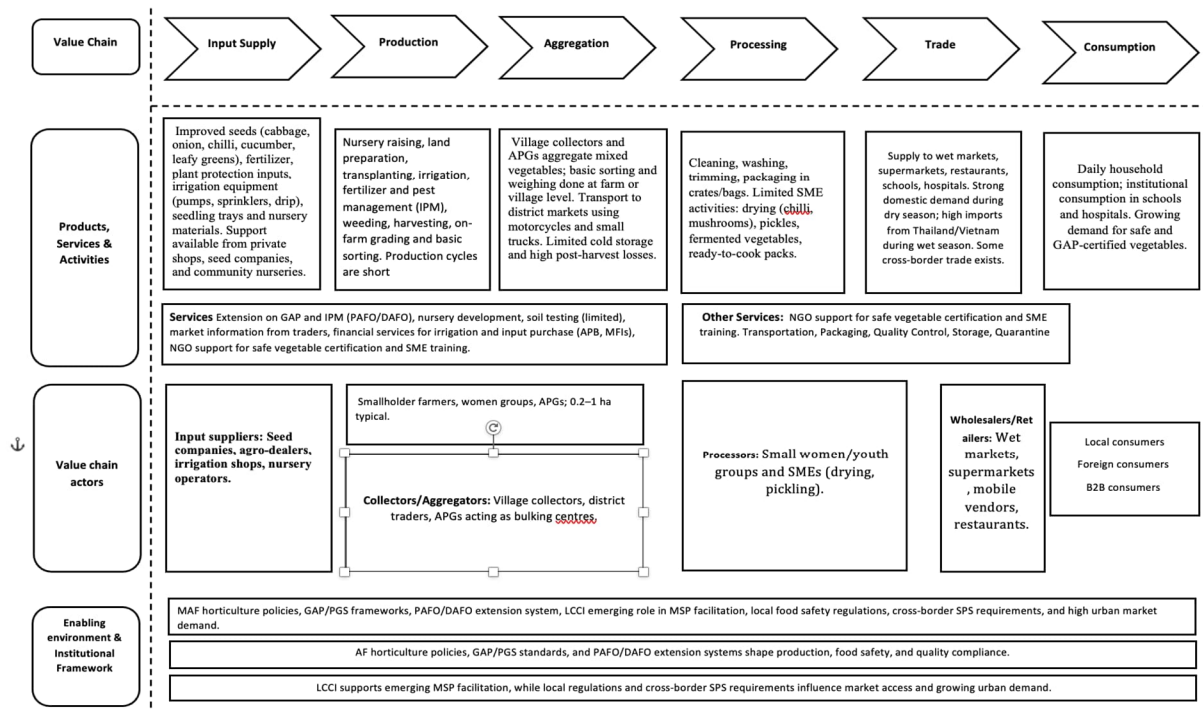
Table 21. Constraints and Required Improvements – Rice + Fish (Integrated) Value Chain

VC Node	Key Constraints (Short Description)	Required Improvements – Financial & Non-Financial
Input Supply	Limited availability of quality fingerlings; weak hatchery capacity. - High feed costs and inconsistent supply. Limited inputs for water control (pumps, pipes, lime).	Financial: Loans for pumps, fingerlings, feed, and pond repair materials. Non-Financial: Strengthen hatcheries; training on input selection, water preparation, and pond conditioning.
Production	High climate sensitivity (floods, droughts) affecting ponds/fields. - Weak water-control structures; poor trench/pond maintenance. Limited knowledge of fish health, feeding, and integrated management.	Financial: Co-financing for trench/pond rehabilitation, small ponds, water-control structures, and feed. Non-Financial: Training on integrated rice–fish practices, water management, fish disease control, and climate-smart production.
Aggregation	Fragmented bulking; limited APG role; inconsistent volumes. No cold-chain for fish; poor handling leads to losses.	Financial: Investment in ice boxes, crates, insulated containers, and small cold storage. Non-Financial: Training on fish handling and sorting; strengthen APGs as aggregation points.
Processing	Minimal fish processing; low hygiene in cleaning/gutting. Rice milling quality varies; limited grading.	Financial: Support for small fish-processing equipment (gutting tables, ice machines), and rice-milling upgrades. Non-Financial: Training on food safety,

		hygiene, and quality grading for rice and fish.
Marketing / Trade	Weak market linkages; quality variation reduces buyer confidence. - Limited access to premium markets; fish sold mostly live.	Financial: Support for transport, cold boxes, and improved packaging. Non-Financial: MSP-led buyer–seller coordination; market information systems; training on quality consistency.
SPS / Food Safety	Low compliance with fish-handling hygiene; weak testing systems. No standard practices for cleaning or storage.	Financial: Support for hygiene kits, testing supplies, and cold-chain tools. Non-Financial: Training on SPS, hygienic handling, basic documentation, and food-safety protocols.
Consumers	Limited availability of hygienic, iced, or processed fish. Rice quality varies due to informal milling.	Financial: Support for safe packaging, small chillers, and quality upgrades. Non-Financial: Consumer awareness on safe fish; promote local branding for quality rice and fish.

7. The assessment of the vegetables, poultry, and rice–fish integrated value chains in Savannakhet and Khammouane demonstrates strong potential for income growth, nutrition enhancement, and inclusive participation—particularly for women and youth. Each value chain presents distinct strengths: vegetables offer high market demand and strong import substitution opportunities; poultry provides rapid turnover and high engagement of women producers; and rice–fish systems deliver superior nutrition outcomes and diversified household income. At the same time, all three value chains face recurring constraints related to input quality, limited technical capacities, weak aggregation and processing infrastructure, and the absence of consistent market linkages.
8. Addressing these bottlenecks requires a balanced package of financial and non-financial interventions. Priority areas include improved access to quality inputs, irrigation and housing upgrades, small-scale post-harvest and cold-chain investments, and targeted financing for APGs and MSMEs. Equally critical are strengthened extension services, adoption of climate-smart and hygienic production practices, structured vaccination and SPS compliance, and enhanced coordination through MSPs to link producers with buyers. With these improvements, the selected value chains can deliver higher productivity, reduced losses, stronger market competitiveness, and more resilient and nutrition-sensitive livelihoods for rural households.

Vegetable Value Chain | Laos PDR



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Appendix 12: Template for Value Chain Investment Plans (VCIPs)

1. Value Chain Mapping and Geographic Anchoring

Each VCIP shall include a value chain map that visually and analytically represents the full flow of products, services, and finance from input supply to final markets, explicitly anchored to district- and cluster-level geography.

The value chain map shall identify:

- physical flow of commodities;
- geographic concentration of production, aggregation, processing, and markets;
- key actors at each node (APGs, cooperatives, MSMEs, traders, processors);
- supporting services (extension, logistics, finance);
- points of loss, inefficiency, or exclusion.

Table 1: Value Chain Mapping by Node and Geography

<i>VC Node</i>	<i>Key Activities</i>	<i>Main Actors</i>	<i>Geographic Concentration (District / Cluster)</i>	<i>Volume / Scale</i>
<i>Input supply</i>	<i>Seeds, feed, inputs</i>	<i>Dealers, MSMEs</i>		
<i>Production</i>	<i>Cultivation / rearing</i>	<i>APGs</i>		
<i>Aggregation</i>	<i>Collection, grading</i>	<i>Cooperatives / traders</i>		
<i>Processing</i>	<i>Value addition</i>	<i>MSMEs</i>		
<i>Marketing</i>	<i>Wholesale / export</i>	<i>Traders / buyers</i>		

A simplified visual map shall accompany this table in each VCIP (refer Annex I: para number 43 to 51).

2. Identification of Constraints and Improvement Areas (Node-Based)

For each value chain node, constraints and opportunities shall be analysed across technical, market, financial, and institutional dimensions, distinguishing financial and non-financial interventions.

Table 2: Node-Based Constraint and Opportunity Analysis

<i>VC Node</i>	<i>Key Constraints</i>	<i>Root Causes</i>	<i>Opportunity /</i>

			Improvement Area
Production			
Aggregation			
Processing			
Marketing			

3. Identification of Non-Financial Interventions (Soft Investments)

Non-financial interventions address capacity, coordination, standards, organisation, and systems and are often prerequisites for successful financial investment.

Table 3: Non-Financial Improvement Actions by Geography

Geography (Province / District / Cluster)	VC Node	Non-Financial Constraint	Proposed Non-Financial Action	Lead Actor
	Production	Low productivity	GAP training, demo plots	PAEO / SP
	Aggregation	Weak coordination	Cooperative governance support	MOIC / SP
	Processing	Quality non-compliance	Food safety & GMP training	MAE / SP
	Marketing	Weak buyer linkage	Contract facilitation via MSP	LCCI / MSP

Examples of non-financial actions include:

- organisational strengthening of APGs/cooperatives;
- MSP facilitation and buyer–seller coordination;
- quality standards, certification, and food safety support;
- business planning and market intelligence;
- policy or regulatory facilitation at district/provincial level.

4. Identification of Financial and Investment Interventions (Hard Investments)

Financial interventions include infrastructure, equipment, working capital, and enterprise investments, linked to clear cash-flow logic and access-to-finance pathways.

Table 4: Financial / Investment Opportunities by Geography

Geography	VC Node	Investment Type	Asset / Finance Need	Estimated Scale	Financing Pathway
	Aggregation	Infrastructure	Collection centre		Grant + loan
	Processing	Equipment	Dryer / mill		MSME loan
	Marketing	Working capital	Seasonal finance		Blocked deposit
	Logistics	Transport	Cold truck		Private equity

Financial interventions shall be:

- geographically targeted;
- aligned with VCIP upgrading logic;
- linked to MSME/cooperative readiness; and
- consistent with the Rural Finance Technical Annex.

5. Integration of Financial and Non-Financial Actions

VCIPs shall explicitly demonstrate how non-financial interventions enable financial investments, ensuring sequencing and risk mitigation.

Table 5: Sequencing of Financial and Non-Financial Interventions

Constraint	Non-Financial Action	Financial Action	Dependency
Poor quality	GAP & QC training	Processing equipment	Training precedes loan
Weak governance	Coop capacity building	Aggregation centre	Legal registration
Market uncertainty	MSP buyer linkage	Working capital loan	Contract in place

6. Geographic Differentiation and Targeting

Each VCIP must demonstrate geographic differentiation, recognising that constraints and opportunities vary across districts and clusters.

Table 6: Geographic Targeting Matrix

District / Cluster	Dominant VC Node	Priority Constraint	Priority Intervention
	Production	Climate risk	CSA practices
	Aggregation	Low volumes	Clustering
	Processing	High losses	Drying / storage
	Marketing	Price volatility	Contracting

This ensures VCIPs remain place-based, not generic.

7. Output of the Analysis

The value chain analysis and mapping shall directly inform:

- VCIP investment priorities;
- MSP annual action plans;
- selection of MSMEs and cooperatives for support;
- infrastructure feasibility studies; and
- access-to-finance sequencing.

Appendix 13: Value Chain Investment Plan (VCIP) – Technical Standard Template with Analytical Frameworks

A. Purpose and Positioning

The Value Chain Investment Plan (VCIP) is a standardised analytical and investment-planning instrument used to translate value chain prioritisation into sequenced, costed, and institutionally anchored interventions. VCIPs integrate market diagnostics, infrastructure planning, enterprise development, access-to-finance pathways, and MSP coordination. All VCIPs prepared under LEAD shall follow this standard structure and analytical framework to ensure comparability across value chains and provinces.

B. VCIP Structure and Mandatory Analytical Tables

1. Executive Summary

(Narrative, max. 2 pages)

- Value chain and geographic scope
- Key constraints and opportunities (summary of Tables 3–6)
- Priority investment package
- Expected outcomes (economic, inclusion, resilience)

2. Value Chain Definition and System Boundaries

Table 2.1: Value Chain Scope and Market Orientation

Dimension	Description
Primary products	
Grades / quality segments	
Target markets	Local / National / Export / Institutional
Geographic focus	Province, districts
MSP coverage	District / Provincial / National

3. Quantitative Production and Market Diagnostics

Table 3.1: Production and Supply Profile

Indicator	Current	Potential	Data Source
Area (ha)			PAEO

Yield (t/ha)			PAEO
Production volume (t/year)			VC survey
Seasonality			Trader interviews

Table 3.2: Cost, Price, and Margin Structure

Node	Avg. Cost	Avg. Price	Margin	Key Issues
Production				
Aggregation				
Processing				
Trading				

Table 3.3: Post-Harvest Loss and Quality Degradation

Node	Loss Rate (%)	Quality Rejection (%)	Main Causes
Production			
Storage			
Transport			
Processing			

4. Constraint and Opportunity Analysis (Core Diagnostic)

Table 4.1: Node-Based Constraint Analysis

Value Chain Node	Technical Constraints	Market Constraints	Institutional Constraints
Inputs			
Production			
Aggregation			
Processing			
Marketing			

Table 4.2: Cross-Cutting Constraints and Opportunities

Theme	Key Issues	Opportunity / Entry Point
Women inclusion		
Youth participation		
Climate resilience		

Infrastructure		
Finance		

5. Strategic Upgrading and Inclusion Framework

Table 5.1: Value Chain Upgrading Pathway

Dimension	Current State	Target State	Required Intervention
Product quality			
Value addition			
Market access			
Organisation	APGs	Cooperatives / MSMEs	

Table 5.2: Inclusion and Graduation Pathways

Group	Entry Point	Support Required	Graduation Outcome
Women			
Youth			
Poor HHs			

6. Investment Package Design

Table 6.1: Infrastructure Investment Framework

Asset Type	Location	Capacity	Ownership	Climate Features
Farm roads			Public	
Aggregation centre			Cooperative	
Processing unit			MSME	

Table 6.2: Enterprise and Service Development Needs

Enterprise Type	Service Gap	TA Required	Link to MSME Support
Processor			Annex IV
Aggregator			Annex IV
Input supplier			Annex IV

7. Financing Architecture and Leverage

Table 7.1: Investment Cost and Financing Mix

Intervention	CAPEX	OPEX	Grant	Loan	Private
Infrastructure					
MSMEs					
Cooperatives					

Table 7.2: Access-to-Finance Pathway

(Detailed rules: Rural Finance Technical Annex)

Borrower Type	Instrument	Risk Mitigation	Graduation Step
Cooperative	Loan + FD	Blocked deposit	Cycle 3
MSME	Loan	FD / collateral	Commercial

8. Institutional Arrangements and Governance

Table 8.1: Roles and Responsibilities

Actor	Key Responsibilities
MOIC	VCIP oversight
PAEO / DAEO	Field coordination
MSP	Planning, monitoring
Service Provider	TA, facilitation
Private Sector	Investment, markets

9. Implementation Sequencing

Table 9.1: Phasing and Critical Path

Phase	Key Activities	Dependencies
Short-term	Pilots, enabling infra	VCIP approval
Medium-term	Scaling, finance	MSP functioning
Long-term	Consolidation	Market contracts

10. Monitoring, Learning, and Risk Management

Table 10.1: Key VCIP Indicators

Indicator	Baseline	Target	Data Source
Volume marketed			MSP

Women participation (%)			M&E
Youth enterprises			PMU
Loss reduction (%)			PAEO

Table 10.2: Risk Assessment Matrix

Risk Category	Risk	Likelihood	Mitigation
Market			
Climate			
Institutional			
Financial			

11. Validation, Approval, and Updating

- Provincial MSP validation (minutes attached)
- District consultation summaries
- MOIC / PAEO endorsement
- Annual MSP-led review and update

Appendix 14: Operational Procedure for Multi-Stakeholder Platforms (MSPs)

District to Provincial to National Programmatic Escalation Model

1. Purpose of the Operational Procedure

This Operational Procedure provides a standardized framework for planning, organizing, implementing and reporting MSP events at district, provincial and national levels. It sets clear roles, data and documentation requirements, templates and process steps for: Buyer–seller facilitation, Market access strengthening, Cluster-level production and volume data consolidation, Access-to-finance facilitation, Food safety and regulatory guidance, Policy-level issue escalation

2. MSP Structure & Reporting Escalation

MSP Level	Focus Area	Primary Output	Escalation Flow
District MSP	Buyer–seller facilitation, access-to-finance, logistics, quality issues	Buyer–seller agreements, discovery notes, action sheet	Submitted to Provincial MSP
Provincial MSP	Data consolidation, convergence, planning, regulatory support	Value-chain convergence action plan, cluster productivity snapshots	Escalated to National MSP
National MSP	Policy reform, sector coordination, national environment market integration	Policy briefs, enabling environment roadmap	Shared with ministries, IFAD & private sector

3. Operational Procedure by Level

3.1 District-Level MSP Operational Procedure

Objective: Create practical market coordination solutions and connect APGs/Coops/SMEs to buyers and financial institutions.

Step-wise Process

Step	Activity	Responsibility	Output
1	Identify anchor commodity for meeting (e.g., vegetables, maize, livestock)	DAEO / District project team	Commodity focus note
2	Compile list of participating APGs, cooperatives, SMEs, buyers, banks, MFIs	District MSP Secretariat	Participant list
3	Collect production & volume data (area, volume, seasonality, price trends, quality standards, livestock count)	DAEO/APG leaders	Commodity Cluster Data Sheet – Annex 01
4	Collect financial readiness information (loan requirement, collateral availability, fixed-deposit potential for blocked grants)	Project Finance Specialist & Banks	Financing Pipeline Register

5	Conduct buyer–seller session: price negotiation, logistics, delivery schedule, packaging, food-safety requirements	DAEO + LCCI District Chapter	Minutes & draft MoU
6	Introduce Access-to-Finance Clinic (blocked-deposit collateral, guarantee fund, credit history)	Banks/MFIs	Loan pipeline
7	Document bottlenecks & convergence requirements	Secretariat	District Issue Log – Annex 02
8	Submit district action note to Provincial MSP	District Secretariat	Escalation pack

District Outputs: Buyer-Seller MoUs / delivery commitments, Commodity cluster data sheets (including livestock production volumes), List of APGs/Coops/MSME financing proposals, District issue log for escalation

3.2 Provincial-Level MSP Operational Procedure

Objective: Consolidate district findings, align stakeholder programs, and enable provincial-level market and regulatory solutions.

Step-wise Process

Step	Activity	Responsibility	Output
1	Review district submissions and compile provincial commodity dashboard	PAEO / Provincial Secretariat	Commodity & Cluster Dashboard
2	Prepare Provincial MSP Briefing Pack summarizing production and market opportunity	LCCI & Project PMU	Briefing pack PDF
3	Conduct thematic panel discussions	Experts & institutions	Recommendations
4	Facilitate product exhibits (samples; livestock may provide volume statistics and visual posters)	APGs / Coops / SMEs	Market visibility
5	Industry & regulatory sessions—food safety, certifications, packaging	Provincial services & DOIC	Compliance roadmap
6	Access to Finance Roundtable	Banks, MFIs, Guarantee funds	Consolidated loan pipeline
7	Convergence mapping (budgets, donor programs, logistics)	PAEO, PICO, DOIC	Convergence Action Matrix
8	Escalation: document unresolved regulatory/policy constraints	Secretariat	Report to National MSP

Provincial Outputs

- Provincial Value Chain Convergence Plan
- Commodity Cluster Dashboard
- Access-to-Finance Consolidated Pipeline
- Escalation Note for National MSP

3.3 National-Level MSP Operational Procedure

Objective: Drive reforms, enabling environment improvements, competitiveness strategy and national-level market linkages.

Step-wise Process

Step	Activity	Responsibility	Output
1	Collate provincial reports into National Value Chain Status Report	LCCI National	National report
2	Panel discussions on key themes: - Collateral & blended finance - Ease of Doing Business for MSMEs - Food safety & certification - Trade & national competitiveness	Ministries, regulators, banks, private sector	Policy recommendations
3	National exhibition of APG/Coop/SME products	Provinces & LCCI	Expo booklets & sample display
4	Launch reform proposals; engage ministry policy cells	IFAD, AFN II & LCCI	Policy action plan
5	Produce Policy Briefs after each session	Technical writing group	Circulated documents
6	Share report to government committees, banks & MDI	LCCI	Implementation follow-up

National Outputs: Policy Briefs, National commodity competitiveness framework, Blended finance & collateral pathway approval, Ease of Doing Business Regulatory Matrix

4. Roles & Responsibilities

Actor	Role
LCCI	Lead convenor & Secretariat
DAEO/PAEO	Data validation & field mobilization
DOIC/Commerce Dept	Regulatory and business environment
Banks/MFIs/Guarantee Funds	Finance facilitation
APGs/Coops/SMEs	Production, product, and finance data

Buyers & Processors

Contracts, quality and
logistics agreements

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Commodity Cluster Data Sheet

To be completed at District MSP level by DAEO/APG/Cooperative leaders and validated at Provincial MSP level.

Parameter	Details / Values	Source of Data	Remarks
Commodity Name			
District / Village			
APG / Cooperative / SME Name			
Cluster Participants (# of farmers)			
Land Area under Production (ha)			
Production Volume (MT / Units)			
Seasonality Calendar (Planting–Harvest months)			
Average Farmgate Price (LAK/kg)			
Quality & Grade Specifications			
Input Suppliers Linked			
Output Buyers Linked			
Logistics & Transport Requirements			
Food Safety / Certification Requirements			
Finance Requirement (LAK)			
Existing Collateral / FD Option / Guarantee Need			

- One sheet per commodity per district
- Verified by DAEO and submitted to Provincial MSP Secretariat
- Align values with latest seasonal production data and financing needs

District Issue Log & Escalation Sheet

To be completed during District MSP and submitted to Provincial MSP Secretariat

Issue Category	Description of Issue / Bottleneck	Root Cause / Reason	Affected Commodities / APGs / Coops / SMEs	Proposed Solution / Required Support	Responsible Stakeholder(s)	Timeline / Deadline	Escalation Required (Yes/No)	Escalation to Provincial / National Level
Market & Buyer Linkage								
Price / Quality / Standards								
Logistics / Storage / Transport								
Inputs / Seeds / Feed / Fertilizer								
Food Safety / Certification								
Access to Finance / Collateral								
Regulatory / Licensing / Tax								
Coordination / Institutional								

Summary & Next Steps

Key Priority Issues Identified	Action points agreed	Target Date	Responsible Institutions

District Consolidated Recommendations for Provincial MSP

Recommendation	Justification / Evidence	Support Needed from Provincial Level

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Appendix 15: APG Assessment Tool

Questionnaire form for the Agriculture Production Group (APG) maturity assessment						
	For guidance see the Guidance Note attached					
Part 1 - Basic information						
	1.1. Village		1.2. District		1.3. Province	
	1.4. Date of interview					
	1.5. Name of the interviewer		1.6. Position of the interviewer		1.7. contact:.....	
	1.8. Name of the APG		1.9. Date the APG was created		1.10. Initiator of the APG creation	
	1.11. Information on the APG members who are interviewed	Name	Position in the APG		Age group	Contact
		1)				
		2)				
		3)				
		4)				
	1.12. Main objectives of the APG	1) 2) 3)				
	1.1.3. Requirements to become an APG member					
	1.1.4 Board member composition	Men	Women	Youth (15-35 years)	Total	

	1.1.5. Membership on date APG was created	Men	Women	Youth (15-35 years)	Total	
	1.16. Ongoing membership	Men	Women	Youth (15-35 years)	Total	
	1.17. Reasons of increase or decrease in membership	1)				
		2)				
		3)				
	1.18. Level of operation (example farmers' group, cooperative)					
	1.19. Main productions (commodities) of the APG (Example: pig, goat, fish, mango, banana, cassava etc)					
	1.20. Products produced per year (tons/heads)	Product 1:	Product 2:		Product 4:	
	1.19. Products marketed per year	Product 1:	Product 2:		Product 4:	

	(tons/heads)					
	1.21. Total crop production area of the APG (ha), listed by crop type	Crop 1:	Crop 2:		Crop 4:	Total
	1.22. Total livestock production of the APG (heads), listed by animal type	Livestock 1:	Livestock 2:		Livestock 4:	Total
	1.23. Initial fund (million kip)					
	1.24. Sources of funding of the APG	1)				
		2)				
		3)				
	1.25. Funding status now					
	1.26. Organizations / institutions / networks the APG is currently working with or belonging to	1)				
		2)				
		3)				
	1.27. External support received by the APG	Type of support				Year(s)
		1)				
		2)				
		3)				

Part 2 - Detailed information					
			Maximum	Score	Guidance note
	Section I - Inclusivity		10		
	2.1. Existence of exclusion or discriminatory criterion for membership approval 1. quota per household 2. minimum membership fee 3. exclusion by gender		3		3= APG did not apply any exclusion criteria 1= APG has one exclusion criteria 0= APG has more than one exclusion criterion
	2.2. Decision-making mechanism for membership approval (new members)		3		3= Board approves new membership 2= General Assembly is approving new membership 1= APG president (or interim) is approving new membership 0= No new members are allowed
	2.3. Representativity of men, women, youth and ethnic groups in the Board of APG Target: 50% women, 30% Youth, 70% Ethnic Groups		4		4= All 3 targets are met 3= Two targets are met 2= One of the targets is met 0= None of the targets is met
	Section II - Governance, Planning and Communication		24		
	2.4. Frequency of general assembly meetings		3		4= annually 3= every 2 years 2= every 3 years 1= more than 4 years 0= never
	2.5. Term of office of Board members		3		3= 1 -2 years 2= 3-4 year 1= 5 or more years

	2.6. Legal status of APG	3		3= APG has legal status granted by the district governor 1= legal status initiated 0= APG has no legal status
	2.7. Good governance (transparency, accountability, responsiveness, inclusivity)	3		3= All criteria are met 2= somehow but need improvement 1= Limited transparency and low level of responsibility management 0= All criteria are not met
	2.8. Communication: awareness of all APG members of their roles, responsibilities, and benefits and the APG activities	3		3= meet all of the criteria 2= meet two of the criteria 1= meet only one of the criteria 0= meet none of the criteria
	2.9. Communication: timeliness and outreach of information sharing to all members	3		3= Information is circulated to member and timely 2= Information is circulated among members with delay 1= Limited information sharing among member 0= information related to APG is not disseminated at all
	2.10. Planning process	3		3= All members participate in the process 2= A dedicated committee participate in the process 1= Only Board members participate in the process 0= Only one position participates in the process

	2.11. Decision-making process	3		3= All members participate in the process 2= A dedicated committee participate in the process 1= Only Board members participate in the process 0= Only one position of the Board participates in the process
	Section III - Financial management	14		
	2.12. APG Management and planning documents, by-laws, etc.	3		3= APG has evolved well in this area and needs no improvement 2= APG has some planning documents, by-laws etc and needs improvement 1= APG has no planning documents, by-laws etc but are unable to show them 0= APG has no planning documents, by-laws etc
	2.13. Book keeping system	3		3= APG has a well functioning book keeping system and needs no improvement 2= APG has a functioning book keeping system but needs improvement 1= APG has a book keeping system but not up-to-date 0= APG has no book keeping system
	2.14. Bank account for the APG	5		5= APG has a bank account 2=APG plans to open a bank account withing the next 3 months 0=APG has no bank account

	2.15. Revolving fund	3		3= APG has a well functioning revolving fund 2= APG has a revolving fund but it is there are issues with repayment etc 1= APG has started operating a revolving fund 0= APG has no revolving fund
	Section IV - Economic services provided by the APG to its members	34		
	2.16. Input provision (bundled purchase)	4		4= APG has eveloved very well and high satisfaction among members 3= APG has evolved well in this area 2= APG has evolved considerably in this area but needs improvement 1= APG has started operating in this area 0= APG has done nothing in this area
	2.17. Common equipment supply (what kind of equipment ?)	4		4= APG has eveloved very well and high satisfaction among members 3= APG has evolved well in this area 2= APG has evolved considerably in this area but needs improvement 1= APG has started operating in this area 0= APG has done nothing in this area
	2.18. Training / Capacity-building provided by the APG to its members	3		3= APG has provides regular training and capacity building to its members and needs no improvement 2= APG has started to provide training and

				capacity building to its members but there is more need 1= APG has started to provide training and capacity building to its members 0= APG has done nothing in this area
	2.19. Storage facilities within the APG	3		3= APG has storage facilities which are used regularly 2= APG has storage facilities which are rarely used 1= APG has plans to construct storage facilities 0= APG has no storage facilities
	2.20 Processing / packaging facilities within the APG	3		3= APG has processing and packaging facilities which are used regularly 2= APG has processing and packaging facilities which are rarely used 1= APG has plans to construct processing or packaging facilities 0= APG has no processing or packaging facilities
	2.21. Availability of a certified technician (crops or livestock)	3		3= APG has certified technician and operates considerably well 2= APG has certified technician and operates relatively well but needs improvement 1= APG has certified technician but not active 0= APG has no certified technician

	2.22. Existence of a Lead farmer / Model farmer among APG members	4		4= Two lead farmers involved in APG activities with high performance 3= One Lead farmer evolved well in this area but need improvement 2= Lead farmer involved in APG activities but low member satisfaction 1=Lead farmer has started performing his task 0= No availability of model Lead farmer in APG
	2.23. Training / Capacity-building provided by the DAEO or other entities to the APG	4		4= DAEO and other entities provided trainings for APG in regular basis both APG management and technical traing 3= APG has received many traing courses offered by DAEO but not enough 2= APG has received some trainings from DAEO but not in the last 2 years 1= very limited trainings offered by DAEO 0= No any traing offered by DAEO or other entities
	2.24. Provision of / facilitation of access to market information to APG members	3		3= APG has evolved well in this area through multiple use of information channel 2= APG has evolved considerably in this area but needs improvement 1= APG has started operating in this area 0= APG has done nothing in this area

	2.25. Provision of / facilitation of access to financial services to APG members (credits, savings)	3		3= APG provided support to all members access to financial services without any difficulties 2=APG has evolved well in this area but still insufficient 1= APG has started operating in this area 0= APG has done nothing in this area
	Section V - Partnerships	9		
	2.26. Partnerships with public services	3		3= APG has evolved well in this area and needs no improvement 2= APG has evolved considerably in this area but needs improvement 1= APG has started operating in this area 0= APG has done nothing in this area
	2.27. Partnership with private sector	3		3= APG has done well and no improvement 2= APG has evolved considerably in this area but needs improvement 1= APG has started operating in this area 0= APG has done nothing in this area
	2.28. Contract or agreement with buyers	3		3= APG has contract with buyers (local and regional) 2= APG has evolved considerably in this area but needs improvement 1= APG has started operating in this area 0= APG has done nothing in this area
	Section VI - Expectations	9		

	2.29. Satisfaction level towards AFN-I support (just for 5 convergence districts only)	3		3= very high 2 = high 1 = moderate 0= low
	2.30. Willingness of APG members to continue working as a group	3		3= very high 2= high 1 = moderate 0= low
	2.31. Willingness of APG to join or continue working with AFN-II	3		3= very high 2= high 1= moderate 0= low
	Total	100		
	<u>Suggestions from APG members</u> :			
	1) ...			
	2) ...			
	3) ...			
	4) ...			
	<u>Comments from the interviewer:</u>			
	1) ...			
	2) ...			
	3) ...			
		Village head / ນາຍບ້ານ		Certified by DAEO
		name, signature and stamp		
	<u>Comments from DAEC and AASS to support the report</u>			
	1) ...			
	2) ...			

	3) ...					
		Date				
		Interviewed APG members				Interviewer
		names and signatures				name and signature
		1)				
		2)				
		3)				
		4)				

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Appendix 16: Business Plan Format

APG/Cooperative Business Plan Template

(With instructions for content development)

APG/Cooperative

Name: _____

Commodity/Value Chain Focus: _____

District / Province: _____

Business Plan Preparation Date: _____

Section 1: Executive Summary

What to include:

- Brief introduction of the cooperative and its purpose
- Key products/commodities handled
- Target markets and buyers
- Expected financial and social benefits for members
- Vision of growth for the next 3–5 years

Section 2: Cooperative Profile

Information Required	Guidance

Background and history	How the cooperative was formed, link with APGs, timeline, motivation

Membership details	Number of members, gender/youth representation, villages covered

Organizational structure	Brief description of leadership, committees, human resources

Section 3: Commodity & Production Analysis

What to include:

- Anchor commodity characteristics (production area, crop cycle, varieties)
- Seasonal production calendar
- Total production volume (current and estimated growth)
- Productivity levels and comparison to district/provincial averages
- Production challenges and improvement strategies (extension needs, climate risk, input access)

✓ Use APG-level production data collected through readiness assessments.

Section 4: Market Assessment

Required Analysis	Guidance
Market demand analysis	Who buys the product, demand trends, volume requirements
Pricing trends	Price fluctuations (monthly/seasonal), wholesale vs retail pricing
Buyer mapping	Contact list of buyers, processors, traders, retailers, exporters
Competitor analysis	Who else supplies the same commodity, strengths/weaknesses
Value chain position	Where the cooperative fits and opportunities to move up the chain

✓ Reference any market consultations or MSP outcomes.

Section 5: Products and Services Strategy

Describe the cooperative's planned business activities:

- Aggregation, storage, sorting, grading, packaging
- Collective input supply or procurement services
- Transport or logistics services
- Value-added processing (if currently or planned)
- Service fees / commission strategy / margin structure

Section 6: Operational Plan

Component	What to include
Collection system	How products will be collected from members, who manages it
Quality management	Quality standards, sorting/grading procedures
Facilities and equipment	Existing & required infrastructure (collection center, warehouse, tools)
Logistics & transport	Costing, transport partners, efficiency plan

Human resources plan Roles of BoD, manager, accountant, committees

Section 7: Governance & Management

Include:

- Decision-making mechanisms
- Roles and responsibilities of BoD & Supervisory Committee
- Meeting schedule and reporting structure
- Transparency and accountability tools (inspection, record keeping)

Section 8: Financial Plan

8.1 Startup Capital

- Share capital mobilization plan
- Grants or support received / expected
- In-kind contributions

8.2 Operating Cost Estimation

Expense Category	Example Items	Estimated Cost
Procurement costs	Raw materials, buying price, drying	
Operating & logistics	Fuel, labor, storage, packaging	
Administration	Office supplies, communication, salaries	

8.3 Revenue Projections

Revenue Sources	Calculation Basis	Annual Estimate
Product sales income	Volume x Price	
Service fees / commission	% margin	
Value addition	Processing yield gain	

8.4 Profit & Loss Projection (3 years)

Include: expected sales, profit margin, breakeven point, assumptions

Section 9: Risk Analysis and Mitigation

Risk Type	Examples	Mitigation Measures

Production risks	Weather, pests	Improved practices, insurance
Price/market risks	Falling prices, weak demand	Diversification, contract sales
Governance risks	Leadership conflict	Strong bylaws, transparency
Financial risks	Misuse, late payments	Controls, audits, savings rules

Section 10: Action Plan & Implementation Timeline

Activity	Responsibility	Timeline	Required Resources
Share capital collection	BoD & Members	Month 1	Forms & records
Buyer contract negotiation	Marketing Committee	Month 2–3	Buyer meetings
Capacity building	DAEO / CSO Partner	Continuous	Training budget
Value addition equipment setup	Cooperative	Year 2	Project funding

Section 11: Monitoring & Evaluation

- Key performance indicators (KPIs)
- Progress reporting schedule
- Review & improvement cycle

Signature Page

Approved by the Cooperative General Assembly on: _____

Name	Position	Signature	Date
Chairperson			
Vice Chair			
Treasurer			
Secretary			
Supervisory Committee			

Support Verification

DAEO Representative Name Signature Date

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Appendix 17: Clustering of APGs to Cooperatives

1. This Working Paper presents a standardized stepwise process for clustering Agricultural Producer Groups (APGs) and transforming strong APGs into legally registered cooperatives, fully aligned with the 2024 Cooperative Law of Lao PDR and integrated with sustainable financing mechanisms to strengthen long-term commercial viability. The purpose is to provide a clear and practical operational guide for NPCO, PAEO, DAEO, DAEC, implementing partners, and financial institutions to support the structured development of commercially oriented that enhance market access, improve governance, expand business services, and build investment readiness. This process enables APGs to progress from informal collective production toward formal cooperative status, ensuring economies of scale, transparent management, sustained market linkages, and improved access to financial services—while creating a phased pipeline that allows medium and weaker APGs to gradually strengthen and join the cooperative ecosystem through clustering and hub-and-spoke integration.
2. Objectives of Clustering and Cooperative Transformation The objective of clustering APGs is to organize smallholder farmers into commercially viable units with sufficient production scale, market presence, and operational efficiency. Clustering enables APGs to combine volumes, coordinate production planning, reduce logistical and transaction costs, and enhance their negotiation power with buyers and service providers. It also allows for more efficient delivery of technical support, training, and extension services, ensuring faster improvement in group capacity and performance.
3. The objective of transforming strong APGs into legally registered cooperatives is to establish a formal and sustainable institutional structure capable of conducting commercial activities, entering contracts, accessing financial services, and managing value chain partnerships transparently and democratically. Cooperative formation provides a governance framework that ensures accountability, collective decision-making, and equitable benefit-sharing among members, while strengthening long-term market integration and investment readiness.
4. Together, clustering and cooperative transformation create a structured pathway that enables small producers to move from informal aggregation to structured commercial enterprises capable of value addition, risk management, and sustainable growth.
5. Guiding Principles The clustering of APGs and their transformation into cooperatives is grounded in a set of guiding principles that ensure the process is inclusive, transparent, commercially oriented, and institutionally sustainable, supporting long-term rural economic development and farmer empowerment.
6. First, voluntary participation and democratic governance are essential. Cooperative formation must be based on the informed willingness

of members, rather than external pressure, ensuring that decisions—such as cluster participation, leadership selection, business plans, and bylaw approval—are made collectively and transparently. Democratic governance safeguards fairness, accountability, and trust, which are critical for strong cooperative performance.

7. Second, transparency, accountability, and equity guide internal management practices. Clear record-keeping, open communication on financial matters, equitable distribution of benefits, and well-defined roles and responsibilities prevent conflict and enable members to monitor performance. These practices reinforce confidence among farmers, financial institutions, and market partners.
8. Third, the anchor commodity + diversification strategy is central to commercial viability. Clustering around a primary (anchor) commodity enables production scale and reliable market supply, while planned diversification across additional commodities reduces risk and expands income opportunities. Anchor alignment creates a strong business case for aggregation, value addition, and contract negotiation.
9. Fourth, sustainability and market orientation ensure that cooperatives function as independent, commercially competitive business entities rather than project-dependent organizations. This includes strengthening market linkages, developing long-term relationships with buyers and processors, improving value-chain positioning, and adopting practices that support profitability and resilience.
10. Fifth, integration with extension services and institutional support systems ensures technical, financial, and operational capacity building. Extension services, district and provincial authorities, financial institutions, and private sector partners play important roles in improving production, productivity, quality standards, governance, and financial capability.
11. Collectively, these principles provide a solid foundation for building resilient cooperatives that are member-owned, market-driven, and institutionally sound, capable of delivering sustained economic benefits to farming families and contributing to inclusive rural development.

Stepwise Process Framework

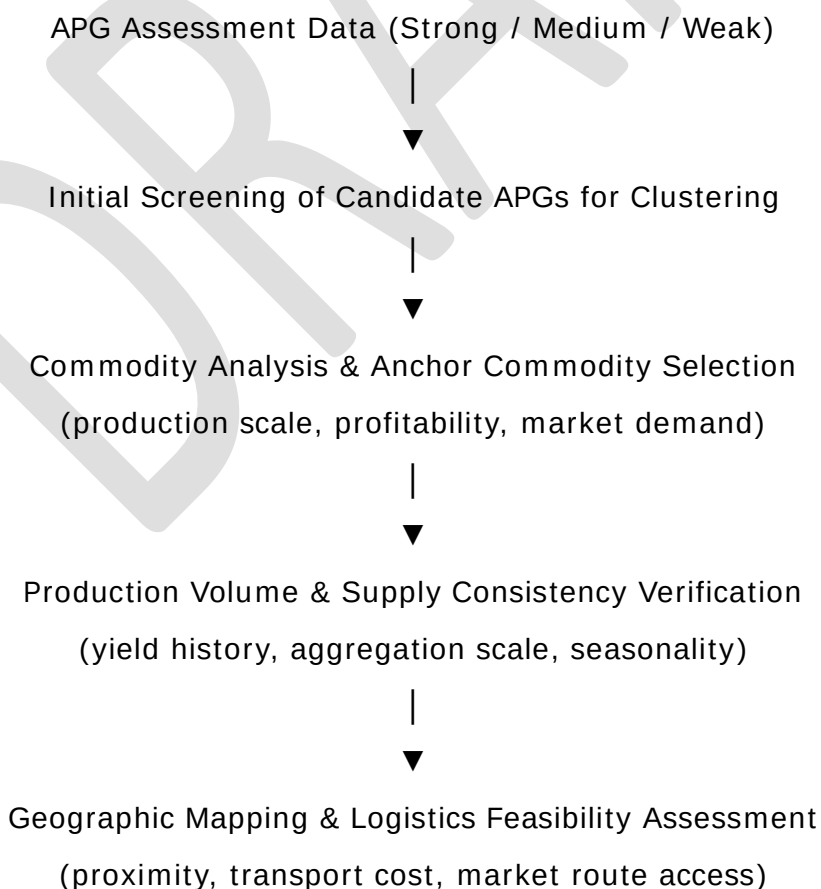
12. Clustering of APGs (Pre-Cooperative Stage) Clustering is the initial stage in the transformation pathway and focuses on organizing APGs into commercially aligned groups that share common production characteristics, geographic proximity, and market potential. Clustering creates the scale and coordination necessary for efficient aggregation, market linkage, and eventual cooperative formation. It also enables targeted capacity strengthening—ensuring that APGs are developed progressively according to their level of maturity and commercial readiness.
13. APG Readiness Classification (Strong / Medium / Weak) The project has developed a structured assessment framework to classify APGs based on key performance dimensions including governance maturity, leadership

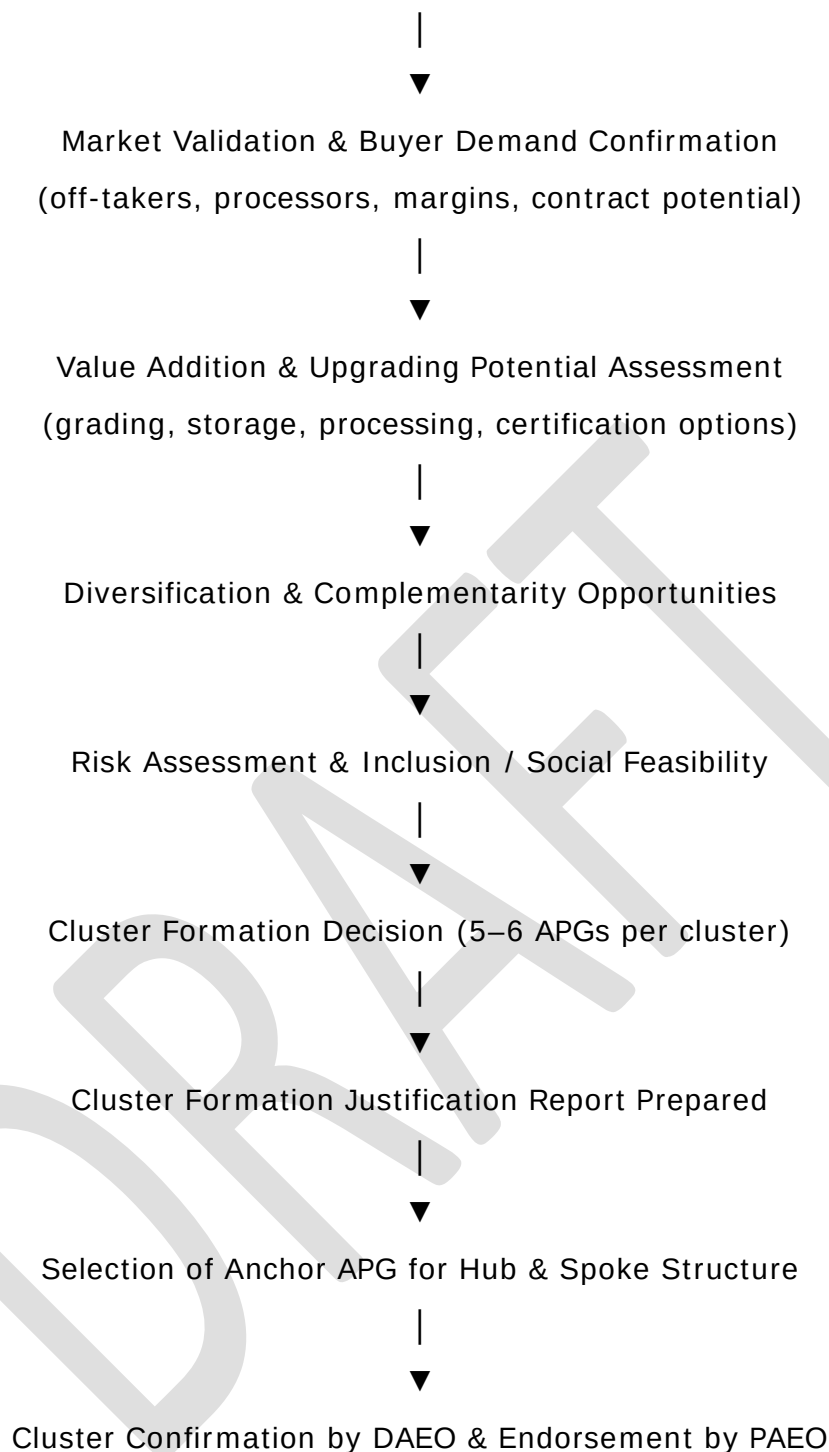
functionality, production capacity, financial discipline, record-keeping, and market engagement. Using this framework, APGs are categorized into Strong, Medium, and Weak, which allows sequencing of support, appropriate clustering decisions, and identification of those ready to transition toward cooperative formation.

- Strong APGs are well-functioning groups with demonstrated organizational capacity, member participation, structured leadership, experience in aggregation, and existing linkages with markets. These APGs are prioritized for leading cluster formation and may be directly eligible for cooperative transformation.
- Medium APGs show potential but require strengthening in business, financial, and governance capacity. They benefit most from inclusion in clusters under the guidance of stronger APGs through a hub-and-spoke approach.
- Weak APGs require foundational support and social mobilization before they can effectively participate in clusters or cooperative structures.

14. This readiness-based categorization ensures that cooperative formation is sequenced, evidence-based, and aligned with real institutional capacity, preventing premature establishment of structures that may become unsustainable.
15. Cluster Identification Process (How to Identify a Cluster): The identification of clusters is a structured process that ensures APGs are grouped in a commercially logical and operationally feasible manner based on production characteristics, geographic factors, and market opportunities. A cluster is typically formed around an anchor commodity that has the potential to generate consistent production volumes, stable market demand, and opportunities for value addition. The following criteria guide cluster identification:
 16. Production volume thresholds and supply consistency: Clusters must demonstrate sufficient aggregated production volumes across APGs to meet buyer requirements, justify transportation and aggregation costs, and create bargaining power. Analysis includes seasonal production trends, yield patterns, and reliability of supply to ensure that clustering results in commercially viable scale.
 17. Commodity concentration and anchor commodity selection: APGs must share a common primary (anchor) commodity to enable coordinated production planning, quality control, bulk aggregation, and collective marketing. The anchor commodity forms the business foundation for the cluster, while other secondary commodities may be introduced later for diversification.
 18. Potential for value addition and market upgrading: Clusters are prioritized where opportunities exist for improved quality, grading, storage,

- processing, packaging, or certification. Value addition increases producer margins and reduces vulnerability to raw commodity price fluctuations.
19. Geographic proximity and logistics efficiency: Clusters must be geographically feasible, minimizing transport time and cost for aggregation and input delivery. Proximity supports shared infrastructure such as collection centers or storage facilities and facilitates regular interaction among APGs.
 20. Market access routes and buyer demand: Clusters should be linked to realistic market pathways, including existing or potential buyers, traders, processors, or institutional markets. Market demand validation—through buyer consultations or price trend analysis—is necessary to justify cluster formation.
 21. Complementarity and diversification potential: Where APGs produce different commodities with complementary seasons or market cycles, diversification can be integrated within the cluster to reduce risk and stabilize incomes. However, the anchor commodity must remain the core commercial driver.
 22. This analytical process ensures that clusters are commercially viable, operationally manageable, and strategically positioned for cooperative transformation and investment readiness, rather than simply geographically grouped without economic rationale.





23. Analytical Requirements for Cluster Formation: The formation of clusters must be based on data-driven and commercially grounded analysis to ensure that clustered APGs have the capacity to function as viable business units and can eventually transition into cooperatives. This analysis includes technical, financial, geographic, and market considerations and must be completed prior to cluster approval. The analytical process uses structured tools and templates, particularly Annex A (Cluster Formation Justification Note) and Annex B (Cluster Readiness

Scoring Matrix), which together assess both qualitative and quantitative feasibility.

24. Production & yield data mapping: A comprehensive assessment of historical and current production volumes for targeted commodities is required to establish the baseline scale and growth potential of the proposed cluster. This mapping verifies that aggregation will produce sufficient scale to justify logistics and attract buyers. This includes:
- Mapping yields over at least 2–3 production cycles to confirm reliability and seasonal patterns.
 - Estimating aggregated output across APGs to determine whether volumes meet commercial buy-in thresholds.
 - Identifying productivity gaps and extension support needs for improvement.
25. Price trends & margin analysis: A price and profitability assessment is essential to evaluate whether the cluster can generate competitive returns. Such analysis demonstrates the commercial rationale and financial attractiveness of clustering compared to individual sales. This includes:
- Tracking local, district, and provincial price fluctuations over time.
 - Comparing prices at farm-gate, aggregated, wholesale, and processing points.
 - Calculating indicative benefit margins from aggregation and value addition.
 - Identifying potential pricing differentials under contract or forward sales agreements.
26. Off-taker / buyer confirmation & market assessments: Practical market validation is necessary to eliminate speculative or production-led clustering. Clusters must be linked to real, not theoretical, market opportunities. This involves:
- Conducting consultations with buyers, traders, processors, SMEs, or retail chains to confirm required volumes, quality standards, and delivery schedules.
 - Assessing opportunities for formal contracts, MoUs, or forward agreements.
 - Identifying quality improvements required for market upgrading.
27. Cost–benefit & aggregation economy analysis: A quantifiable assessment of savings, efficiencies, and revenue improvements generated through clustering must be conducted. This analysis establishes the business case for cluster-level investment and operationalization, including:
- Comparing solo vs aggregated transport and logistics costs.

- Hidden savings through shared services such as training, storage infrastructure, buyer negotiation, and packaging.
- Estimation of per-unit cost reduction and collective marketing benefit.

28. Business Case for Clustering (Economies of Scale & Market Leverage):

Clustering generates economies of scale, reduces transaction and operational costs, enhances market leverage, and enables APGs to access commercial opportunities that are otherwise unattainable individually. Thus, clustering shifts farmers from fragmented sellers to structured market participants capable of business expansion and cooperative transformation. By combining production volumes and coordinating aggregation, clustered APGs can:

- Negotiate higher prices with buyers and processors based on increased bargaining power.
- Reduce per-unit logistics, inputs, and service costs through collective procurement and transport.
- Improve quality consistency and reliability—key factors for entering guaranteed markets or buyer contracts.
- Attract value addition investments such as collection centers, storage facilities, packaging, or processing.
- Meet volume requirements needed for institutional markets, export channels, or supermarket supply.
- Strengthen credibility with financial institutions, enabling access to sustainable financing mechanisms.

29. Cluster Formation (5–6 APGs per cluster): A typical cluster consists of 5–6 APGs selected based on readiness, commercial alignment, and geographic feasibility. Steps include:

- Using assessment data to identify compatible APGs.
- Applying the analytical criteria described above and scoring readiness through Annex B.
- Conducting field validation, meetings, and consensus-building discussions among APGs.
- Preparing a Cluster Formation Justification Note (Annex A) summarizing analytical results.
- Submitting the justification report for DAEO technical review and PAEO endorsement.

30. Hub-and-Spoke Model Option: In cases where a cluster contains APGs with different maturity levels, a hub-and-spoke framework is used. In this model:

- A very strong APG becomes the central hub leading operational activities, aggregation, buyer negotiation, and financial linkage.
- Medium APGs join as spokes to supply products, receive training, and gradually build capacity.
- Weak APGs can later integrate once they have met basic governance and production standards.

31. This inclusive structure enables medium and weaker APGs to progress without delaying transformation and avoids premature formation of unsustainable cooperatives. It supports accelerated commercialization while protecting institutional integrity.

32. Direct Cooperative Formation for Single Strong APG (Where Clustering Is Not Feasible) In districts where:

- APG density is low,
- geographic barriers prevent efficient clustering,
- production systems are highly specialized,
- or market linkages exist only for one group,

33. a single very strong APG may directly transition to cooperative status without clustering. This requires i) Strong governance and financial discipline, ii) Clear production scale and market linkage, and iii) Ability to meet legal membership and capital requirements. Once established, the cooperative can serve as a hub to integrate surrounding APGs as they mature. This path avoids stagnation and maintains the momentum of transformation.

Legal Formation of Cooperative (Aligned with Cooperative Law 2024)

34. Once a cluster is endorsed and at least one strong APG (or a cluster of APGs) is deemed ready to progress toward formalization, the next stage is the legal establishment of the cooperative as prescribed under the 2024 Cooperative Law of Lao PDR. This stage follows a structured and sequential process to ensure transparency, compliance, and institutional sustainability. The detailed procedural steps and documentation requirements are outlined in Annex C – Stepwise Process for APG Clustering and Cooperative Formation, which serves as the operational reference for implementation teams at district and provincial levels.

35. Member Registration: The transformation process begins with the formal identification and voluntary enrollment of founding cooperative members within the selected cluster. Membership forms are completed, eligibility is

verified, and a founding member register is compiled in accordance with legal requirements. This step establishes the legal basis for ownership and voting rights and corresponds to Steps 6–7 in Annex C.

36. Share Capital Mobilisation: Founding members collectively contribute the initial share capital required for cooperative registration. Share purchase records are maintained and capital is deposited into a temporary account under transparent supervision. This initial capital forms the cooperative's financial foundation and credibility. Requirements for documentation, transparency, and DAEO oversight align with Step 7 in Annex C.
37. Drafting Bylaws & Business Plan: The cooperative drafting team prepares the cooperative Bylaws and Business Plan, defining governance systems, rights and responsibilities of members, meeting protocols, profit-sharing rules, operational plans, and commodity strategies. DAEO reviews these documents for legal and technical compliance prior to submission. This corresponds to Step 8 in Annex C. refer sample bye law and business plan format in Annex D
38. First General Assembly (FGA): The First General Assembly formally approves the bylaws, founding members list, share capital, and cooperative establishment. An election committee is appointed through an open and democratic process. The FGA is documented in signed meeting minutes with DAEO and PAEO present as observers to ensure transparency. This is reflected in Step 10 in Annex C.
39. Election of Board of Directors (BoD) & Supervisory Committee: Following the FGA, elections are held to select the cooperative's governance leadership. Positions typically include Chairperson, Vice Chair, Treasurer, Secretary, and Supervisory Committee members. Elections are carried out via formal procedures consistent with Cooperative Law, and results are certified by DAEO. This corresponds to Step 11 in Annex C.
40. Legal Registration by PAEO: The complete registration package—comprising bylaws, signed member list, capital verification, FGA minutes, and election results—is submitted for PAEO review. Upon compliance confirmation, PAEO issues the official Certificate of Cooperative Registration, formally establishing the cooperative as a legal commercial entity empowered to operate and transact. This follows Steps 12–13 in Annex C.
41. Operationalization Stage : Following legal registration, the cooperative moves from formation to implementation. This stage operationalizes the cooperative as an independent, member-owned commercial organization ready to expand market partnerships and integrate additional APGs over time through hub-and-spoke growth. Key activation steps include:
 - Opening a cooperative bank account, establishing financial controls, and authorizing signatories (Annex C – Step 14).
 - Initiating aggregation and marketing activities, including organizing collection and sales based on the identified anchor commodity strategy (Annex C – Step 15).

- Developing market linkages and strengthening buyer engagement to secure pricing and volume commitments.
- Accessing sustainable financing mechanisms to support working capital, equipment, infrastructure, and value chain investment (Annex C – Step 16).
- Establishing governance routines and reporting, including regular meetings and monitoring mechanisms (Annex C – Step 17).

42. **Post-Formation Strengthening:** Following legal registration and initial operationalization, the cooperative enters a critical consolidation phase that determines long-term sustainability, credibility, and commercial performance. This phase focuses on strengthening governance systems, building management and business capacity, ensuring compliance with reporting obligations, and supporting progressive development toward investment readiness and market competitiveness. Post-formation strengthening is essential to prevent early institutional failure and to prepare cooperatives for expansion and integration of additional APGs through the hub-and-spoke model. This stage aligns with Steps 15–17 in Annex C, which guide continuous development beyond the point of registration.

43. **Governance Consolidation:** Strong and transparent governance is the foundation of a successful cooperative. After registration, the newly elected Board of Directors and Supervisory Committee must begin functioning according to the approved bylaws and established decision-making processes. Early governance strengthening ensures trust among members and builds confidence with market partners and financial institutions. Key activities include:

- Establishing regular monthly or quarterly meetings of the BoD and maintaining written minutes.
- Defining roles, responsibilities, and performance expectations for leaders and committees.
- Implementing internal control systems for decision-making, financial authorization, and accountability.
- Establishing a transparent system for recording share capital, member contributions, business transactions, and financial statements.
- Developing rules for conflict management, sanctions, and member discipline in line with cooperative bylaws.

44. **Capacity Building & Extension Support:** Continuous training and technical support are essential to prepare cooperatives for commercial operation, growth, and competitiveness. These services may be delivered through DAEO, PAEO, extension services, CSO Challenge Fund-supported

partners, or private sector actors, ensuring continuous capability development and commercial orientation. Priority capacity building areas include:

- Business and financial management, including bookkeeping, budgeting, cash flow, pricing, and financial planning.
- Production and value chain technical extension, focusing on improved agronomy, quality standards, and post-harvest handling.
- Market literacy and negotiation, enabling cooperatives to analyze market opportunities and negotiate with buyers effectively.
- Leadership development and member engagement, strengthening internal cohesion and participation.
- Record-keeping and information management

45. Monitoring, Reporting & Progress Markers: Systematic monitoring ensures that cooperatives develop according to planned milestones and maintain transparency and accountability. Monitoring results feed into ongoing decision-making and allow the project to identify cooperatives ready for further investment or support. Post-formation monitoring includes:

- Submission of quarterly progress updates and financial statements to DAEO.
- Annual review by PAEO, including operational performance, membership growth, governance compliance, and financial health.
- Use of cooperative readiness and performance tracking tools to measure institutional maturity.
- Documentation and reporting of challenges, corrective actions, and technical support requirements.
- Tracking member participation, leadership performance, and gender/youth inclusion.

46. Graduation Milestones: Graduation represents the transition from basic establishment to advanced cooperative performance capable of independent growth and investment expansion. Graduation milestones provide a structured pathway for identifying cooperatives eligible for further capital investment, infrastructure support, blended finance models, and expansion of value chain activities. Milestones typically include:

- Stable governance performance and active member participation.
- Regular business transactions with demonstrated profit and financial management capacity.
- Active commercial contracts with buyers or processors.
- Functioning aggregation, marketing, and value addition systems.

- Ability to access and manage sustainable financing mechanisms responsibly.
 - Integration of medium APGs into the cooperative through hub-and-spoke scaling.
 - Verified operational maturity through external review.
47. Roles & Institutional Responsibilities: Effective implementation of the APG clustering and cooperative transformation process requires clearly defined roles and strong coordination among institutional stakeholders at national, provincial, district, and community levels. Accountability and clarity of responsibilities are fundamental to ensuring that the cooperative formation process proceeds systematically, is compliant with the 2024 Cooperative Law, and results in commercially sustainable and resilient institutions. The roles summarized below align directly with the stepwise process outlined in Annex C and reflect the functional contributions required across stages of clustering, legal formation, operationalization, and post-formation strengthening.
48. National Project Coordination Office (NPCO): NPCO provides strategic oversight and national-level support to guide implementation across provinces. Key responsibilities include:
- Establishing national guidelines, tools, and process standards for APG assessment, clustering, and cooperative formation.
 - Ensuring alignment with government policy and compliance with Cooperative Law 2024.
 - Coordinating with DAEC and provincial authorities to provide technical support and capacity-building resources.
 - Reviewing progress and performance across provinces and ensuring quality consistency.
 - Facilitating linkages with national buyers, private sector partners, and financial sector stakeholders.
 - Mobilizing technical assistance, training modules, and knowledge-sharing initiatives to support scaling.
49. Provincial Agriculture and Forestry Office (PAEO): PAEO serves as the provincial-level oversight authority responsible for reviewing and endorsing decisions and issuing legal cooperative registration. Key responsibilities include:
- Approval and endorsement of APG clusters recommended by DAEO, based on analysis and readiness scoring.
 - Verification of cooperative registration packages and issuance of the official Cooperative Registration Certificate (linked to Steps 12–13 in Annex C).

- Providing technical backstopping, monitoring, and troubleshooting for implementation within districts.
- Coordinating value chain development at the provincial level, including engagement with processors, markets, and institutional buyers.
- Supervising annual reviews of cooperative performance and regulatory compliance.

50. District Agriculture and Forestry Office (DAEO): DAEO plays the central implementation and facilitation role, directly supporting APG mobilization, cluster creation, cooperative formation, and capacity building. Key responsibilities include:

- Conducting APG assessments and categorization (Strong/Medium/Weak) using agreed assessment frameworks.
- Leading the cluster identification, justification, and approval preparation process, including Annex A and Annex B documentation.
- Facilitating social mobilization, consultations, and awareness-building activities.
- Guiding the preparation of bylaws, business plans, and cooperative registration requirements.
- Overseeing democratic election processes and ensuring compliance with law and procedures.
- Supervising cooperative governance strengthening, capacity building, and monitoring (Steps 15–17 in Annex C).
- Coordinating extension services and linkages with financial institutions at district level.

51. Department of Agricultural Extension and Cooperatives (DAEC): DAEC provides technical guidance related to cooperative development and extension support systems. Responsibilities include:

- Offering technical input on cooperative systems, legal guidance, and compliance interpretation.
- Supporting curriculum development for training cooperatives and APGs on governance and business skills.
- Ensuring quality control in implementation and providing process guidance to provincial and district teams.
- Facilitating experience exchange, cooperative model learning, and replication across provinces.

52. Financial Institutions / Banking Partners: Banks and MFIs provide access to financial services and sustainable financing tools for cooperatives.

Responsibilities include:

- Verifying cooperative legal identity and supporting bank account opening.
- Assessing cooperative creditworthiness and structuring financing products appropriate to working capital and investment needs.
- Supporting financial literacy and credit-readiness training for cooperative leadership.
- Building trust and partnership with emerging cooperatives, supported by DAEO participation.

53. Extension Services & Technical Support Providers (Including CSO Challenge Fund Partners): These actors build the technical, agronomic, and business management capacity necessary for successful cooperative functioning. Responsibilities include:

- Delivering structured training on production, value addition, governance, and financial literacy.
- Providing embedded field support and demonstration activities.
- Enabling cross-learning and farmer-to-farmer exchange.
- Assisting in market linkage activities and facilitating relationships with private sector actors.

54. APGs, Cooperative Founding Members, & Cooperative Boards: Local producer leadership is central to cooperative transformation.

Responsibilities include:

- Participating fully and voluntarily in all stages of planning, formation, and decision making.
- Demonstrating commitment through savings, share capital contributions, and active involvement.
- Upholding cooperative bylaws, transparency, and democratic processes.
- Supporting aggregation, marketing, and compliance with buyer specifications.

Template – Cluster Formation Justification Note

Cluster Formation Justification Note

Subcomponent 1(b) – APG Clustering & Cooperative Transformation

District: _____ Province: _____ Date: _____

1. Basic Information

Item	Details
Number of proposed APGs in cluster	
Number of members	
Villages included	
Proposed anchor commodity	
Proposed cluster name (if applicable)	

2. Rationale for Cluster Formation

Brief justification for selecting this group of APGs based on readiness, geography, and market logic

(Provide summary narrative here — approx. 6–8 lines)

3. Production and Volume Assessment

Commodity	Number of APGs Producing	Estimated Cluster Production / Season	Volume Consistency (Stable / Moderate / Weak)	Notes
Anchor Commodity				
Other Commodities				

4. Market Assessment & Buyer Demand

Market / Buyer	Location	Confirmed Interest (Yes/No)	Required Volume & Quality	Price Trends	Potential for Contracting
Buyer 1					
Buyer 2					

5. Geographic & Logistics Feasibility

Proposed Aggregation Point	Distance between APGs	Accessibility	Transport Route	Cost / Time Efficiency

6. Value Addition Potential

Opportunity	Required Support / Infrastructure	Revenue / Margin Improvement Potential	Feasibility
Grading / Sorting			
Storage / Packaging			
Processing			

7. Readiness Assessment Summary

APG	Category (Strong / Medium / Weak)	Governance Strength	Production Capacity	Market Engagement	Recommended Role
APG 1					(Hub / Spoke / Strengthen)
APG 2					
APG 3					

8. Preliminary Hub-and-Spoke Proposal

Proposed Hub	Proposed Spokes	Justification	Required Support

9. Cluster Business Case Summary

- Expected commercial benefit of clustering:
- Potential price gain through aggregation:
- Expected improvement in market reliability:
- Value chain strengthening opportunity:
- Risk considerations & mitigation:

10. Recommendation

- ☐ Approve cluster formation
- ☐ Approve with additional capacity support
- ☐ Postpone – strengthening required

Signatures

Name	Designation	Institution	Signature / Date
Prepared by	_____	_____	
Reviewed by	_____	_____	
Community representative			

Cluster Readiness Scoring Sheet

Cluster Readiness Scoring Matrix – APG Clustering & Cooperative Formation

Criterion	Description	Weight	Score (0–4)	Weighted Score
1. Anchor Commodity Strength	Common production, profitability, agronomic fit	20%		
2. Production Volume & Supply Consistency	Aggregated output meets commercial volume threshold	20%		
3. Market Potential & Buyer Commitment	Confirmed buyers, pricing, demand stability	15%		
4. Value Addition & Upgrading Potential	Grading / storage / certification feasibility	10%		
5. Geographic Proximity & Logistics Efficiency	Aggregation center accessibility, transport cost	10%		
6. Governance & Organizational Readiness	Leadership, cohesion, record keeping	10%		
7. Financial Discipline & Savings Culture	Member savings, transparency, repayment history	10%		

8. Inclusiveness & Social Feasibility	Gender / youth participation, conflict risks	5%		

Total Score

Final Weighted Score	
Readiness Category	☐ High (3.2–4.0) ☐ Medium (2.5–3.1) ☐ Low (1.5–2.4) ☐ Not Ready (<1.5)

Interpretation

Score Range	Recommendation
3.2 – 4.0	Priority cluster – Proceed to cooperative preparation
2.5 – 3.1	Cluster with capacity strengthening – phased transformation
1.5 – 2.4	Strengthening phase, postpone cluster decision
< 1.5	Not suitable at this stage

Approval

Name	Designation	Signature	Date
_____ Team Lead			
_____ Reviewer			

Annex C – Stepwise Process for APG Clustering and Cooperative Formation

Step No.	Stage	Process / Key Activity	Outputs / Documentation
1	Cluster Identification	Identify candidate APGs based on readiness, production alignment, and geographic feasibility	Draft list of potential APGs, readiness scoring
2	Cluster Analysis	Production mapping, commodity assessment, market demand validation, cost-benefit analysis	Completed Annex A – Cluster Formation Justification Note
3	Cluster Selection & Endorsement	Review justification & approve formation of 5–6 APG cluster	Approval memo / meeting record
4	Social Mobilisation	Awareness meetings to confirm interest and participation	Attendance lists, meeting minutes

5	Pre-Cooperative Capacity Building	Governance, record keeping, leadership, market literacy, cross-learning	Capacity building report
6	Member Registration	Enrolment of founding cooperative members and verification	Member register, ID copies
7	Share Capital Mobilisation	Collection of minimum shares per law; deposit to temporary account	Share register, bank deposit slip, receipts
8	Drafting Bylaws & Business Plan	Develop bylaws & business plan for anchor commodity cooperative	Draft bylaws + business plan
9	Pre-General Assembly Meeting	Review bylaws & business plan; nominate candidates for BoD	Pre-GA minutes, nomination list
10	First General Assembly (FGA)	Formal approval of bylaws, member list, share capital; adopt cooperative formation	Signed FGA minutes
11	Election of BoD & Supervisory Committee	Conduct transparent voting under Cooperative Law	Election minutes, certification
12	Legal Registration Submission	Submit full package to PAEO: bylaws, membership, BoD results, FGA minutes, capital	Registration dossier
13	Cooperative Registration	PAEO issues official Certificate of Registration	Legal registration certificate
14	Bank Account Opening	Register entity with bank and open cooperative bank account	Account opening confirmation
15	Operationalisation & Market Activation	Begin aggregation, sale, collective procurement, input distribution	Business records, agreements with buyers
16	Sustainable Financing Access	Link to financial institutions through sustainable financing mechanisms for growth	Loan agreements, financial plans
17	Monitoring & Strengthening	Regular governance audits, reporting, continuous training	Quarterly supervision reports

Sample Cooperative Bylaws

Cooperative Name: _____
District: _____ Province: _____
Date of Adoption: _____
Legal Reference: Cooperative Law of Lao PDR (2024)

Article 1: Name, Address, and Legal Status

1.1 The name of the cooperative shall be _____ Cooperative.

1.2 The registered address of the cooperative shall be: _____.

1.3 The Cooperative is a legally recognized autonomous economic organization established in accordance with the 2024 Cooperative Law.

1.4 The Cooperative is a voluntary, member-owned organization operating on principles of democratic participation and profit-sharing.

Article 2: Vision, Mission, and Objectives

2.1 Vision: To improve the income and livelihood of members through collective production, aggregation, value addition, and equitable market access.

2.2 Mission: To operate as a commercially viable farmer-owned enterprise that provides services, strengthens market linkages, and supports investment and productivity.

2.3 Objectives:

- a) Support members in increasing production quality and quantity
- b) Coordinate collective purchasing and marketing
- c) Facilitate access to finance, technology, and extension services
- d) Promote value addition and business diversification
- e) Strengthen governance, transparency, and accountability

Article 3: Membership

3.1 Membership is voluntary and open to all farmers/producers who meet eligibility requirements and agree to the bylaws.

3.2 Members must:

- Be residents of the cooperative's catchment area
- Engage in agricultural production relevant to cooperative activities
- Purchase the minimum number of shares

3.3 Membership Rights include:

- Voting rights (one member = one vote)
- Participation in elections and meetings
- Access to cooperative services and benefits

3.4 Membership Responsibilities include:

- Complying with bylaws and regulations
- Participating in activities and meetings
- Upholding transparency, discipline, and collective benefit

3.5 Termination of membership may occur due to resignation, rule violations, or inactive participation.

Article 4: Share Capital and Financial Management

4.1 The cooperative's financial foundation is based on share capital contributed by members.

4.2 Minimum share requirements per member: _____ Kip per share; minimum number of shares: _____.

4.3 Shares are non-transferable without approval of the Board.

4.4 Members may receive dividends based on profits and participation.

4.5 Financial transparency is mandatory, with annual financial reporting to the General Assembly.

Article 5: Governance Structure

5.1 The governing bodies of the cooperative are:

- General Assembly (GA)
- Board of Directors (BoD)
- Supervisory Committee

5.2 General Assembly

- Supreme decision-making body
- Convenes at least once per year
- Approves bylaws, elects leaders, reviews financial performance

5.3 Board of Directors

- Elected for a term of 3 years
- Consists of: Chairperson, Vice Chair, Treasurer, Secretary, and members
- Responsible for operations, planning, partnerships, and finance management

5.4 Supervisory Committee

- Independent oversight group elected by the GA
- Reviews governance, financial controls, compliance, and audits

Article 6: Meetings

6.1 Regular GA meetings must be held annually; emergency GA may be called by BoD or 1/3 of members.

6.2 Quorum for GA meetings: 50% + 1 of active members present.

6.3 Decisions are made by majority vote.

Article 7: Election Procedures

- 7.1 Elections shall be free, fair, and conducted by secret ballot.
- 7.2 Candidates must be active members in good standing.
- 7.3 Results must be documented and certified by DAEO.

Article 8: Profit Distribution

8.1 Net surplus shall be allocated as follows:

- Reserve fund: _____ %
- Member dividends: _____ %
- Development fund: _____ %
- Social fund: _____ %

8.2 Dividends are distributed equitable to share ownership and participation.

Article 9: Cooperative Business Operations

9.1 Cooperative activities may include:

- Collective procurement of inputs
- Aggregation and marketing of products
- Value addition services
- Financial and business advisory services

9.2 Contracts must be approved by the BoD and reported to GA.

Article 10: Disciplinary Measures and Conflict Resolution

10.1 Violations of bylaws, fraud, misconduct, or damage to cooperative interests may result in penalties.

10.2 Conflicts will be resolved internally through mediation before administrative channels.

Article 11: Audit, Transparency, and Reporting

11.1 Annual financial audits are mandatory.

11.2 Financial reports and activity reports shall be shared with members at GA meetings.

11.3 Books of account must be maintained and accessible.

Article 12: Amendment of Bylaws

12.1 Amendments may only be made by the General Assembly with at least two-thirds majority approval.

Article 13: Dissolution

13.1 The cooperative may dissolve voluntarily by GA vote or through legal provisions.

13.2 Upon dissolution, assets shall be liquidated and distributed according to the law.

Adoption

These bylaws were adopted by the founding General Assembly held on:

Signed by:

Witnessed by: DAEO Representative _____

APG/Cooperative Business Plan Template (With instructions for content development)

APG/Cooperative

Name: _____

Commodity/Value Chain Focus: _____

District / Province: _____

Business Plan Preparation Date: _____

Section 1: Executive Summary

What to include:

- Brief introduction of the cooperative and its purpose
- Key products/commodities handled
- Target markets and buyers
- Expected financial and social benefits for members
- Vision of growth for the next 3–5 years

Section 2: Cooperative Profile

Information Required	Guidance

Background and history	How the cooperative was formed, link with APGs, timeline, motivation

Membership details	Number of members, gender/youth representation, villages covered
Organizational structure	Brief description of leadership, committees, human resources

Section 3: Commodity & Production Analysis

What to include:

- Anchor commodity characteristics (production area, crop cycle, varieties)
- Seasonal production calendar
- Total production volume (current and estimated growth)
- Productivity levels and comparison to district/provincial averages
- Production challenges and improvement strategies (extension needs, climate risk, input access)

✓ Use APG-level production data collected through readiness assessments.

Section 4: Market Assessment

Required Analysis	Guidance
Market demand analysis	Who buys the product, demand trends, volume requirements
Pricing trends	Price fluctuations (monthly/seasonal), wholesale vs retail pricing
Buyer mapping	Contact list of buyers, processors, traders, retailers, exporters
Competitor analysis	Who else supplies the same commodity, strengths/weaknesses
Value chain position	Where the cooperative fits and opportunities to move up the chain

✓ Reference any market consultations or MSP outcomes.

Section 5: Products and Services Strategy

Describe the cooperative's planned business activities:

- Aggregation, storage, sorting, grading, packaging
- Collective input supply or procurement services
- Transport or logistics services

- Value-added processing (if currently or planned)
- Service fees / commission strategy / margin structure

Section 6: Operational Plan

Component	What to include
Collection system	How products will be collected from members, who manages it
Quality management	Quality standards, sorting/grading procedures
Facilities and equipment	Existing & required infrastructure (collection center, warehouse, tools)
Logistics & transport	Costing, transport partners, efficiency plan
Human resources plan	Roles of BoD, manager, accountant, committees

Section 7: Governance & Management

Include:

- Decision-making mechanisms
- Roles and responsibilities of BoD & Supervisory Committee
- Meeting schedule and reporting structure
- Transparency and accountability tools (inspection, record keeping)

Section 8: Financial Plan

8.1 Startup Capital

- Share capital mobilization plan
- Grants or support received / expected
- In-kind contributions

8.2 Operating Cost Estimation

Expense Category	Example Items	Estimated Cost
Procurement costs	Raw materials, buying price, drying	
Operating & logistics	Fuel, labor, storage, packaging	
Administration	Office supplies, communication, salaries	

8.3 Revenue Projections

Revenue Sources	Calculation Basis	Annual Estimate
Product sales income	Volume x Price	
Service fees / commission	% margin	
Value addition	Processing yield gain	

8.4 Profit & Loss Projection (3 years)

Include: expected sales, profit margin, breakeven point, assumptions

Section 9: Risk Analysis and Mitigation

Risk Type	Examples	Mitigation Measures
Production risks	Weather, pests	Improved practices, insurance
Price/market risks	Falling prices, weak demand	Diversification, contract sales
Governance risks	Leadership conflict	Strong bylaws, transparency
Financial risks	Misuse, late payments	Controls, audits, savings rules

Section 10: Action Plan & Implementation Timeline

Activity	Responsibility	Timeline	Required Resources
Share capital collection	BoD & Members	Month 1	Forms & records
Buyer contract negotiation	Marketing Committee	Month 2–3	Buyer meetings
Capacity building	DAEO / CSO Partner	Continuous	Training budget
Value addition equipment setup	Cooperative	Year 2	Project funding

Section 11: Monitoring & Evaluation

- Key performance indicators (KPIs)
- Progress reporting schedule

- Review & improvement cycle

Signature Page

Approved by the Cooperative General Assembly
on: _____

Name	Position	Signature	Date
Chairperson			
Vice Chair			
Treasurer			
Secretary			
Supervisory Committee			

Support Verification

DAEO Representative Name Signature Date

Appendix 18: MSE Selection / Support

Introduction

1. Micro, and Small Enterprises (MSEs) play a critical role in strengthening agricultural value chains, generating local employment opportunities, enhancing food system competitiveness, and improving household livelihoods in rural areas. Within the LEAD Project, MSE development is central to achieving the objectives of improving market access for smallholder farmers and producer groups, and expanding commercially viable rural enterprise activities across project provinces.
2. The MSE Support Manual provides a comprehensive operational framework for identifying, screening, capacitating, financing, and monitoring MSEs that will be supported under AFN II. It outlines the step-by-step processes, eligibility criteria, appraisal methodology, institutional roles, capacity building framework, and milestone-linked matching Blocked Grant and mentoring mechanisms needed to deliver high-quality enterprise support. The manual goes beyond Blocked Grant administration procedures and adopts a holistic approach that integrates both financial and non-financial support services necessary for MSE growth and sustainability.
3. Under AFN II, the project aims to support 20 existing MSEs and 50 start-up or early-stage MSEs operating within the prioritized value chain commodities. Support will be provided through a sequenced pathway that includes business literacy and financial management training, business plan development, structured mentoring, market linkage initiatives, enterprise formalization, and milestone-based Blocked Grant financing. This ecosystem approach ensures that MSEs are better positioned to access markets, finance, and services, ultimately enabling their transition into resilient and commercially competitive enterprises.
4. The manual is intended for use by NPCO, DCOs, implementing partners, business service providers, and review committees responsible for appraisal, delivery, and monitoring of MSE support activities. It serves as a practical reference guide for field implementation teams and ensures consistency, transparency, and accountability across all stages of MSE selection, support, and performance monitoring.
5. Target Groups and Support Scope: The MSE support initiative under LEAD is designed to strengthen enterprises operating within priority agricultural and food system value chains, enabling them to increase productivity, expand market access, improve product quality and safety, and generate inclusive employment opportunities for women, youth, and vulnerable rural households. Support will be directed toward two primary categories of

enterprises: existing MSEs and new/start-up MSMEs, each with differentiated assessment and development pathways based on their maturity level, operational status, and capacity needs.

Target Group	Description	Key Characteristics
Existing MSMEs	Small and medium enterprises that are already operational within LEAD districts	Minimum 1 year of continuous business operation; engaged in processing, aggregation, logistics, services, or input supply within LEAD commodity value chains
New or Start-Up MSMEs	Early-stage or emerging entrepreneurs with business ideas or enterprises operating for less than 1 year	High entrepreneurial readiness and willingness to participate in training and mentoring; aligned with local market opportunities

6. Support will focus exclusively on MSEs aligned with LEAD strategic commodity clusters, including but not limited to:

- Crop production, aggregation, processing and value addition
- Livestock and aquaculture production and processing
- Input supply and agri-services (seeds, fertilizers, veterinary services, equipment services)
- Cold chain, storage, transport, logistics, and packaging
- Digital agriculture services and market information systems
- Food safety, traceability, certification, and related business services

Enterprises outside these value chain areas will not be considered for support.

7. Scope of Support: Support to MSEs will be delivered through a sequenced and structured combination of financial and non-financial interventions, including:

a. Non-Financial Support

- Business development and financial literacy training
- Classroom technical training (7-day structured curriculum)
- Business plan preparation and refinement
- Coaching and mentoring by technical advisors

- Compliance and certification assistance (e.g., quality, safety, licensing)
 - Registration and formalization support
- b. Financial Support
- Matching grants to catalyse investment and scale operations
 - Tranche-based Blocked Grant disbursement tied to milestone achievement
 - Facilitation of market access and buyer–seller networking
 - Linkages to commercial credit and guarantee facilities
8. Through this support framework, the project aims to achieve:
- Stronger and more competitive MSEs operating within priority commodity clusters
 - Increased access to markets and integration into value chain opportunities
 - Improved product quality, consistency, packaging, and branding
 - Increased employment generation opportunities for women and youth
 - Enhanced credit-readiness and financial inclusion of rural enterprises
 - Sustainable graduation pathway for MSEs toward commercial financing
9. The program ensures priority access for: Women-owned businesses, Youth-led enterprises, Enterprises engaged with APGs, Cooperatives, and Producer Organizations, Rural and remote geographic areas, Environmentally responsible and climate-smart enterprises
10. Eligibility Criteria: To ensure transparency, fairness, and alignment with LEAD objectives, all MSEs and entrepreneurs applying for support must meet the eligibility criteria defined below. These criteria apply separately for existing MSEs and new/start-up enterprises, reflecting their different maturity levels and support needs. Eligibility requirements relate to:
- (i) geographic inclusion,
 - (ii) business stage,
 - (iii) value chain alignment,
 - (iv) readiness and commitment, and
 - (v) compliance obligations.
11. Geographic Eligibility To qualify for support, enterprises must be located and operating within the LEAD operational provinces and districts. Enterprises must meet at least one of the following geographic conditions:
- Business premises located within LEAD implementation districts

- Ownership or operational activities based within project areas, even if some sales occur outside the district
- Demonstrated service provision to LEADproducer groups, APGs, Cooperatives, or value chain clusters
- Commitment to continue operations within LEADgeographic area throughout the project support period

Enterprises operating entirely outside the LEADoperational geography will not be eligible.

12. Eligibility Criteria for Existing MSMEs: Existing MSEs must meet the following criteria: Mandatory Requirements

- Minimum 1 year of continuous business operation
- Business aligned with one of the priority LEADcommodity value chains
- Registration documents available, or willingness to formalize within support period
- Valid proof of identity of the business owner
- Basic business and financial records (sales, stock, assets, operating costs)
- Commitment to participate in full training, mentoring and monitoring program

Preferred Characteristics

- Demonstrated market linkages (buyers, retailers, processors, suppliers)
- Employing or engaging women, youth, or vulnerable groups
- Ability to mobilize basic co-contribution for investment
- Sustainability potential and scalable model

13. Eligibility Criteria for New / Start-Up MSMEs: Applicants in the start-up category must meet the following: Mandatory Requirements

- Business operating for less than 12 months, or pre-revenue with a viable idea
- Located within LEADoperational districts
- Business concept aligned with LEADvalue chain commodities
- Demonstrated entrepreneurial readiness, willingness to complete training
- Commitment to open a business bank account

- Identity documentation of the entrepreneur

Preferred Characteristics

- Participation in youth/women groups, APGs or cooperatives
- Basic business numeracy and problem-solving skills
- Clear understanding of value proposition and customer segment
- Potential to generate local employment

14. Exclusion Criteria: The following types of enterprises are not eligible for support:

- Enterprises outside LEAD geographic coverage
- Businesses unrelated to agricultural and food value chain sectors
- Activities involving environmentally harmful, illegal, or socially unsafe practices
- Businesses linked to political or religious organizations
- Enterprises involved in reselling grants or not operating real production/trading activities
- Applicants unwilling to participate in full training, mentoring and reporting

15. Conditions for Participation and Inclusion Commitment: All participants must:

- Agree to LEAD monitoring verification and milestone-based disbursements
- Commit to safe, ethical and environmentally sustainable practices
- Accept audit, verification, and progress reporting requirements
- Demonstrate cooperation with district teams and technical service providers

Special inclusion focus will be given to:

- Women-led and youth-led enterprises
- Ethnic minority and remote communities
- Enterprises working directly with APGs and Cooperatives
- Enterprises promoting climate-smart and green solutions

Screening and Validation

Eligibility will be confirmed through:

Step	Method
Preliminary screening	Paper application and first-level filtration
Field verification	Site visit by district technical team
Independent scoring	Review committee evaluation
Final approval	NPCO endorsement and contract agreement

16. MSE Identification & Screening Process: The MSE identification and screening process under LEAD is designed to ensure transparent, inclusive, and competency-based selection of enterprises that demonstrate potential for growth, value-chain integration, and sustainable commercial development. The process follows a structured sequence beginning with initial identification and outreach, followed by multi-stage screening, evaluation, training, and final selection. The process differentiates the pathways for supporting existing MSEs and new/start-up MSMEs, while ensuring that all selected enterprises meet eligibility, geographic focus, and value-chain criteria. Initial identification of potential MSEs will be conducted at district level through coordinated efforts with:

- District Agriculture and Forestry Offices (DAEO)
- District Commerce Office / Industry & Commerce Department
- APGs and Cooperative networks
- Women and Youth Associations and Chamber of Commerce branches
- Local business networks and processors/traders/service providers
- Public announcements through notice boards, radio, village meetings and cooperatives

17. A preliminary MSE Listing Form will be used to generate a shortlist of potential candidates for both categories:

- Existing MSEs – minimum one-year operating history
- New / Start-Up MSEs – early-stage or idea-stage entrepreneurs

18. First-Level Screening and Filtration: The initial list of enterprises from the identification stage undergoes a first-level screening to filter candidates based on:

- Alignment with LEAD priority value chain commodities

- Compliance with geographic eligibility
- Business maturity level (existing vs start-up)
- Initial enterprise readiness (capacity, market relevance, business potential)

19.A standardized Screening Form will be used to document outcomes (Appendix 01). MSEs failing to meet minimum eligibility criteria at this stage will be informed formally and may be supported through advisory services in the future.

20.Call for Proposal & Application Submission: Qualified candidates are invited to submit simple business proposals, utilizing LEAD templates:

- Application Form for Existing MSEs (Appendix 02)
- Application Form for New/Start-Ups (Appendix 03)

These forms are designed to capture:

- Basic business details
- Nature of operations (products, services, customers, suppliers)
- Basic financials (revenue, stock, assets, margins)
- Entrepreneur readiness and experience
- Planned investments and growth needs
- Linkage to LEAD value-chain targets

Proposals can be submitted in paper or digital form via District Project Teams.

21.Review Committee Evaluation: All submitted proposals will be reviewed by a Review Committee established at district/provincial level. The committee will include:

Role	Representation
Chairperson	NPCO / DCO Representative
Member	District Agriculture / Industry & Commerce Department
Independent Member 1	Credit Manager from a commercial bank (with MSE lending experience)
Independent Member 2	Agribusiness expert / MSE entrepreneur with real business experience
Technical Member	BDS / business planning specialist or consultant
Secretary	District Implementation Unit (non-voting administrative role)

22. The committee will i) Score applications using a standardized evaluation matrix (Appendix 05), ii) Prioritize commercially viable and socially impactful proposals, iii) Shortlist candidates for site visits and interviews. If required, remote review support can be taken from subject specialists. Site Verification & Due Diligence: Shortlisted enterprises will undergo field verification to:

- Validate physical assets, stock, infrastructure and operations
- Confirm market connections and supplier/buyer relationships
- Assess operational feasibility and risks
- Verify eligibility, financial reality and proposed investment purpose

A Site Visit Checklist (Appendix 04) will be completed for each enterprise, appended to the evaluation file.

23. Pre-Selection & Training Enrolment: Based on review and site verification, selected MSEs will be conditionally shortlisted to participate in i) Seven-day classroom-based business development training, covering business formalization, financial literacy, bookkeeping, compliance, market analysis and business plan development, and ii) Mentoring sessions for business plan refinement

Conditional selection does not guarantee blocked Grant approval.

24. Final selection will depend on Banks credit appraisal, business plan quality and performance during training. Following training and business plan submission:

- The Review Committee evaluates final business plans
- Selection decisions are recorded formally
- Selected enterprises sign an MSE Support & Milestone Agreement
- Approved MSEs move into milestone-based Blocked Grant disbursement phase

25. The business plan and loan application are submitted for bank appraisal and upon approval by the bank, only the blocked grant is approved.

26. Documentation and Record Keeping: All screening and decision-making processes will be:

- Fully documented using standardized templates
- Archived at DCO and NPCO level

- Communicated transparently to applicants

27. Rejected applicants receive formal notification and may be considered in future rounds subject to improvements.

28. **Capacity Building, Business Planning & Mentoring Approach:** Capacity building is a central pillar of the MSE development strategy under LEAD and is designed to strengthen the managerial, financial, and operational capabilities of entrepreneurs so that supported MSEs can participate competitively in market systems and sustain commercial growth beyond the life of the project. Rather than treating Blocked Grant financing as a standalone intervention, LEAD adopts a sequenced capacity-building approach that prioritises knowledge strengthening, business readiness, formalization, planning, and structured mentoring. This ensures that enterprises receiving financial support are adequately prepared to manage investments, expand production, improve product quality, and build durable relationships with buyers and financial institutions.

29. All shortlisted MSMEs—both existing businesses and new start-ups—will be required to undergo a comprehensive training and skills enhancement programme before receiving final approval for milestone-based Blocked Grant financing. The training programme will combine classroom and practical learning, exposure visits, case-based exercises, and individualized coaching. The curriculum covers business fundamentals, market understanding, cost and profit analysis, cash flow and bookkeeping, and commercial negotiation skills, equipping entrepreneurs with the capacity to operate their enterprises with greater efficiency and profitability.

Module Area	Description
Business Literacy	Costing, pricing, profit margins, cash flow, break-even analysis
Financial Management & Records	Bookkeeping formats, invoice systems, financial tracking, bank reconciliation
Market & Value Chain Understanding	Analysis of demand trends, buyers, competition, and product positioning
Business Formalization	Licensing, tax ID registration, inspection compliance, business bank accounts
Product Quality & Packaging	Food safety, standards, labelling and branding requirements
Investment & Financial Planning	Capital requirements, budgeting, investment sequencing, resource planning

Digital Enablement	Digital payments, online promotion tools, mobile financial access
Environmental & Social Practices	Worker safety, responsible production, waste management

30. **Business Formalization Support:** A key component of the MSE strengthening package is support for business formalization, enabling enterprises to transition from informal or semi-formal operations to legally recognized business units capable of accessing finance, entering supply contracts, and expanding legally into wider markets. Support will include guidance on required documentation, regulatory steps, and preparation for government verification processes. Formalization will be linked to milestone achievements and tracked during mentoring stages.

Support Area	Examples of Assistance Provided
Business Licensing & Registration	Registration process orientation, document preparation
Tax & Revenue Identification	Tax ID application and basic tax compliance guidance
Banking & Digital Finance	Support to open business accounts and use mobile platforms
Statutory Compliance	Guidance on food safety, packaging and labelling rules
Documentation & Audit Preparedness	Recordkeeping formats and financial documentation

31. **Business Plan Development and Refinement:** Following the initial capacity building phase, each entrepreneur will be supported to prepare and refine a bankable business plan using standardized templates provided by AFN II. Importantly, business plans will be drafted by the entrepreneurs themselves rather than by external writers, ensuring strong ownership, realistic assessment, and clear understanding of revenue models and financial requirements. Business advisors will provide iterative review and feedback, guiding entrepreneurs through improvement cycles until the business plan meets commercial standards required by the Review Committee. The finalized business plan forms the basis for milestone-based

Blocked Grant disbursement and financial support agreements (refer Appendix 06).

32.

Component	Key Content
Business Profile	Business concept, value proposition, products and services
Market Analysis	Customers, competition, demand, pricing
Operational Plan	Production processes, input supply, labour and resources
Sales & Marketing Plan	Promotion strategy and customer engagement
Financial Plan	Investment needs, revenue forecasts, cost structure, break-even
Risk & Mitigation Strategy	Risks and proposed mitigation actions
Expected Outcomes	Revenue growth, job creation, market linkages

33. Mentoring and Coaching Approach: After approval, enterprises will receive structured mentoring for a period of 12 months, providing practical implementation support, troubleshooting, and field-based guidance. Mentoring will focus on actual performance improvement based on real business challenges and opportunities.

Mentoring Element	Expected Output
Regular follow-up meetings & site visits	Tracking progress, resolving operational issues
Practical business coaching	Improving sales, cost control, and production management
Market linkage facilitation	Connecting MSEs to buyers, suppliers, and cooperatives
Performance tracking	Reviewing sales, cashflow, profitability and KPIs
Finance linkage preparation	Supporting credit readiness and guarantee access

34. Blocked Grant support under LEAD will be provided only after completion of the structured screening, verification, capacity-building, and business plan development stages, and following formal credit appraisal and approval by a partner financial institution. This sequenced approach ensures that Blocked Grants function as a risk-mitigation and credit-enhancement instrument, rather than as a standalone subsidy, and that enterprises access project support only after demonstrating commercial viability and lender confidence.
35. Under this framework, completed and refined business plans will be submitted to participating banks for credit appraisal in accordance with their internal lending policies and procedures. Only enterprises that receive formal loan approval from a partner bank will be eligible for Blocked Grant support. The Blocked Grant will be released post-appraisal, in alignment with the approved loan structure, to support responsible utilization of credit, reduce investment risk, and strengthen repayment capacity over multiple loan cycles.
36. Enterprise Selection, Bank Appraisal, and Agreement: Following completion of capacity building and business plan preparation, the Review Committee will validate enterprise readiness and endorse applications for submission to partner banks for credit appraisal. Final selection for Blocked Grant support will be contingent upon:
- a. successful bank credit appraisal and loan approval;
 - b. confirmation of financial and operational feasibility;
 - c. alignment with LEAD priority value chains and inclusion objectives; and
 - d. compliance with project eligibility and risk-management requirements.
37. Upon receipt of bank loan approval, the enterprise will sign an MSE Support & Blocked Grant Agreement with the project. The agreement will specify the respective responsibilities of the enterprise and the project, approved investment costs, timelines, co-financing contributions, verification requirements, and compliance obligations. No Blocked Grant will be released without documented bank credit approval and a signed agreement.

Note: Percentages may be adjusted depending on enterprise type, investment structure, and cash-flow requirements (to be specified in Blocked Grant Agreement).

38. **Funding Conditions and Accountability Measures:** To promote investment discipline and minimize misuse risks, the following conditions apply to all disbursements:

- **Fund must be blocked for minimum three cycle loans.**
- Funds must be used solely for the purpose specified in the approved business plan.
- Expenditure must be supported by receipts, invoices, or proof of purchase.
- Any deviation must be pre-approved by the project management team.
- Unused or misused funds will result in suspension, cancellation, or recovery.
- Enterprises must allow full monitoring access at any time.
- All procurement must follow basic transparency and fairness principles.

If milestone requirements are not met, corrective actions or revisions may be recommended, or disbursement may be paused until compliance is demonstrated.

39. **Blocked Grant Agreement Process:** Once the Review Committee confirms final approval, the following steps occur:

1. **Notification & Agreement Preparation:** The enterprise receives written notification outlining the approved investment amount, disbursement conditions, and milestone plan.
2. **Signing of MSE Support & Blocked Grant Agreement:** The entrepreneur signs the contractual document and commits to delivering results in accordance with the plan.
3. **Milestone Planning & Timeline Confirmation:** Project and entrepreneur finalize implementation schedule and verification arrangements.
4. **Bank Account Verification:** Enterprise must operate a business bank account for all Blocked Grant disbursement transactions.
5. **Disbursement & Monitoring:** Tranches are released based on milestone achievements and documented verification.

40. **Monitoring & Quarterly Reporting Requirements:** To ensure transparency, track business progress, and verify milestone achievement, all supported MSEs are required to submit simple quarterly performance data. The purpose of quarterly reporting is to monitor enterprise growth, identify emerging challenges early, and provide targeted mentoring and technical support. Reporting requirements are designed to be practical and easy to complete, especially for early-stage or informal enterprises.

41. Quarterly reporting will be mandatory for continued support and release of milestone-based Blocked Grant instalments. Data will be submitted in a simplified format provided by the project and confirmed through site visits and discussion with the entrepreneur. Failure to submit quarterly data may result in pausing, rescheduling, or cancelling Blocked Grant disbursement.

Information Category	Data MSE Must Submit (Summary Format)	Verification Method
Sales & Revenue Summary	Total revenue for the quarter (LAK) / total volume sold/ Net profit	Review of sales log or invoice samples
Operating Cost Summary	Approximate total operating expenses for the quarter (inputs, labour, transport, utilities)	Record review or discussion during visit
Employment	Number of workers (Women / Youth identified separately)	Staff list or verbal confirmation
Use of Grant-Funded Assets	Confirmation of equipment usage and status	On-site physical verification & photos
Market Linkages	Buyers engaged / delivery records / new linkages established	Buyer call / verification note
Key Challenges	Operational, financial, market or technical challenges faced	Monitoring discussion
Support Requested	Specific assistance needed from project / mentors	Monitoring discussion

LEADMSESupport Program

Date: _____

District: _____ Province: _____

1. Basic Information

Name of Enterprise / Applicant	_____
Contact	_____ Gender: ☐ M ☐ F ☐ Youth (<35)
Address	Village _____ District _____
Category	☐ Existing (>1 yr) ☐ Start-up (<1 yr / idea stage)
Sector / Commodity	_____

2. Eligibility Check (tick all required conditions)

Criteria	Yes	No
Located within LEAD operational district	☐	☐
Aligned with LEAD commodity value chains	☐	☐
Willing to participate in full training & mentoring	☐	☐
Has a business idea or operating business	☐	☐
Basic financial info available / willing to maintain records	☐	☐
Willing to formalize / register business if selected	☐	☐

3. Inclusion & Impact Potential

Criteria	Yes	No
Woman-led enterprise	☐	☐
Youth-led enterprise (<35)	☐	☐
Ethnic minority	☐	☐

Linked to APGs / Cooperatives	☐	☐
Employment potential	☐ Low ☐ Medium ☐ High	

4. Initial Screening Decision

Item	Mark
Recommended for next step (application/proposal)	☐ Yes ☐ No
Suggested Category	☐ Existing ☐ Start-Up
Requires site visit	☐ Yes ☐ No

Short Justification (1–2 lines):

5. Screening Committee Signatures

Name: _____ Signature _____ Designation/ Institution _____
Date _____

Applicant informed: ☐ Yes ☐ No Date: _____

Appendix 02 – Application Form for Existing MSMEs

LEAD– MSES Support Program / Business Partnerships & Market Access Component

Date _____ of _____ Application: _____
District: _____ Province: _____

1. Applicant & Business Information

Field	Response
Name of Enterprise	_____
Name of Owner / Representative	_____

Contact Number	_____ Email: _____
Gender	☐ Male ☐ Female ☐ Youth (<35) ☐ Other
Business Address	Village: _____ District: _____ Province: _____
Registration Status	☐ Registered (Business License No. _____) ☐ Not Registered (Willing to register ☐ Yes ☐ No)
Years in Operation	☐ 1–2 years ☐ 2–5 years ☐ >5 years
Business Type / Commodity	_____
Number of Employees	Total: _____ Women: _____ Youth: _____

2. Business Operations

Field	Response
Main Products / Services	_____
Customers / Buyers	_____
Existing suppliers / input sources	_____
Average Monthly Sales	_____ LAK / Month (Approx.)
Current Challenges	_____

3. Market & Value Chain Alignment

Statement	Tick

Business aligns with LEAD commodity value chains	☐ Yes ☐ No
Current or potential market linkages exist (buyers/sellers)	☐ Yes ☐ No
Working with APGs / Cooperatives	☐ Yes ☐ No (If Yes, specify _____)

4. Proposed Support Requirement

Item	Details
Purpose of requested support / investment needs	_____
Estimated total investment needed	_____ LAK
Expected co-contribution	_____ LAK / % _____
Expected outcomes (production, jobs, sales growth)	_____

5. Financial & Operational Readiness

Statement	Tick
Basic bookkeeping or financial records available	☐ Yes ☐ No
Active business bank account	☐ Yes ☐ No

Ability to provide invoices/receipts for grant-supported costs	☐ Yes ☐ No
Willing to participate in training, mentoring & monitoring	☐ Yes ☐ No

6. Inclusion & Social Impact

Criteria	Tick
Woman-led enterprise	☐ Yes ☐ No
Youth-led enterprise	☐ Yes ☐ No
Ethnic minority ownership	☐ Yes ☐ No
Potential to generate new local jobs	☐ Low ☐ ☐ Medium ☐ ☐ High

7. Declaration

I hereby declare that the information provided is true and accurate. I authorize LEAD project staff to verify the details provided and agree to comply with project requirements.

Applicant

Signature: _____ Date: _____

Item	Response
Screening decision	☐ Accepted for next stage ☐ Rejected
Category confirmed	☐ Existing MSME
Site visit required	☐ Yes ☐ No

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Remarks / Summary:

Review Committee Member:

Appendix 03 – Application Form for Start-Up MSMEs

LEAD– MSE Support Program / Business Partnerships & Market Access Component

Date _____ of _____ Application: _____
District: _____ Province: _____

1. Applicant Information

Field	Details
Name of Applicant / Entrepreneur	_____
Gender / Age	☐ Male ☐ Female ☐ Youth (<35) ☐ Other
Address	Village _____ District _____ Province _____
Contact Number	_____ _____ Email _____
Ethnicity (optional)	_____

2. Business Idea / Proposed Start-Up

Field	Details
Proposed Business Name (if any)	_____

Business Concept / Idea	_____
Commodity / Sector	_____
Stage of business	☐ Idea stage ☐ Initial setup ☐ <12 months operating
Expected Products / Services	_____
Expected customer segment / market	_____

3. Linkages & Value Chain Alignment

Statement	Tick
Proposed business aligns with LEADpriority value chains	☐ Yes ☐ No
Linkage to APGs / Cooperatives / community groups	☐ Yes ☐ No (If yes, specify: _____)
Proof of demand / potential buyers	☐ Yes ☐ No
Potential to support local supply chain or input service	☐ Yes ☐ No

4. Skills & Entrepreneurial Readiness

Statement	Tick
Prior business experience / livelihood skill	☐ Yes ☐ No
Can demonstrate basic numeracy & planning ability	☐ Yes ☐ No
Willing to participate in full training & mentoring program	☐ Yes ☐ No
Willing to open a business bank account	☐ Yes ☐ No

5. Proposed Support Need

Field	Details
What support is needed through AFN II?	_____
Estimated start-up investment required	_____ LAK
Expected co-contribution (cash/in-kind)	_____ LAK / % _____
Expected benefits (income, jobs, products, etc.)	_____

6. Inclusion & Social Impact

Criteria	Tick
Woman entrepreneur	☐
Youth entrepreneur (<35)	☐
Ethnic minority	☐
Expected job creation	☐ Low ☐ Medium ☐ High

7. Declaration

I confirm that all information provided is true and that I agree to verification and participation in the full training, mentoring, and monitoring process under AFN II.

Signature

of

Applicant: _____ Date: _____

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Item	Selection
Recommended for next stage (training & proposal development)	☐ Yes ☐ No
Requires Site Visit	☐ Yes ☐ No
Initial category confirmed	☐ Start-Up MSME

Review Remarks:

Review Committee Signatures

Appendix 05 – Review Committee Scoring Matrix

Evaluation Criteria	Description	Weight	Score (0–5)	Weighted Score (Weight × Score)
1. Value Chain Alignment	Alignment with LEAD commodities, contribution to local supply chain, relevance to project target groups	15%		
2. Market Potential & Demand	Evidence of demand, confirmed buyers, competitive positioning,	15%		

	potential for market expansion			
3. Business Viability & Operational Capacity	Feasibility of operations, production capability, labour/resources, feasibility of implementation	15%		
4. Financial Readiness	Basic records, realistic costing/pricing, investment rationality, co-contribution ability	10%		
5. Entrepreneur Capacity & Commitment	Experience, skill level, willingness to adopt improvements and participate in training	10%		
6. Business Plan Quality	Clarity, logic, financial projections, risk analysis, expected outcomes	10%		
7. Social Inclusion	Women/youth/ethnic inclusion,	15%		
8. Sustainability & Risk Management	Environmental and operational risks, mitigation strategies and long-term sustainability	5%		
9. Linkages & Partnerships	Relationship with APGs/Coops, suppliers, buyers or other partners	5%		

Appendix 04 – Site Visit Verification Checklist

Enterprise / Applicant Details	
Enterprise / Applicant Name	_____
Category	☐ Existing MSE ☐ Start-Up
Location (Village / District / Province)	_____
Date of Visit	_____
Visited By (Team / BDS / RC Member)	_____

Site Verification Checklist

Verification Area	Indicators to Verify	Yes	No	Remarks / Evidence
Physical Existence	Business operates at stated location	☐	☐	
	Production/service observed	☐	☐	
	Assets/equipment/tools physically present	☐	☐	
	Inventory/inputs available	☐	☐	
Business & Market Linkages	Demand visible / buyers identified	☐	☐	
	Buyer/supplier relationships validated	☐	☐	
	Linked to APGs / Cooperatives	☐	☐	
Operational & Financial Readiness	Bookkeeping/records available	☐	☐	
	Active bank account	☐	☐	
	Co-contribution capacity	☐	☐	
	Labour/team available	☐	☐	
Inclusion & Social Impact	Women-led	☐	☐	
	Youth-led	☐	☐	
	Job creation potential	☐ Low ☐ Medium ☐ High	☐ ☐ ☐	
Risk Assessment	Operational / market / financial risks noted	☐	☐	Type: _____ —

Final Recommendation:

Verification Signatures:

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Appendix 06 – Business Plan Template

Section	Details to be Completed by Applicant
1. Business Information	Business Name: _____ Owner Name: _____ Contact: _____ (Village/District/Province): _____ Type: ☐ Existing ☐ Start-Up Years in Operation (if existing): _____
2. Business Description & Value Proposition	Provide a brief description of the business concept, products/services offered, and what _____ _____
3. Market & Customers	Who are your customers? (market segment) _____ _____ Who are your main competitors? _____ product/service? _____
4. Production / Operations Plan	Describe how your product/service will be produced: _____ Required inputs / raw materials: _____ suppliers: _____ Production capacity / output per month: _____
5. Sales & Marketing Plan	Pricing strategy: _____ Promotion / marketing approach: _____ Distribution _____ _____ Existing or potential buyers: _____
6. Human Resources	Number of staff currently employed: _____ Women: _____ Youth (<35): _____ Additional labour needs: _____

7. Investment Requirements & Proposed Use of Grant	Total Investment Required: _____ LAK Proposed Blocked Grant from AFN II: _____ LAK Expected Co-Contr LAK / _____ % Describe how the Blocked Grant will be used (items / activities): _____
8. Financial Projection	Expected monthly operating cost: _____ LAK Expected monthly revenue (current): _____ LAK Expected m _____ LAK Estimated monthly profit after investment: _____ LAK
9. Expected Business Outcomes	Expected improvements in production, sales, market access, _____
10. Value Chain Linkages	Linkages with APGs / Cooperatives / suppliers _____
11. Inclusion & Social Benefits	☐ Women entrepreneur ☐ Youth (<35) ☐ Ethnic minority Expected job creation impact: ☐ Low ☐ Medium ☐ High
12. Risk Assessment & Mitigation	Key risks affecting your business: _____ How will you manage or reduce these risks? _____
13. Milestones for Implementation	1. _____ (Date: _____) 2. _____ _____ (Date: _____)
14. Declaration	<i>I declare that the information provided is true and accurate. I commit to using the support responsibly and participating in</i> activities. Applicant Signature: _____ Date: _____

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Appendix 19: Technical Paper on Rural Finance

1. Lao PDR's financial sector remains bank-dominated and urban-centred, with limited depth and outreach in rural areas where agriculture and small enterprises constitute the primary sources of livelihoods. Despite sustained policy attention to financial inclusion and SME development, formal access to credit for smallholders, agricultural producer groups (APGs), cooperatives, and rural MSMEs remains constrained, both in scale and in suitability of available instruments.
2. Recent financial inclusion data indicate moderate but shallow inclusion. Global Findex and IMF Financial Access Survey statistics show that adult account ownership is in the high-30s to around 40 percent, with persistent urban–rural, income, and gender gaps. Physical access points—bank branches, ATMs, and agents—remain sparse outside major urban centres, and the usage of formal savings and credit products remains limited relative to regional peers. While national strategies have set ambitious targets for expanding formal financial access, current indicators suggest that these targets have not yet been met, particularly in rural areas
3. Within this landscape, agriculture and SMEs account for a relatively small share of total bank lending, despite their central role in employment and rural incomes. Formal agricultural lending remains concentrated in a small number of state-linked or specialised institutions, while most smallholders continue to rely on village funds, informal lenders, or trader-linked credit arrangements. Studies consistently highlight collateral requirements, procedural complexity, and risk perceptions as key barriers to formal borrowing, even where subsidised credit lines exist. As a result, a large proportion of SME and agribusiness financing needs remains unmet
4. To address these gaps, the Government of Lao PDR, with support from development partners, has established several public and donor-supported access-to-finance instruments. The SME Promotion (Enterprise Promotion) Fund provides low-interest loans, typically around 3 percent per annum, channelled through selected commercial banks to priority sectors including agribusiness, processing, and rural services, with defined caps on loan size and relatively long tenors. In parallel, the Lao Access to Finance Fund (LAFF) operates as a wholesale funding facility, providing medium-term local-currency resources to banks and deposit-taking MFIs, which then on-lend to MSMEs and agrifood enterprises at market-based rates within their own credit policies
5. Multilateral partners—most notably the Asian Development Bank (ADB), alongside the World Bank and others—have played a significant role in capitalising and supporting this architecture through concessional credit lines and technical assistance. ADB-supported projects channel funds through domestic financial institutions and strengthen MSME lending capacity, reinforcing the same wholesale and on-lending model used by national funds such as LAFF and the SME Promotion Fund
6. Taken together, these initiatives demonstrate that liquidity and policy commitment are not absent from the Lao access-to-finance landscape. However, their impact on early-stage rural producers, APGs, and cooperatives has remained limited. Lending continues to be governed primarily by collateral-based appraisal frameworks, and subsidised or wholesale funding has not fundamentally altered banks' risk assessment practices. As a result, a large segment of rural economic actors remains

- positioned between grant-based project support and fully commercial finance, with neither modality adequately addressing their needs.
7. Despite sustained policy attention and the presence of public and donor-supported finance schemes, access to formal credit for smallholders, APGs, cooperatives, and rural MSMEs in Lao PDR remains limited. These limitations arise from interacting demand-side and supply-side constraints, which together prevent early-stage rural producers from transitioning into sustainable commercial finance.
 8. Demand-Side Constraints: Borrower Readiness and Incentives
 9. Lack of Acceptable Collateral and Formal Asset Ownership: On the demand side, most smallholders and producer groups lack the types of collateral required by formal lenders. Agricultural land is often untitled, informally held, or collectively used, making it unsuitable for bank security. APGs and cooperatives rarely own fixed assets in their own name, particularly at early stages of formation. As a result, even economically active groups remain structurally ineligible for collateral-based lending.
 10. Weak Credit History and Financial Records: Most APGs and cooperatives operate without audited financial statements, formal cash-flow records, or prior borrowing histories. Their economic activities—aggregation, trading, or seasonal production—generate cash flows, but these are rarely documented in a way that meets bank appraisal standards. This absence of verifiable credit history creates a first-entry barrier, where potentially viable borrowers are screened out before performance can be demonstrated.
 11. Grant Dependence and Limited Credit Discipline: Past project interventions have often relied on direct grants for equipment, inputs, or infrastructure. While these grants have addressed immediate capacity gaps, they have also reduced incentives for groups to engage with formal lenders. Many APGs and cooperatives have limited exposure to loan application processes, repayment schedules, and financial reporting requirements. This has weakened credit readiness and delayed the development of borrowing discipline necessary for graduation to commercial finance.
 12. Reliance on Informal and Tied Credit: In the absence of formal options, many producers depend on trader advances and input-supplier credit. These arrangements provide short-term liquidity but are typically tied to output sales or input purchases at unfavourable terms, compressing margins and limiting the ability of groups to accumulate working capital. Over time, this reinforces dependence on informal markets and constrains enterprise growth.
 13. Supply-Side Constraints: Banking Practices and Risk Management
 14. Collateral-Driven Lending Models: On the supply side, commercial banks in Lao PDR operate within asset-based risk frameworks, relying primarily on titled land and fixed assets as security. Lending decisions are governed by collateral coverage ratios that effectively exclude borrowers without formal

assets. Even subsidised or wholesale credit lines are appraised using these same standards, limiting their reach to early-stage rural producers .

15. **Limited Risk-Sharing Instruments:** Existing public and donor-supported facilities, such as the SME Promotion Fund and LAFF, primarily address liquidity constraints faced by financial institutions. They do not provide borrower-level risk-sharing or first-loss protection. Although policy discussions have considered the establishment of a stand-alone credit guarantee company with capitalisation of around LAK 100 billion, this initiative has not yet been formalised and does not currently reduce lending risk for banks.
16. **High Transaction Costs and Limited Rural Outreach:** Banks face high transaction and monitoring costs when serving dispersed rural clients, particularly for small loan sizes. Physical branch and ATM networks remain concentrated in urban areas, and digital financial services, while expanding, have not yet fully addressed last-mile delivery challenges. These cost considerations further discourage banks from developing tailored agricultural or group-based lending products
17. **Limited Use of Cash-Flow and Value-Chain-Based Appraisal:** Bank lending in Lao PDR remains weakly integrated with agricultural value chains. Appraisal methodologies rarely incorporate production cycles, aggregation volumes, or off-take relationships as substitutes or complements to collateral. As a result, even organised producer groups with market linkages are treated as high-risk borrowers under standard credit scoring systems.
18. **Combined Effect: The “Missing Middle” in Rural Finance:** The interaction of demand-side and supply-side constraints creates a structural financing gap. Early-stage APGs and cooperatives are not well served by grants, which risk perpetuating dependency, nor by conventional bank loans, which remain inaccessible due to collateral and risk requirements. Existing public and donor instruments improve liquidity and affordability but do not resolve the underlying risk-allocation and incentive misalignment between borrowers and lenders.
19. **The diagnosis indicates that the primary constraint to rural and agricultural finance in Lao PDR is not the absence of liquidity or policy intent, but the lack of effective mechanisms to manage first-entry risk for early-stage producer groups.** Existing instruments improve loan affordability or expand wholesale funding but do not sufficiently address the risk, incentive, and credit-history barriers faced by both borrowers and lenders. Against this background, the project proposes a blocked deposit–based credit leverage mechanism as a transitional solution designed to bridge the gap between grant-based support and fully commercial lending.
20. **Conceptual Basis of the Blocked Deposit Approach:** Under the proposed approach, project funds are not disbursed as direct grants to APGs or cooperatives. Instead, they are placed as blocked fixed deposits (FDs) in escrow accounts held in the name of the APG or cooperative with a partner financial institution. These deposits are locked for a defined multi-year

period and remain fully controlled and non-withdrawable by the beneficiary during the loan cycles.

21. The FD serves as a risk buffer, enabling the partner bank to extend loans to the APG or cooperative at agreed leverage ratios. Lending is thus secured not by land or fixed assets—which most groups lack—but by a cash-backed, interest-bearing instrument that fits within existing banking systems and prudential norms.
22. This approach differs fundamentally from both grants and conventional guarantee schemes. It does not replace repayment obligations, nor does it involve contingent claims processing. Instead, it reallocates risk upfront, allowing banks to lend while preserving borrower discipline and financial accountability.
23. Addressing Supply-Side Constraints: From the lender's perspective, the blocked deposit mechanism directly responds to the core supply-side constraints identified earlier. First, it mitigates collateral risk without requiring changes to banks' existing appraisal frameworks. Since the FD is a fully secured and liquid asset, it is readily accepted within standard credit risk management practices. This is particularly important in a system where lending remains strongly collateral-centric and where alternative forms of security are not widely recognised .
24. Second, the mechanism reduces banks' exposure to first-entry risk. Unlike wholesale credit lines or interest subsidies, which leave client-level risk unchanged, the blocked deposit functions as a direct risk cushion. In the event of repayment stress, the bank's downside exposure is limited, allowing lending to client segments that would otherwise be excluded.
25. Third, the approach is operationally simple and compatible with existing institutional capacity. Unlike credit guarantee schemes—which require claims assessment, payout rules, and ongoing fund management—the FD-based mechanism avoids administrative complexity. This is particularly relevant in the Lao context, where a proposed stand-alone credit guarantee company has not yet been formalised and is therefore not available as an operational risk-sharing instrument.
26. Addressing Demand-Side Constraints and Incentives: On the demand side, the blocked deposit approach is designed to strengthen credit readiness and borrower discipline, rather than substitute for them. Because loans must be repaid from commercial activities and the FD remains inaccessible, APGs and cooperatives have strong incentives to:
 - a. maintain basic financial records,
 - b. manage cash flows linked to production and aggregation cycles, and
 - c. comply with repayment schedules.
27. Repeated loan cycles under this structure enable groups to build verifiable credit histories, gradually reducing their perceived risk profile. This directly

addresses the first-entry barrier that prevents economically active but credit-invisible groups from accessing formal finance.

28. Importantly, the mechanism avoids the distortions associated with direct grants. Since project funds are not consumed, beneficiaries do not receive unconditional transfers. Instead, they gain access to finance conditional on performance, reinforcing a transition from grant dependence to market engagement.
29. Capital Efficiency and Sustainability of Public Funds: From a project and public-finance perspective, the blocked deposit mechanism enhances the capital efficiency of grant resources. Because the FD remains intact and earns interest over time, project funds are preserved rather than depleted. At the same time, the deposit enables multiple cycles of lending, allowing a fixed amount of public capital to catalyse a larger volume of private credit.
30. This revolving and interest-earning nature contrasts with traditional grant disbursement, which delivers one-off benefits with limited scope for reuse. By converting grants into credit-enabling assets, the mechanism aligns public expenditure with long-term financial inclusion and market development objectives.
31. Alignment with Existing Finance Architecture: The proposed approach is not intended to replace existing public or donor-supported instruments. Rather, it complements them by targeting a segment that remains underserved by current schemes. Facilities such as the SME Promotion Fund and LAFF improve liquidity and loan affordability for eligible borrowers but continue to rely on conventional collateral and risk appraisal practices. Similarly, multilateral support from partners such as ADB strengthens wholesale funding and institutional capacity but does not, on its own, overcome borrower-level risk barriers. The blocked deposit mechanism fills this gap by operating at the interface between project support and bank lending, enabling early-stage producer groups to enter the formal credit system and progress toward full bankability.
32. Rationale for a Transitional Instrument: The blocked deposit approach is explicitly conceived as a transitional mechanism. As APGs and cooperatives mature—developing governance systems, market linkages, and repayment track records—their reliance on FD-backed lending is expected to decline. Over time, lending decisions can increasingly be based on turnover, contracts, and cash-flow performance, with the FD serving only as a partial cushion or being released entirely.
33. In this sense, the mechanism provides a pragmatic response to current institutional gaps in Lao PDR's rural finance system, enabling progress toward commercial finance without waiting for new guarantee institutions or regulatory reforms to materialise.
34. Operational Design and Graduation Pathway
35. The blocked deposit-based credit leverage mechanism is designed as a structured, rules-based instrument that can be implemented within existing banking systems while supporting the progressive graduation of

APGs and cooperatives toward commercial bankability. Its operational design emphasises simplicity, risk control, and clear incentives for performance.

36. The mechanism operates through partner financial institutions (PFIs)—commercial banks or deposit-taking MFIs—with which project funds are placed as blocked fixed deposits. The key institutional roles are as follows:

- a. Project: Provides grant resources, defines eligibility criteria, places funds as blocked FDs, and monitors overall performance and compliance.
- b. Partner Financial Institutions: Open escrow accounts in the name of eligible APGs/cooperatives, accept the blocked FD as security, appraise and disburse loans, and manage loan recovery in line with standard banking procedures.
- c. APGs/Cooperatives: Use loans for approved productive and aggregation activities, maintain basic records, and service loans from commercial cash flows.

37. This arrangement ensures that credit decisions and loan management remain with regulated financial institutions, preserving market discipline and avoiding parallel project lending structures.

38. Structure of the Blocked Deposit: Project funds are placed as fixed deposits in escrow accounts held in the name of the APG or cooperative with the partner bank. Key design features include:

- a. Lock-in period: Typically, 3–5 years, covering multiple loan cycles (minimum 3 loan cycles).
- b. Restricted access: Deposits cannot be withdrawn or pledged by beneficiaries during the lock-in period.
- c. Interest-bearing: Deposits accrue interest at prevailing fixed-deposit rates, preserving and potentially increasing capital value over time.
- d. Purpose-specific use: Deposits serve exclusively as a credit risk buffer and are not intended for operational expenditure.

39. By design, the FD remains intact throughout the lending cycles, ensuring that public funds are preserved while enabling repeated leverage.

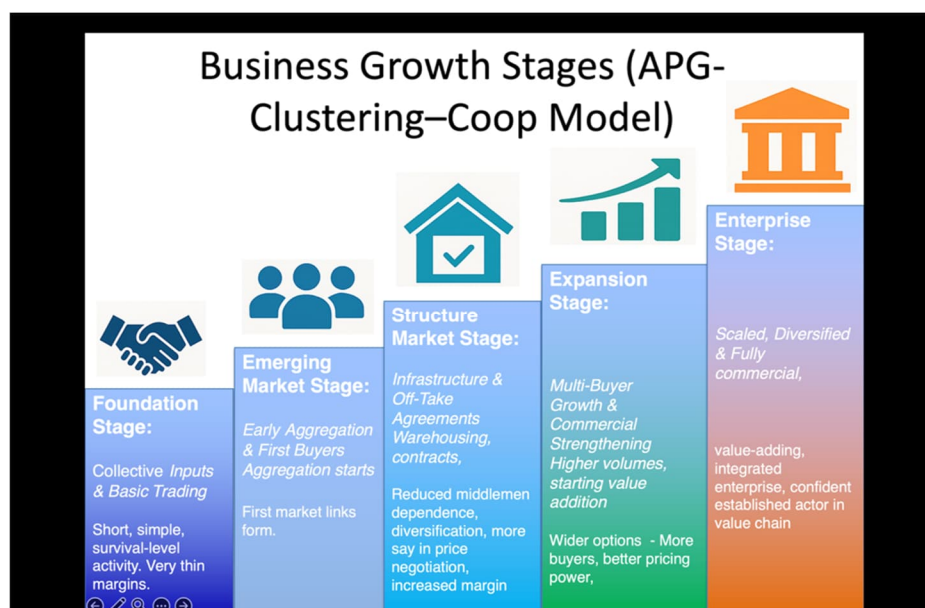
40. Loans are appraised and disbursed by partner banks using simplified but standard credit procedures adapted to group-based lending. While the blocked FD provides security, lending decisions remain linked to:

- a. the group's production and aggregation plan,
- b. expected cash flows aligned with crop or livestock cycles, and
- c. basic governance and record-keeping capacity.

41. Loan monitoring and recovery follow normal bank processes, reinforcing borrower discipline and ensuring that the mechanism does not weaken credit standards. In the event of repayment difficulties, banks retain recourse to the blocked deposit in accordance with agreed terms, thereby limiting their exposure.
42. Progressive Leverage and Graduation Stages: A central feature of the mechanism is progressive leverage, whereby loan-to-deposit ratios increase in line with borrower performance. This creates a clear graduation pathway from early-stage groups to fully commercial entities.
43. At the foundation stage, APGs access modest loans secured at conservative leverage ratios. Successful repayment establishes initial credit history and demonstrates basic governance capacity. As groups progress through subsequent loan cycles, leverage ratios increase incrementally, reflecting reduced perceived risk and improved operational capacity. Over time, lending shifts from being primarily FD-backed to being supported by:
- a. stable aggregation volumes,
 - b. repeat buyer relationships or contracts,
 - c. improved cash-flow predictability, and
 - d. documented repayment performance.
44. At the enterprise stage, cooperatives are expected to access finance largely on commercial terms, with the blocked FD serving only as a partial cushion or being released once graduation criteria are met.
45. Risk Management and Safeguards: The operational design incorporates multiple safeguards to protect both public funds and financial institutions:
- a. Upfront risk containment through fully secured, liquid deposits.
 - b. Performance-based access to finance, ensuring that only compliant groups progress to higher leverage.
 - c. Time-bound support, preventing indefinite reliance on project-backed security.
 - d. Separation of roles, with PFIs retaining responsibility for credit decisions and recovery.
46. These safeguards ensure that the mechanism supports inclusion without undermining financial discipline or creating contingent fiscal liabilities.
47. Integration with the Broader Finance Ecosystem: The graduation pathway is designed to align with the broader evolution of Lao PDR's financial system. As guarantee instruments or more sophisticated value-chain finance tools become operational, graduated cooperatives can transition to alternative risk-sharing mechanisms without disruption. In this sense, the blocked deposit approach functions as an entry platform, preparing

borrowers and lenders for more advanced financial instruments rather than locking them into a project-specific solution.

48. The project shifts from traditional grant provision to a financial leverage model that uses project funds to unlock private-sector credit rather than replace it. Instead of disbursing grants directly, the project places funds as blocked grants/FIXED DEPOSITS (FDs) with partner banks in the APGs Account (Escrow Acocunt) for a long term (e.g., 3–5 years at ~7% interest). These FDs function as secure, low-risk buffers, enabling banks to issue loans of 120 against 100 deposited— even for very early-stage APGs. Because the FD remains intact and fully controlled, bank exposure is limited, credit risk reduces, and lending becomes feasible for groups that would otherwise be rejected under standard collateral rules.
49. Because the FD remains locked over several years, it generates interest, while groups undertake multiple cycles of borrowing and repayment. Over the same period, the bank earns interest from loans, while the FD accumulates value for the project or cooperative. This creates a positive financial spread, allowing the mechanism to be economically self-reinforcing rather than subsidy-draining. Funds remain intact, accrue returns, and can be rotated to additional APGs/ACs, transforming finite project grants into revolving, credit-enabling assets.
50. This financing pathway also builds group-level financial capital in ways traditional grants cannot. Repeated loan cycles require APGs and cooperatives to maintain basic records, aggregate produce, and manage cash flows— laying the foundation for internal savings and working capital. Because the FD stays untouched and loans are repaid from commercial activity, groups begin to accumulate operational surpluses, retain margins from aggregation, and reinvest into small assets (scales, tarpaulins, storage upgrades). What was previously a one-time grant becoming a long-term capital formation mechanism, helping producer groups advance along the business growth stages—from basic trading to structured aggregation, to commercial cooperatives, and eventually to fully bankable rural enterprises.
51. The transformation of APGs/ Cooperatives into commercially viable eneteites is not only a matter of production or market access—it requires a sequenced, stage-appropriate financing pathway. In rural Lao PDR, most groups begin at a survival-level stage and lack the collateral, financial records, or aggregation capacity required by banks. The project therefore applies the APG–Clustering–Cooperative Business Growth Model, which aligns business maturity with progressively expanding financial instruments.



Business Growth Stage	Typical Loan Cycle	Purpose of Loan	Bank Lending Ratio(Loan : FD)	Basis for Leverage Increase
1. Foundation Stage	Cycle 1 (6 months)	Basic inputs, first aggregation attempt	120 : 100 (1.2x)	FD locked for 3–5 years, low bank risk, initial credit history starts.
2. Emerging Market Stage	Cycle 2 (6–8 months)	Inputs + aggregation + group marketing	130 : 100 (1.3x)	First repayment success; basic governance functioning; linkages with first buyer.
3. Structured Market Stage	Cycle 3 (up-to 24 months)	Aggregation + warehousing + off-take contracts	140 : 100 (1.4x)	Contracts reduce market risk; produce/cattle accepted as substitute collateral; better cashflow predictability.
4. Expansion Stage	Cycle 4 (upto-	Multi-buyer sales, higher volumes,	150–160 : 100 (1.5–1.6x)	Multiple buyers, diversified sales, repeat loan cycles,

	36 months)	early value addition		improved governance & record-keeping.
5. Enterprise Stage	Cycle 5+ (upto 60 months)	Fully commercial operations, equipment, value-addition	170–180: 100 (1.7–1.8x+)	Cooperative now bankable on contracts & turnover; FD used only as partial cushion; strong credit history.

Selection and Engagement of Partner Financial Institutions (PFIs)

52. The project will implement the access-to-finance interventions through licensed and regulated financial institutions operating in Lao PDR. The strategy is to build on existing banking capacity rather than create parallel lending channels. While commercial banks and deposit-taking institutions currently provide credit to SMEs and segments of the agricultural sector, their outreach to early-stage cooperatives, agricultural producer groups (APGs), and rural MSMEs remains limited due to collateral requirements and perceived risk. The project will therefore work with financial institutions that already have SME and/or agricultural lending experience but are interested in expanding into this underserved segment through the proposed risk-leverage mechanisms.

53. PFIs will be identified through a consultative process. Initial market discussions will be undertaken with banks operating in project provinces to assess interest, operational readiness, and alignment with the proposed mechanism. These discussions will be complemented by consultations with the Bank of the Lao PDR to ensure regulatory alignment and confirm that the proposed structure is consistent with prudential norms. Based on these discussions, interested and eligible institutions will be assessed for participation. Selected institutions will then enter into a Memorandum of Understanding (MoU) or participation agreement with the project, setting out roles, operational arrangements, reporting requirements, and performance expectations.

Indicative Eligibility Criteria for PFIs: Participating institutions will be expected to meet the following criteria:

Regulatory standing

Licensed and regulated by the Bank of the Lao PDR
In good prudential standing Relevant lending experience

Existing SME and/or agricultural lending portfolio
Experience with seasonal or production-based lending
Geographic presence
Branch or operational presence in project provinces
Ability to serve target districts

Operational capacity
Ability to manage escrow accounts and fixed-deposit-backed lending
Functional credit appraisal and portfolio monitoring systems

Institutional commitment
Demonstrated interest in expanding lending to cooperatives, APGs, and rural MSMEs
Willingness to follow agreed operational guidelines
Commitment to participate in capacity-building and portfolio reviews

Phased Engagement: Implementation will begin with a small number of interested PFIs to pilot the mechanism. Scaling to additional institutions and areas will be contingent on portfolio performance, repayment behaviour, and institutional readiness.

54. **Capacity Building for Financial Institutions** To ensure consistent, prudent, and scalable application of project-supported rural finance instruments, the project will provide targeted technical capacity building to partner financial institutions, with a primary focus on credit officers, branch managers, risk units, and portfolio managers involved in agricultural, cooperative, and SME lending. The objective of this capacity-building stream is to strengthen the ability of financial institutions to appraise, structure, monitor, and recover loans supported through blended finance and blocked grant mechanisms, while preserving standard banking discipline and regulatory compliance. capacity-building programme for financial institutions aims to enable participating banks to:

- move beyond asset-only collateral appraisal and incorporate cash-flow and value-chain-based assessment;
- appraise cooperatives and SMEs using simplified but bank-compliant tools aligned with their maturity level;
- correctly structure loans supported by blocked grant / blocked deposit mechanisms;
- manage repayment stress and defaults in a rules-based, non-discretionary manner; and
- support borrower graduation from project-backed lending to fully commercial finance.

55. **Credit Appraisal under the Project Framework:** Training will strengthen credit officers' ability to appraise loans under the project using a dual lens of commercial viability and risk mitigation, without diluting internal bank credit standards. Key appraisal competencies include:

Interpretation of Agricultural and Value-Chain Cash Flows

- Understanding seasonality of production, aggregation, and sales cycles
- Mapping inflows and outflows against repayment schedules
- Assessing repayment capacity based on net operating surplus, not gross turnover

Appraisal of Cooperative and SME Governance

- Evaluation of cooperative governance structures, Board oversight, and member commitment
- Assessment of decision-making authority, financial controls, and internal accountability
- Differentiation between cooperative-level cash flows and individual member activities

Use of Simplified Appraisal Tools

- Application of project-supported cash-flow templates, unit economics sheets, and risk checklists
- Alignment of simplified tools with internal bank credit memoranda
- Documentation of assumptions and risks for audit and supervision purposes

56. Structuring Loans with Blocked Grant / Blocked Deposit Support: A core component of institutional training will focus on the correct structuring of loans supported by blocked grants, ensuring that the instrument functions as a credit risk buffer rather than a substitute for repayment. Key principles reinforced during training include:

- the blocked grant is not disbursed to the borrower as working capital or income support;
- project funds are placed as a blocked deposit / escrow-linked instrument with the lending institution;
- loans remain fully repayable from business cash flows, with no automatic grant conversion; and
- the blocked deposit serves as secondary security, activated only under clearly defined default conditions.

Credit officers will be trained to align:

- loan size and tenor with expected cash flows,
- repayment schedules with production cycles, and
- leverage ratios with borrower maturity and repayment history.

57. Treatment of Repayment Stress, Default, and NPA Scenarios To avoid ambiguity and moral hazard, the project establishes clear, non-negotiable rules governing the treatment of arrears and defaults. These rules will be embedded in training, loan documentation, and tripartite agreements.

Definition of Default for Blocked Grant Invocation

58. For the purpose of accessing the blocked grant as collateral, a loan will be considered in default only when both of the following conditions are met:

- the loan is classified as non-performing, defined as:
 - o more than 120 days past due, or
 - o four consecutive missed instalments; and
- partial payments shall not be considered as curing default for this purpose.

59. This definition ensures consistency with conservative prudential standards and prevents premature or discretionary use of project-backed security.

60. Use of Blocked Grant in Default Scenarios: Only after the above default threshold is met may the partner bank invoke the blocked grant / blocked deposit as collateral, strictly in accordance with agreed procedures. Key safeguards include:

- use of the blocked grant limited to outstanding principal and accrued interest, as contractually defined;
- proportional application, avoiding over-recovery;
- full documentation of default, recovery action, and utilisation of the blocked deposit; and
- reporting to the project for monitoring and audit purposes.
- The blocked grant does not extinguish borrower liability beyond the recovered amount and does not convert the loan into a grant.

61. Alignment with Portfolio Management and Graduation: Training will emphasise that blocked grant-supported lending is a transitional instrument, not a permanent risk shield. Credit officers will be trained to:

- progressively reduce reliance on blocked deposits for repeat borrowers;
- increase loan-to-deposit leverage only after successful repayment cycles;
- shift appraisal weight toward:
 - o demonstrated cash-flow performance,
 - o stable buyer relationships, and
 - o documented repayment history; and
- support graduation toward standard commercial lending products.

62. Delivery Modality and Institutional Integration: Capacity building for financial institutions will be delivered through:

- structured classroom training for credit and risk staff;
- case-based appraisal simulations using real project enterprises;

- joint portfolio review sessions with bank management; and
- refresher clinics linked to early loan cycles.

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Appendix 20: Main Reports Needed and Timeline

Types of Reports	Reporting Timeline	Responsibility
Baseline Survey Report	Year 1	PMU with Independent Service Provider
Annual Work Plan and Budget Report	Regular - Draft two months prior to the start of the relevant year	PMU with MAE, MOIC, PAEO, DAEO
Quarterly Statistical and Narrative Reports on physical and financial progress	Regular - Two weeks after the end of the relevant quarter	PMU with MAE, MOIC, PAEO, DAEO, Service Providers
Annual Progress Reports on outputs and key performance indicators (include outcomes after MTR)	Regular - Within 60 days after the end of the relevant year	PMU with MAE, MOIC, PAEO, DAEO, Service Providers
Mid-term Survey Report	Year 3-4	PMU with Independent Service Provider
Completion Survey Report	Year 7	PMU with Independent Service Provider
Learning and Knowledge Products	Periodically	PMU with M&E and Knowledge Management Specialist
Supervision Missions	Annual	IFAD and Government of Lao PDR
Environmental & Social Safeguards Quarterly Report	Two weeks after the end of the relevant quarter	Environmental and Social Safeguards Specialist
Beneficiary Feedback Analysis disaggregated by gender, age, and disability	On a regular basis at the completion of key project investments	PMU M&E Unit, PAEO, DAEO, Service Providers
Mid-Term Review	Year 3-4	IFAD
Completion Report	Three months prior to the project end in Year 7	IFAD

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Annex 10: Integrated Project Risk Matrix

Mission Dates: 10-21 November 2025
Document Date: 26/05/2026
Project No. 2000005224
Report No. 7515-LA

Asia and the Pacific Division
Programme Management Department

Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	Moderate	Moderate
<i>Political Commitment</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Governance</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Macroeconomic</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Fragility and Security</i>	<i>Moderate</i>	<i>Moderate</i>
Sector Strategies and Policies	Moderate	Moderate
<i>Policy alignment</i>	<i>Low</i>	<i>Low</i>
<i>Policy Development and Implementation</i>	<i>Substantial</i>	<i>Substantial</i>
Environment and Climate Context	Substantial	Substantial
<i>Project vulnerability to environmental conditions</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Project vulnerability to climate change impacts</i>	<i>Substantial</i>	<i>Substantial</i>
Project Scope	Moderate	Moderate
<i>Project Relevance</i>	<i>Low</i>	<i>Low</i>
<i>Technical Soundness</i>	<i>Moderate</i>	<i>Moderate</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>Moderate</i>
Project Financial Management	Substantial	Substantial
<i>Project Organization and Staffing</i>	<i>High</i>	<i>High</i>
<i>Project Budgeting</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Project Funds Flow/Disbursement Arrangements</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Project Internal Controls</i>	<i>High</i>	<i>High</i>
<i>Project Accounting and Financial Reporting</i>	<i>High</i>	<i>High</i>
<i>Project External Audit</i>	<i>Substantial</i>	<i>Substantial</i>
Project Procurement	Moderate	Moderate
<i>B.1 Assessment of Project Complexity</i>	<i>Moderate</i>	<i>Moderate</i>
<i>B.2 Assessment of Implementing Agency Capacity</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Project Procurement Overall</i>	<i>Moderate</i>	<i>Moderate</i>
<i>A.1 Legal, Regulatory and Policy Framework</i>	<i>Low</i>	<i>Low</i>
<i>A.2 Institutional Framework and Management Capacity</i>	<i>Moderate</i>	<i>Moderate</i>
<i>A.4 Accountability, Integrity and Transparency of the Public Procurement System</i>	<i>Moderate</i>	<i>Moderate</i>
<i>A.3 Public Procurement Operations and Market Practices.</i>	<i>Moderate</i>	<i>Moderate</i>
Environment, Social and Climate Impact	Moderate	Moderate
<i>Biodiversity Conservation</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Resource Efficiency and Pollution Prevention</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Cultural Heritage</i>	<i>Low</i>	<i>Low</i>
<i>Indigenous People</i>	<i>Low</i>	<i>Low</i>
<i>Labour and Working Conditions</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Community health, safety and security</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Physical and Economic Resettlement</i>	<i>Low</i>	<i>Low</i>
<i>Financial intermediaries and direct investments</i>	<i>Low</i>	<i>Low</i>
<i>Climate change</i>	<i>Moderate</i>	<i>Moderate</i>
Stakeholders	Moderate	Moderate
<i>Stakeholder Engagement/Coordination</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Stakeholder Grievances</i>	<i>Low</i>	<i>Low</i>
Overall	Moderate	Moderate
Country Context	Moderate	Moderate
Political Commitment	Moderate	Moderate

Risk: Risk: While national commitment to agricultural commercialization and climate resilience is strong, limited administrative and managerial capacity at provincial and district levels and overall and operational cost caps may constrain effective implementation and timely execution of activities.	Moderate	Moderate
Mitigations: • Prior to effectiveness, formalize implementation arrangements through a signed MAE–MOIC MoU defining roles, reporting lines, and coordination protocols. • Within the first 6 months, conduct a structured capacity needs assessment at provincial and district levels. • Implement a rolling capacity development plan (technical training, financial management, procurement, M&E) with annual refresh through AWPB. • Deploy targeted technical assistance and on-the-job coaching for provincial and district staff during the first 24 months. • Leverage capacity from ongoing ODA projects.		
Governance	Moderate	Moderate
Risk: Governance constraints, including limited human resource capacity, procedural inefficiencies, and corruption perception risks (TI CPI 2024: 34/100), may affect transparency, coordination, and fiduciary oversight across implementing entities.	Moderate	Moderate
Mitigations: • Apply IFAD financial management and procurement procedures, including use of OPEN for transparency. • Establish internal control procedures and segregation of duties within PMU and provincial units prior to first disbursement. • Conduct annual fiduciary supervision and targeted FM/procurement training. • Ensure public disclosure of procurement awards and grievance channels at provincial level.		
Macroeconomic	Substantial	Substantial
Risk: Despite recent stabilization, IMF (2025 Article IV) notes significant macroeconomic vulnerabilities, including exchange rate pressures and limited fiscal buffers. These may lead to input price volatility (fuel, fertilizer, feed, equipment), cost escalation, and potential delays in counterpart funding.	Substantial	Substantial
Mitigations: • Include physical and price contingencies in COSTAB and AWPB. • Conduct annual cost reviews during AWPB preparation to adjust investment envelopes. • Apply flexible procurement packaging and rebidding mechanisms where price shocks occur. • Monitor counterpart funding flows quarterly through PSC oversight.		
Fragility and Security	Moderate	Moderate
Risk: The country remains vulnerable to external economic shocks and environmental hazards. While not classified as highly fragile, institutional and environmental vulnerabilities could cause localized disruptions and implementation delays.	Moderate	Moderate
Mitigations: • Integrate climate-resilient infrastructure standards and disaster risk screening in all investments (SECAP compliance). • Include contingency planning in provincial work plans. • Strengthen coordination with provincial disaster management authorities. • Maintain adaptive implementation planning through mid-year AWPB reviews.		
Sector Strategies and Policies	Moderate	Moderate
Policy alignment	Low	Low
Risk: Risk of misalignment is minimal, as LEAD directly supports Government priorities on agricultural commercialization, climate resilience, cooperative development, and rural income diversification.	Low	Low
Mitigations: • Maintain representation of MAE, MOIC, and provincial authorities in PSC and MSPs. • Validate annual priorities through provincial consultations during AWPB preparation. • Align interventions with evolving sector strategies through annual policy review meetings.		
Policy Development and Implementation	Substantial	Substantial
Risk: Regulatory bottlenecks (e.g., cooperative registration, food safety compliance), and coordination challenges between MAE and MOIC may slow value chain development and private sector engagement.	Substantial	Substantial

Mitigations: • Operationalize formal MAE–MOIC coordination mechanism prior to effectiveness. • Use MSPs to identify regulatory constraints and escalate issues to PSC quarterly. • Provide technical assistance to support cooperative law implementation and food safety compliance systems. • Conduct targeted policy dialogue sessions annually, linked to KM outputs.		
Environment and Climate Context	Substantial	Substantial
Project vulnerability to environmental conditions	Substantial	Substantial
Risk: Rural infrastructure and agricultural production systems are exposed to recurrent floods, landslides, soil erosion, and localized water scarcity. Environmental degradation (soil fertility decline, watershed degradation) may reduce productivity and undermine sustainability of investments.	Substantial	Substantial
Mitigations: • Mandatory environmental and climate screening of all subprojects prior to approval (SECAP compliance). • Climate-resilient design standards applied to irrigation and infrastructure, with technical certification before procurement. • Integration of soil conservation, watershed management, and water-use efficiency measures into all relevant VCIPs and PRIPs. • Inclusion of environmental risk management measures and maintenance provisions in AWPBs. • Community-level disaster preparedness training in target districts.		
Project vulnerability to climate change impacts	Substantial	Substantial
Risk: Increasing frequency and intensity of floods, droughts, and extreme temperatures threaten crop yields, irrigation reliability, and value chain investments. Climate-induced shocks may reduce incomes and delay cooperative and SME consolidation.	Substantial	Substantial
Mitigations: • Scale climate-smart agriculture practices through structured training and extension packages (Year 1 onward). • Rehabilitate irrigation using water-efficient technologies and integrate water harvesting and drainage management. • Develop and implement Production Resilience and Improvement Plans (PRIPs) incorporating climate risk analysis. • Promote diversified cropping systems and climate-resilient value chains to reduce exposure concentration. • Establish contingency protocols within provincial AWPBs for rapid reallocation following extreme events.		
Project Scope	Moderate	Moderate
Project Relevance	Low	Low
Risk: Changes in market dynamics, trade conditions, or policy priorities during implementation could reduce the relevance of selected value chains or investment modalities.	Low	Low
Mitigations: • Annual review of value chain prioritization during AWPB preparation. • MSPs used as structured feedback mechanisms to monitor market shifts and policy changes. • Flexibility to adjust or phase out underperforming value chains based on agreed triggers. • Mid-term review to reassess strategic alignment.		
Technical Soundness	Moderate	Moderate
Risk: Implementation complexity (multi-ministry coordination, financial instruments, scaling of cooperatives, and integration of climate-smart innovations) may affect technical effectiveness and sequencing.	Moderate	Moderate
Mitigations: • Phased rollout of value chains and financial instruments. • Clear operational guidelines in PIM prior to implementation. • External technical backstopping (IFAD, NAFRI, specialized consultants). • Scale-up only after pilot validation and performance review.		
Institutional Capacity for Implementation and Sustainability	Moderate	Moderate
Implementation Arrangements	Moderate	Moderate
Risk: The dual-ministry implementation structure (MAE and MOIC), decentralized delivery, and limited human resource and procurement capacity at provincial and district levels may result in coordination delays, uneven performance, and slow procurement processing.	Moderate	Moderate

Mitigations: Sign formal MAE–MOIC Memorandum of Understanding prior to effectiveness defining roles, reporting lines, and decision protocols. • Establish fully staffed PMU and provincial implementation support within three months of effectiveness. • Develop and adopt operational guidelines in the PIM prior to first disbursement. • Conduct targeted procurement and contract management training within first six months. • Apply IFAD prior review thresholds and OPEN monitoring for high-value contracts. • Maintain updated database of UXO-cleared areas and pre-qualified contractors before approving infrastructure works.		
Monitoring and Evaluation Arrangements	Moderate	Moderate
Risk: Limited M&E capacity at sub-national level, weak routine data systems, and reliance on new tools (e.g., graduation tracking, PRIPs integration) may affect data quality, timeliness, and evidence-based decision-making.	Moderate	Moderate
Mitigations: • Allocate appropriate budget to M&E and ringfence annually in AWPB. • Conduct baseline survey within first year of implementation prior to full rollout. • Recruit qualified M&E Specialist at PMU before project effectiveness. • Develop standardized digital data collection templates and dashboards within first six months. • Provide structured M&E training to provincial and district staff annually. • Integrate SECAP indicators and climate resilience metrics into routine reporting. • Conduct annual data quality assessments during supervision missions. • Leverage digital data analytics tools to improve reporting efficiency.		
Project Financial Management	Substantial	Substantial
Project Organization and Staffing	High	High
Risk: MAE will be the Lead executing agency and MoIC in charge of component 1. Delays can result from potential inefficient coordination, varying compliance standards and procedures, which can lead to inconsistencies and possible non-compliance with financial regulations; possible duplication of efforts, leading to unnecessary expenditure and inefficiencies. Monitoring and reporting challenges across both ministries which can affect the monitoring of financial performance and risk management. Limited availability of qualified financial management staff in Laos, potentially delaying the deployment of FM Officers and weak capacity at National, district and provisional levels. Potential weak FM capacity at implementing partner level affecting financial report quality and submissions. Misalignment of staff roles and responsibilities, including assigning M&E staff to monitor disbursements against approved activity plans, thereby weakening disbursement oversight.	High	High
Mitigations: • Define the specific roles and responsibilities of each ministry and sign MOU to avoid overlaps and ensure accountability. Schedule regular meetings between the two ministries to discuss progress, address challenges, and align with upcoming activities. Provide training for staff from both ministries on joint financial management practices and compliance requirements. • Continuous FM training at central and provincial/district levels will be conducted. Risk-based implementation support will be provided, and projects with high risk will be given more attention. Recruit qualified FM consultants and provide training. • Targeted FM capacity-building interventions for Implementing Partners. • Clarify and enforce role definitions through approved job descriptions, align staff assignments with required competencies.		
Project Budgeting	Substantial	Substantial
Risk: Delays in the process of approving the annual budget plan (AWPB) may result due to late preparation processes and coordination issues. Delays in receipt of counterpart contributions due to fiscal constraints or budget limitations due to debt distress situation and poor debt management straining financial resources and limiting investment in the new project. Weak budgetary controls leading to unauthorized reallocation of project funds across activities.	Substantial	Substantial
Mitigations: • Initiate AWPB preparation early and establish a clear approval timeline with responsible authorities. Coordinate and follow-up to expedite review and approval processes. • Engage early with the Ministry of Finance to secure project budget commitment in the national budget. Include counterpart funds in approved AWPB, and plan project cash flows with contingency measures to mitigate delayed releases • Implement system-based budget controls that block expenditures outside approved budget lines. Enforce strict budgetary controls by requiring prior approval for reallocations, embedding system-based budget checks, and conducting regular budget-versus-actual reviews with management oversight		
Project Funds Flow/Disbursement Arrangements	Substantial	Substantial

Risk: Absence of systems to track resources at service delivery level. The proposed funds flow arrangement, while aligned with project implementation needs, introduces heightened fiduciary and operational risks due to its multi-layered and decentralized nature. Risk of misuse or premature release of blocked grants by Financial Institutions. Funds request from the two implementing Ministries if not well coordinated may result in resource flow issues. Absence of systems to track resources at service delivery level affecting assurance on use of funds.	Substantial	Substantial
Mitigations: • Strengthen fiduciary controls through clear MOUs, simplified and standardized funds flow procedures, robust internal controls, enhanced PMU oversight, and regular risk-based monitoring and reporting across all implementing partners. • Define clear eligibility and release conditions in MOUs, require Financial Institutions reporting, and perform periodic reconciliations • Put in place Funds flows arrangements which rely to a greater extent on government systems for accountability. • Implement an integrated financial management system that allows both implementing ministries to track disbursements in real-time. • Implement tools and systems to track the flow of resources down to the service delivery level and conduct regular inspections to ensure resources are reaching beneficiaries and used as intended		
Project Internal Controls	High	High
Risk: The 2024 TI Index score of 33/100 can indicate weak accountability, limited financial oversight and inadequate internal controls and such a score is typically associated with heightened risks of fraud, corruption, and misuse of funds, and often reflects systemic vulnerabilities in financial management and oversight; issues which can reasonably be inferred to the new project. These risks are compounded by the fact that internal audit functions within government are insufficiently resourced, understaffed, and limited in scope, reducing the ability to provide effective assurance over internal controls. Other areas include potential difficulties in reconciling funds spent at provincial, district, and community levels with supporting documents and official accounting records; use of funds allocated to one activity to finance another activity without the required approvals; delays in cash retirement leading to funds being held for extended periods and weak follow-up on advance clearances at provincial/district level, leading to delayed liquidations and late expenditure reporting and potential delays in liquidation of advances by implementing partners and financial institutions. The absence of independent verification through an expanded audit scope for partners/implementors, blocked grant-based credit guarantee and APGs/Cooperatives can lead to reduced accountability, unreliable financial reporting, and heightened fiduciary risk for the project.	High	High
Mitigations: • Enhance internal audit capacity through targeted training and adequate staffing or hiring the services of an internal audit consultant with an appropriate TOR to support government internal auditor, compensate for the insufficiently resourced internal audit capacity, strengthen accountability and oversight mechanisms. The internal audit reports should be translated into English and shared IFAD and with the Project Steering Committee, to strengthen accountability. • Local-level reconciliation procedures should be performed using standardized templates, clear documentation requirements, periodic reviews by the PMU, and regular FM capacity support. Monitoring controls should be implemented to ensure that expenditures are guided by prior approvals and comply with established review and checking mechanisms. • Enforce strict cash advance retirement timelines, strengthen PMU follow-up and escalation at provincial/district levels, link compliance to staff accountability measures, and require complete supporting documentation before further advances are issued. • For implementing partners, establish advance ceilings and liquidation timelines, apply "no liquidation–no new advance" rule, and PMU should conduct regular follow-up; conduct spot checks and field monitoring • Reduce reliance on cash by expanding electronic and mobile payments, set cash holding and disbursement limits, strengthen cash handling procedures and reconciliations, and enhance oversight and spot checks for cash-based activities. • Implementing Partners will submit audited financial statements to PMU for review and follow up on any audit observations as part of routine financial management monitoring. In addition, the project auditors' scope will be expanded to cover Blocked grant-based credit guarantee and APGs/cooperatives and this will be included in the audit TOR. This will also be set as a requirement in the various agreements to be signed for these activities.		
Project Accounting and Financial Reporting	High	High
Risk: Delayed installation, setting up and launching of accounting software resulting in dependence on manual excel accounting in the initial phase of the project. This is often prone to errors and can delay submission of financial reports. Use of systems not configured for automated financial reporting, coupled with the absence of accounting software at Provincial/District levels resulting in reliance on error-prone manual processes. Misclassification of transactions, including recording expenditures under incorrect budget lines or account codes, and data entry errors resulting in discrepancies between system records and supporting documents. Delays in consolidating provincial and district-level financial reports, coupled with late liquidation of implementing partner advances, adversely affecting the accuracy and timeliness of Interim Financial Report (IFR) amounts and submissions. Incorrect application of FX conversion rates inconsistent with FIFO principles, exposing the project to exchange gains or losses. Beneficiary cash or in-kind contributions not properly documented, tracked, recorded or verified. Absence of minimum FM accounting procedures in contracts for APGs/Cooperatives to meet reporting and accounting requirements can lead to failure to maintain proper records or submit incomplete/inadequate documents resulting in reduced accountability.	High	High

Mitigations: • Accelerate procurement of accounting software and deploy it at National and sub-levels, customize it for automated reporting. Organize user training and technical support to ensure timely and accurate financial reporting. • Strengthen transaction review and approval controls, standardize chart of accounts and coding guidance, provide staff training, and implement routine reconciliations and system validation checks to prevent misclassification and data entry errors • Enforce standardized reporting timelines and advance liquidation requirements for implementing partners. Strengthen PMU oversight and follow-up with Provinces/Districts Officers and partners for timely submissions. • Apply consistent FIFO-based foreign exchange policy, automate FX rate application within the accounting system, and perform regular reviews and reconciliations to monitor and manage exchange gains and losses. • Require documented proof of contributions and verify during field monitoring visits. • Minimum FM accounting procedures for the participating APGs/Cooperatives to meet reporting and accounting will be detailed in the PIM including sample templates and will be included in the APG contracts.		
Project External Audit	Substantial	Substantial
Risk: External audit capacity issues could impact the quality of audit reports and oversight. Delayed audit report submissions due to delays in appointing an auditor to conduct the annual external audit coupled with delays in preparing annual financial statements due to capacity challenges and coordination bottlenecks among the various implementing partners. Hiring a private audit firm whose personnel is not familiar with rural development projects. Audit recommendations that are not implementable, thereby exposing the project to operational, compliance, and fiduciary risks. Failure to identify material misstatements, fraud, misuse of funds, or significant control weaknesses that should reasonably have been detected through the proper application of agreed audit procedures and professional judgment, and such failure can result in financial loss and reputational damage. The decentralized structure and numerous implementing partners may complicate audit coverage, increasing the risk that issues at partner or beneficiary level are not detected in a timely manner.	Substantial	Substantial
Mitigations: • Put in place a strategy for audit arrangements to prevent audit report quality issues. This can be engagement with auditors to clarify expectations, timelines and report format as well as assessment of auditor familiarity with requirements and standards. • Initiate the audit procurement process early before the end of the financial year. • Develop and circulate a detailed financial reporting calendar with agreed deadlines for all implementing partners. Align partner submission deadlines with the project financial year-end and audit timetable. • Include mandatory experience requirements in the TOR, specifying prior audits of donor-funded projects. • Institute management validation of audit recommendations and require auditors to provide risk-based, and implementable actions supported by a monitored management action plan • Require experienced sector-qualified auditors, apply management review of audit work, and hold auditors accountable through performance evaluation after each audit. • Expand audit scope to cover implementing partners and beneficiary-level transactions through risk-based sampling.		
Project Procurement	Moderate	Moderate
B.1 Assessment of Project Complexity	Moderate	Moderate
Risk: Project location is spread and the implementation required the coordination among partners and participation of farmer groups. Farmer groups have limited experience and facilities for conducting procurement and contract management.	Moderate	Moderate
Mitigations: Apply decentralized management mechanisms, strengthen capacity, and improve coordination. PMU to provide trainings to District Coordination Units and farmer groups and closely monitor the procurement process.		
B.2 Assessment of Implementing Agency Capacity	Moderate	Moderate
Risk: IA's standard contracts do not include IFAD's SECAP requirements. The PMD and its staff have previous experience with donor-funded project, but they do not involve directly in project management and implementation and have limited experience with donor procurement procedures. The procurement staff are not familiar with the OPEN. The PMD procurement staff have limited English command skills.	Moderate	Moderate
Mitigations: Include SECAP checklist and requirements in preparation and implementation of project activities (works, grants...). Conduct trainings and on-the-job trainings on IFAD procurement framework and OPEN. LEAD procurement staff will attend IFAD's procurement training program (BuildProc). Include English communication skill in the TOR for project procurement staff.		
Project Procurement Overall	Moderate	Moderate

Risk: The transition to e-Procurement in the country has only taken its initial step with the completion of the study assessing the country's preparedness for implementing e-Procurement (2023). The Public Procurement Law (PPL) already incorporates several provisions that facilitate the implementation of e-Procurement. Electronic Procurement is already mentioned in harmonized SBD. However, there is no installed facilities for e-Procurement to be executed yet. There are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP. Procurement and budget cycles are not fully linked as there are no details on when a procurement activity may commence or use of advance procurement actions (CSPRA, ADB 2021). No comprehensive databases are available to provide consolidated information on procurement operations by government entities. The procurement function is fully decentralized at the ministry department level. Records are maintained for contracts by each implementing entity and there is neither a system nor database to track data available on procurement and contract management (PEFA 2019). Lao PDR has no formal procurement professionalization program, and the main training options are periodical short courses provided by donors. Contract awards are announced to participated bidders only. Procurement processes (planning, bidding, contract award and contract implementation) are often delayed. There are no internal audit departments or units in any of the key agencies in any sector. There are, however, Inspection Departments which focus on whether an agency is following prescribed procedures when conducting its business. They do not conduct financial or procurement audits. Procuring entities have clear procedure for reporting allegations of fraud, corruption, and other prohibited practices. However, the sanctions and enforcement system is not systematically applied. Project location is spread and the implementation required the coordination among partners and participation of farmer groups. IA's standard contracts do not include IFAD's SECAP requirements. The PMD and its staff have previous experience with donor-funded project, but they do not involve directly in project management and implementation and have limited experience with donor procurement procedures. The procurement staff are not familiar with the OPEN. - The PMD procurement staff have limited English command skills.	Moderate	Moderate
Mitigations: Develop a national electronic procurement system; Advertise procurement notices on PPMD's website (www.ppmd.gov.la/) and EA/IA website. For ICB and consulting service with international advertisement, IFAD's standard procurement documents will be adopted and used. For other methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption, SH and SEA can be adopted. No solicitation of tenders/proposals takes place without certification/confirmation of the availability of funds. Procuring entities to be mandated to publish procurement information on the public procurement portal (www.ppmd.gov.la/) run by the Public Procurement Monitoring Division (PPMD) under Department of Evaluation and Public Procurement, MOF; Use the OPEN system for monitoring procurement and contract implementation. The MOF PPMD to setup regular procurement training programme; Projects to organize training courses for procurement staff to promote internal capacity building and maintain capacity. Information of contract awards to be announced on the MOF-PPMD procurement website (www.ppmd.gov.la/) and IA/project websites. Monitoring closely procurement and contract implementation progress (using the excel procurement tracking forms in addition to IFAD's OPEN -Contract Monitoring Tool) with periodic progress reports and follow-up actions. Conduct capacity building programs for internal auditors at government agencies. Request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents; Conduct prior and ex-post reviews to strengthen enforcement of the debarment system. Apply decentralized management mechanisms, strengthen capacity, and improve coordination. Include SECAP checklist and requirements in preparation and implementation of project activities (works, grants...). Conduct trainings and on-the-job trainings on IFAD procurement framework and OPEN. LEAD procurement staff will attend IFAD's procurement training program (BuildProc). Include English communication skill in the TOR for project procurement staff.		
A.1 Legal, Regulatory and Policy Framework	Low	Low
Risk: Lao's has a legal and regulatory system that defines responsibilities, accountabilities and penalties for individuals and firms engaged in fraudulent or corrupt practices, a code of conduct/ethics, and an anti-corruption program that covers fraud and corruption in public procurement.	Low	Low
Mitigations: Develop a national electronic procurement system; Advertise procurement notices on PPMD's website (www.ppmd.gov.la/) and EA/IA website. For ICB and consulting services with international advertisement, IFAD's standard procurement documents will be adopted and used. For other methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption, SH and SEA can be adopted.		
A.2 Institutional Framework and Management Capacity	Moderate	Moderate
Risk: Institutional Framework and Management Capacity is assessed to have medium risk.	Moderate	Moderate

Mitigations: - No solicitation of tenders/proposals takes place without certification/confirmation of the availability of funds. - Procuring entities to be mandated to publish procurement information on the public procurement portal run by the Public Procurement Division (PPMD) under Department of Evaluation and Public Procurement, MOF; Use the OPEN system for monitoring procurement and contract implementation. The MOF PPMD to set up a regular procurement training program; Projects to organize training courses for procurement staff to promote internal capacity building and maintain capacity.		
A.4 Accountability, Integrity and Transparency of the Public Procurement System	Moderate	Moderate
Risk: Accountability, Integrity, and Transparency of the Public Procurement System are assessed as medium risk.	Moderate	Moderate
Mitigations: - Conduct capacity building programs for internal auditors at government agencies. - Request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents; Conduct prior and ex-post reviews to strengthen enforcement of the debarment system.		
A.3 Public Procurement Operations and Market Practices.	Moderate	Moderate
Risk: Public Procurement Operations and Market Practices are assessed to have relatively medium risk.	Moderate	Moderate
Mitigations: - Information of contract awards to be announced on the MOF-PPMD procurement website (www.ppmmd.gov.la/) and IA/project websites. Monitoring closely procurement and contract implementation progress (using the excel procurement tracking forms in addition to IFAD's OPEN -Contract Monitoring Tool) with periodic progress reports and follow-up actions.		
Environment, Social and Climate Impact	Moderate	Moderate
Biodiversity Conservation	Moderate	Moderate
Risk: Accidental introduction of aggressive exotic species in aquaculture; potential human-wildlife conflicts from crop depredation in areas near protected areas and forested habitats; potential habitat degradation resultant to tree felling for new cultivation.	Moderate	Moderate
Mitigations: Screen and monitor fish species introduced in aquaculture; conduct stakeholder consultations to assess conflict frequency; develop action plans with Forest Department to operationalize preventive mechanisms; monitor incidents and implement adaptive responses; adopt strict 'No deforestation' policy		
Resource Efficiency and Pollution Prevention	Moderate	Moderate
Risk: Soil contamination and water pollution from agricultural inputs (fertilizers, pesticides); soil erosion from upland activities; water flow diversion from irrigation interventions	Moderate	Moderate
Mitigations: Promote safe handling and disposal of agro-chemicals following national/international standards; provide training on proper use and protective equipment; adopt agroecological and regenerative practices; implement soil conservation measures		
Cultural Heritage	Low	Low
Risk: No anticipated risks as activities not conducted in cultural heritage sites.	Low	Low
Mitigations: No specific mitigation required; remain vigilant during site selection and include heritage screening in infrastructure planning		
Indigenous People	Low	Low
Risk: Potential impacts on ethnic groups' access rights to land and resources; risks vary by location and community	Low	Low
Mitigations: Develop and implement FPIC plans if needed; prepare Stakeholder Engagement Plan with protocols for ethnic minorities; establish functional GRM; develop IP Plan if needed based on geographic coverage		

Labour and Working Conditions	Moderate	Moderate
Risk: Potential for unfair labour practices, child labour, or gender discrimination in project activities	Moderate	Moderate
Mitigations: Prepare operational guidelines based on national laws and IFAD policies; develop procurement SOPs with labour compliance clauses; establish functional GRM; conduct regular monitoring of working conditions		
Community health, safety and security	Moderate	Moderate
Risk: Health risks from unsafe use/disposal of agro-chemicals; zoonotic diseases from livestock interventions; waterborne/vector-borne diseases from irrigation; contamination in storage/processing facilities	Moderate	Moderate
Mitigations: Conduct awareness raising and training on safe chemical handling; establish strict safeguards against zoonotic disease introduction; prevent waterlogging through regular monitoring; introduce biological control methods for disease vectors; ensure proper storage and processing protocols.		
Physical and Economic Resettlement	Low	Low
Risk: Potential changes in land tenure and access rights, particularly in uplands; risks vary by location and ethnic communities.	Low	Low
Mitigations: Conduct field assessments during design to confirm risks; ensure FPIC implementation where land access changes occur; monitor tenure arrangements; link with Land Law compliance.		
Financial intermediaries and direct investments	Low	Low
Risk: There might be FIs not familiar with Environmental and Social Management Systems (ESMS).	Low	Low
Mitigations: The project will only work with FIs having ESMS in practice. As the FIs are not finalized during the project design, the PMU with the support from IFAD, will further assess potential FI's capacity and practice on ESMS during early implementation phase (pre-selection). The project will facilitate developing ESMS, as necessary, for the selected FIs, with support from IFAD		
Climate change	Moderate	Moderate
Risk: Vulnerability of target populations and ecosystems to climate variability and hazards: High exposure to floods, storms, landslides, droughts, and extreme heat in target provinces (Khammouane, Savannakhet); warming trends and increased precipitation intensity Greenhouse Gas Emissions: Minimal GHG emissions from project activities; net positive climate impact expected from agroecological practices	Moderate	Moderate
Mitigations: Vulnerability of target populations and ecosystems to climate variability and hazards: Implement climate-resilient infrastructure (roads, bridges, storage, processing facilities); support climate-smart agriculture practices; rehabilitate irrigation with water-efficient technologies; strengthen community-level DRR capacities; establish early warning systems; develop Production Resilience and Improvement Plans (PRIPs) Greenhouse Gas Emissions: Promote carbon sequestration through agroforestry and soil management; install solar-powered facilities where appropriate; reduce chemical inputs and enhance soil carbon		
Stakeholders	Moderate	Moderate
Stakeholder Engagement/Coordination	Moderate	Moderate
Risk: Weak coordination among diverse value chain actors (producers, processors, traders, financial institutions); power imbalances in MSPs leading to elite capture; limited participation of women, youth, and ethnic minorities in decision-making; competing interests among stakeholders causing implementation delays	Moderate	Moderate
Mitigations: Establish MSPs with clear governance structures and mandatory representation quotas for marginalized groups; implement transparent decision-making processes and rotating leadership; conduct regular stakeholder consultations in local languages; provide facilitation training for MSP coordinators; develop conflict resolution protocols.		
Stakeholder Grievances	Low	Low

Risk: Potential complaints related to benefit distribution, infrastructure site selection, APG membership, or exclusion from project activities; gender-based discrimination concerns; dissatisfaction with project service delivery	Low	Low
Mitigations: Establish multi-tiered GRM at village, district, and provincial levels with clear procedures and timelines; ensure gender-sensitive and anonymous reporting options; publicize GRM widely in local languages; train staff on grievance handling; maintain grievance logs with transparent resolution tracking; conduct regular community feedback sessions; address complaints promptly and document responses; include GRM performance in M&E framework		

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Annex 11: Country Level Policy Engagement

Mission Dates: 10-21 November 2025
Document Date: 26/05/2026
Project No. 2000005224
Report No. 7515-LA

Asia and the Pacific Division
Programme Management Department

Annex 11 Country-Level Policy Engagement Strategy

1. Introduction and Context

Country-level policy engagement (CLPE) is a cornerstone of IFAD's approach to creating sustainable impact beyond individual projects. LEAD builds on PICSA and AFN-II's established policy foundations to support transformative change through targeted interventions across multiple layers of governance. This strategy outlines how LEAD will utilize policy engagement to systematically address key structural challenges that constrain the commercialization of agricultural value chains in Lao PDR.

2. PICSA and AFN-II's Policy Contributions and Foundations

PICSA and AFN-II have made significant contributions to Lao PDR's agricultural policy landscape, establishing a strong foundation for LEAD to build upon. PICSA demonstrated effective models for climate-smart agriculture, Water User Group management, and irrigation rehabilitation that have informed government extension approaches. AFN-II piloted nutrition-sensitive agriculture through the convergence approach, with Farmer Nutrition Schools and Village Nutrition Plans now being scaled nationally.

PICSA's and AFN-II's knowledge products—including assessments on climate vulnerability, documentation of WUG governance models, APG organizational capacity studies, and value chain analyses—contributed significantly to evidence-based policy guidance. PICSA's facilitation of coordination platforms established effective models for multi-stakeholder dialogue that LEAD will scale through Multi-Stakeholder Platforms with expanded private sector engagement.

3. Policy Context and Challenges

Lao PDR's 10th National Socio-Economic Development Plan (2026-2030) and the Agriculture and Forestry Sector Strategy provide an ambitious policy framework for agricultural transformation. However, several policy gaps and barriers persist that inhibit full commercialization, which LEAD will strategically address.

3.1 Identified Policy Challenges

a) **Agricultural Finance Policy Constraints:** PICSA's and AFN-II's implementation experience revealed that restrictive lending practices, limited financial products, and inadequate risk management tools significantly constrain agricultural investments. Financial institutions remain hesitant to lend to APGs and cooperatives due to perceived high risks, unclear collateral frameworks, and lack of credit history, with only 8 per cent of agricultural lending reaching small producers. Rural women and youth face additional barriers in accessing working capital, seasonal credit for inputs, and long-term financing for climate-resilient infrastructure.

b) **Weak Value Chain Governance Frameworks:** PICSA and AFN-II identified the absence of effective coordination mechanisms bringing together producers, MSMEs, traders, and government agencies. Value chains remain fragmented with limited horizontal (APG-to-APG) and vertical (producer-to-market) integration. Multi-stakeholder coordination is ad hoc rather than institutionalized, and there is insufficient participation of private sector actors in agricultural policy dialogue.

c) **Cooperative Development Policy Implementation Gaps:** While Decrees 536 (2023) and 606 (2024) provide clear regulatory frameworks for groups, associations, and cooperatives, implementation guidelines remain underdeveloped. The Cooperative Fund mechanism envisioned in the decrees has not been operationalized. Technical

guidelines for APG graduation exist but lack practical tools and capacity at district level for implementation. There is limited clarity on how cooperatives access government support services and how to transition from informal groups to formal legal entities.

d) Food Safety and Export Standards Compliance: Smallholder producers face challenges complying with domestic food safety standards and export requirements for accessing Thailand, Vietnam, China and other export markets. Guidelines are designed for large commercial operators rather than smallholder contexts. Certification costs and complexity create barriers to formal market participation. There is insufficient extension capacity to support GAP compliance and food safety practices at farm level.

e) Climate Adaptation Policy-Practice Gaps: While Lao PDR has strong climate policy frameworks (NDC 2021, NAP 2025-2035), translation into farmer-level adaptation practices remains limited. Extension services lack practical guidance on climate-smart agriculture tailored to different agroecological zones. Coordination between climate adaptation programming and agricultural commercialization initiatives is weak. Access to climate finance for smallholder adaptation investments is constrained.

f) Gender and Social Inclusion in Agriculture: Despite policy commitments to gender equality and social inclusion, structural barriers persist. Women's land ownership and inheritance rights remain constrained despite the 2019 Land Law provisions. Youth view agriculture as unattractive due to limited income potential and perceived lack of modernity. Persons with disabilities face accessibility barriers in agricultural programs and value chains. Policy frameworks exist but implementation mechanisms are insufficient.

4. LEAD's Policy Engagement Strategy

LEAD will engage strategically on policy priorities where the project has direct implementation experience and can contribute evidence-based recommendations. The project's policy engagement is "right-sized" to reflect its scale and focused on areas where implementation evidence provides credible foundations for policy influence.

4.1 Policy Engagement Objectives

LEAD's policy engagement aims to:

- Support operationalization of Decrees 536 and 606 on cooperatives through practical implementation experience
- Generate evidence on blended financing mechanisms that enable financial inclusion for agricultural cooperatives
- Demonstrate effective Multi-Stakeholder Platform models for institutionalized value chain coordination
- Develop practical guidelines for smallholder compliance with food safety standards and export requirements
- Document approaches for integrating climate adaptation with agricultural commercialization
- Provide evidence on inclusive targeting approaches that effectively reach women, youth, and persons with disabilities

4.2 Priority Policy Areas and Engagement Modalities

Priority Area 1: Cooperative Development and APG Graduation

Policy Challenge: Implementation of Decrees 536 and 606 requires practical tools, capacity building, and the operationalization of the Cooperative Fund mechanism.

LEAD's Contribution:

- Document APG graduation pathways with clear criteria, timelines, and capacity milestones
- Develop practical tools for organizational assessments and business planning tailored to different maturity levels
- Provide technical inputs to MAE on Cooperative Fund design
- Generate evidence on consolidation approaches that achieve economies of scale
- Share lessons with provincial authorities on supporting APG-to-cooperative transitions

Engagement Modalities:

- Technical working group participation with MAE Department of Agricultural Extension and Cooperatives
- Policy briefs documenting graduation models and success factors
- Sharing of implementation tools and guidelines developed under LEAD
- Provincial-level policy dialogues on cooperative development challenges and solutions

Priority Area 2: Agricultural Finance and Blended Financing

Policy Challenge: Limited financial products for agricultural cooperatives and restrictive lending practices constrain commercialization.

LEAD's Contribution:

- Demonstrate blocked grant mechanisms that de-risk agricultural lending
- Document loan performance and repayment rates disaggregated by gender and APG maturity
- Generate evidence on appropriate loan sizes, terms, and collateral alternatives for cooperatives
- Provide lessons on transitioning from subsidized to commercial lending relationships
- Share financial literacy training approaches that build credit-worthiness

Engagement Modalities:

- Dialogue with Financial Institutions and MoF on enabling frameworks for agricultural finance
- Engagement with financial institutions association on agricultural lending products
- Case studies on successful blended financing models shared through financial sector forums
- Recommendations on risk-sharing mechanisms and credit guarantee schemes

Priority Area 3: Value Chain Coordination and Private Sector Engagement

Policy Challenge: Fragmented value chains with limited institutionalized coordination between producers, MSMEs, traders, and government agencies.

LEAD's Contribution:

- Document Multi-Stakeholder Platform governance models and coordination mechanisms
- Demonstrate how MSPs facilitate Value Chain Investment Planning and implementation

- Generate evidence on private sector engagement incentives and public-private partnership models
- Share digital platform approaches for value chain transparency and market intelligence

Engagement Modalities:

- Policy recommendations on institutionalizing multi-stakeholder coordination within government structures
- Engagement with Lao Chamber of Commerce and Industry on private sector policy priorities
- Sharing MSP models through Agriculture and Rural Development Sector Working Group

Priority Area 4: Food Safety and Export Standards

Policy Challenge: Smallholder producers lack practical guidance and support for complying with food safety standards and export requirements.

LEAD's Contribution:

- Develop practical guidelines for smallholder compliance with domestic food safety standards
- Document approaches for meeting export certification requirements (GAP, traceability, phytosanitary)
- Generate evidence on cost-effective compliance pathways for cooperatives
- Share extension approaches for training farmers on food safety practices

Engagement Modalities:

- Technical inputs to MAE and MOIC on smallholder-appropriate food safety guidelines
- Engagement with Department of Agriculture (MAE) and Department of Trade (MOIC) on export facilitation
- Policy briefs on reducing compliance costs and certification barriers for smallholders
- Sharing of training materials and extension approaches through government systems

Priority Area 5: Climate-Resilient Agriculture

Policy Challenge: Limited practical guidance on translating climate policies into farmer-level adaptation practices integrated with commercialization.

LEAD's Contribution:

- Document climate-smart agriculture practices suitable for commercial value chains
- Share approaches for integrating climate vulnerability assessments into production planning (PRIPs)
- Generate evidence on Water User Group models that ensure equitable access and O&M sustainability
- Document innovations tested through NAFRI action research for potential scaling

Engagement Modalities:

- Policy recommendations on integrating climate adaptation with agricultural extension services
- Documentation of innovations for inclusion in national research and extension programs

4.3 Policy Engagement Implementation Arrangements

Institutional Anchoring:

- Project Steering Committee serves as primary forum for high-level policy dialogue
- MAE Department of Policy and Planning coordinates policy engagement activities
- MOIC Department of Trade provides entry point for market access and export policy issues
- Provincial and district-level policy engagement

Knowledge Products and Evidence Generation:

- Annual policy briefs on priority topics based on implementation experience
- Case studies documenting successful approaches and lessons learned
- Implementation tools and guidelines made available to government agencies
- M&E data and analysis inform policy recommendations with quantitative evidence

Engagement Platforms:

- Agriculture and Rural Development Sector Working Group
- Private Sector Development Working Group (participation as relevant)
- Multi-Stakeholder Platforms at provincial level facilitate bottom-up policy feedback
- Technical working groups on specific topics (cooperatives, food safety, climate adaptation)

Sequencing and Phasing:

- Years 2: Focus on learning, documentation, and building relationships with policy stakeholders
- Years 3-4: Generate evidence and pilot approaches that inform policy recommendations
- Years 5-6: Active policy dialogue with documented evidence and concrete recommendations
- Year 7: Synthesis of lessons and handover of knowledge products to government systems

5. Expected Policy Outcomes

Through strategic, evidence-based engagement, LEAD expects to contribute to:

- Operationalization of Cooperative Fund and strengthened implementation of Decrees 536/606
- Adoption of blended financing approaches by financial institutions and government programs
- Institutionalization of Multi-Stakeholder Platform models in government coordination structures
- Development of practical food safety guidelines enabling smallholder market access
- Identification of other needed support for implementation of regulatory frameworks as they emerge

LEAD's policy engagement recognizes that policy change is a long-term process requiring sustained evidence generation, relationship building, and strategic timing. The project will remain flexible and responsive to policy windows of opportunity while maintaining focus on areas where its implementation experience provides credible contributions to policy dialogue.

Lao People's Democratic Republic

Linking Enterprises, Agriculture And Development For Green Growth project (LEAD)

Project Design Report

Annex: Grievance Redress Mechanism

Mission Dates: 10-21 November 2025
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7. Grievance Redress Mechanism

IFAD requires an easily accessible grievance mechanism at project-level in order to receive and resolve concerns and complaints of people who may be adversely affected or potentially harmed by IFAD-supported projects that fail to meet the SECAP Standards and related policies. Furthermore, IFAD requires that project-affected people are informed about the existence and functioning of this mechanism in any easily understandable form and language, and to integrate it into the overall community engagement strategy. The grievance redress mechanism should incorporate existing formal and informal grievance mechanisms, strengthened or supplemented as needed for each specific project, and in proportion to the expected risks and impacts of the project. Project-affected people may use the grievance mechanism without retribution or reprisal, and the grievance mechanism should not impede access to other judicial or administrative remedies available under national law or through existing arbitration procedures or other accountability mechanisms.

The Project will establish a Grievance Redress Mechanism (GRM) designed to seek/generate feedback from and to project stakeholders and address/ respond to grievances, problems, issues or complaints related to project activities and project environmental and social performance. The Project will ensure through the GRM that all project stakeholders will be aware of their rights to access and/or will have access to the GRM at all project management levels, which will be provided in a transparent manner free of costs and without fear of reprisal or retribution on the part of aggrieved parties. In addition, the Project's GRM will help ensure that the rights and interests of project stakeholders are protected from unforeseen lapses in said project performance and that all concerns arising therefrom in all project phases will be effectively addressed. To achieve these ends, the Project will regularly engage project stakeholders and provide them information on the processes and means of raising and addressing grievances through the GRM.

IFAD Complaints Procedure

IFAD Complaints Procedure also place mechanism to allow individuals and communities to contact IFAD directly if stakeholders or non-stakeholders believe that they are or might be adversely affected by an IFAD-funded project or program not complying with IFAD's Social and Environmental Policies and mandatory aspects of SECAP. They may submit a request to SECAPcomplaints@ifad.org and request that an impartial review be carried out by IFAD's Office of the Vice-President.

Monitoring and Reporting

Meetings with stakeholders shall be documented, highlighting agreements and ways forward which will be monitored throughout project implementation.

Purpose and Principles

The Grievance Redress Mechanism (GRM) provides stakeholders with systematic channels to raise concerns, report problems, and seek solutions throughout the project lifecycle. An accessible, transparent, and responsive GRM is essential for building stakeholder trust, preventing conflict escalation, and enabling the project to address issues before they result in adverse impacts.

The GRM is designed according to the following principles:

Principle	Implementation Approach
Accessibility	Multiple entry points at village, district, and project levels ensuring all stakeholders can file grievances regardless of location, literacy level, or social status
Transparency	Clear procedures and timelines for grievance handling with regular communication to complainants regarding case progress
Confidentiality	Protection of complainant identity when requested, with particular safeguards for vulnerable groups
No Cost	Grievance filing is free of charge, removing financial barriers to access
Non-Retaliation	Explicit protections against retaliation for filing grievances, with enhanced safeguards for vulnerable groups
Cultural Sensitivity	Procedures adapted to local contexts, languages, and cultural norms
Gender Responsiveness	Dedicated channels for women to raise gender-sensitive concerns
Right to Legal Remedies	GRM does not prevent or delay access to judicial or administrative remedies available under national law

The PMU, keeping the above in perspective, shall provide appropriate channels for submission of grievances, which may include the following: (i) Grievance Drop Box: This provides a means for anonymous complainants to raise concerns without revealing their identities. Labelling the grievance box to a more culturally-sensitive term will be encouraged. (ii) Through the Project GRM social media platform (iii) An official physical address for Grievance Desk with Contact Persons/GRM Focal persons at every grievance level will be established and publicly disclosed, where complainants may send complaints through letters via personal, postal or courier delivery. (iv) A hotline number or call centre at each level that can be publicly accessed via voice calls or SMS.

Note – This list is not exhaustive and other channels may be considered instead, as appropriate with due regard for language and accessibility. The overall responsibility for operationalizing the GRM will rest with PMO and the GRM will be reviewed and updated during early implementation.

Scope of Grievances

The GRM accepts grievances related to any aspect of project implementation, including but not limited to:

Grievance Category	Examples of Issues
Social Issues	Exclusion from benefits, discrimination, labour rights violations, inadequate consultation, insufficient compensation, community tensions

Grievance Category	Examples of Issues
Environmental Issues	Environmental damage, pollution, biodiversity impacts, water contamination, improper waste management, natural resource degradation
Economic Issues	Inequitable benefit distribution, problems with financing packages, market access barriers, business partnership disputes, unfair pricing
Infrastructure	Poor construction quality, safety hazards, inadequate maintenance, accessibility problems, site selection disputes
Service Delivery	Poor quality services, inappropriate service provider conduct, delays in service provision, inadequate technical assistance
Safeguards Compliance	Violations of environmental or social safeguards, inadequate mitigation measures, non-compliance with ESCMP requirements
Governance	Corruption, fraud, misuse of funds, lack of transparency, conflicts of interest
Gender-Based Violence and Sexual Exploitation	Any form of gender-based violence, sexual harassment, sexual exploitation and abuse related to project activities

Grievance Entry Points

Stakeholders may file grievances through multiple channels to ensure accessibility:

Village-Level Entry Points

- Community level project nodal (verbal or written complaints during village visits or meetings)
- Village Grievance Committee (or equivalent)
- Village Organization leaders
- APG representatives
- Suggestion boxes at village meeting points

District-Level Entry Points

- District Project Offices
- District grievance focal points

Project-Level Entry Points

- Project Management Unit grievance desk (in-person, telephone, email)
- Project website grievance submission form
- Project hotline (toll-free number)

- Written correspondence to PMU address

Anonymous Reporting Channels

- Anonymous suggestion boxes
- Anonymous online submission forms
- Third-party reporting through trusted community organizations or civil society organizations

Sensitive Issues For sensitive issues including gender-based violence, sexual exploitation and abuse, child protection concerns, or cases involving potential retaliation, complainants may:

- Contact female Community Facilitators or female staff members
- Use confidential reporting channels with enhanced protection protocols
- Seek support from civil society organizations specializing in protection issues

Grievance Filing Methods

Grievances may be submitted through the following methods:

- **Verbal Submission:** Through Community Facilitators, Village Organization meetings, grievance focal points, or telephone hotline
- **Written Submission:** Through complaint forms, letters, email, or online submissions
- **Anonymous Submission:** Through suggestion boxes or anonymous online forms

For stakeholders with limited literacy, Community Facilitators and grievance focal points will provide assistance in documenting complaints while maintaining complainant intent and content accuracy.

Grievance Documentation and Tracking

All grievances will be documented in Grievance Registers at village, district, and project levels with the following information:

Information Field	Description
Unique Grievance ID	Sequential numbering system ensuring tracking across levels
Date Received	Date grievance was initially submitted
Entry Point	Channel through which grievance was submitted
Complainant Information	Name and contact information (if provided; noted as "anonymous" if requested)
Complainant Demographics	Gender, age group, vulnerable group status (if disclosed and relevant)
Grievance Category	Primary category (social, environmental, economic, infrastructure, service delivery, safeguards, governance)

Information Field	Description
Grievance Description	Detailed description of issue, concern, or complaint
Location	Village, district where issue occurred
Project Component	Relevant project component or activity
Resolution Level	Level at which grievance is being handled (village, district, provincial, project)
Actions Taken	Summary of investigation and resolution actions
Resolution Outcome	Description of final resolution or decision
Date Closed	Date case was closed
Complainant Satisfaction	Complainant feedback on resolution (if obtained)
Lessons Learned	Identified issues for systemic improvement

Keeping the Plan outlined in the preceding sections, GRM for the project may be organised as described below. It is to be noted that the description provided below is indicative and will need to be tailored to meet conditions and realities prevalent in the field and the country. Modifications and refinement should be made by the SECAP Officer in consultation with all stakeholders as and when the Project team is in place.

Grievance Redressal Mechanism for Tier 1 (APG/MSP/Village level)

At the village or Cluster level, the project proposes to set up two different approaches to collect and address grievances at local level, based on the components:

For Component 1 Inclusive Value chain Development, Multistakeholder Platforms (MSPs) will be established as part of the project activities. MSPs will establish a Grievance Redressal Cell (MSP-GRC) with the aim of receiving grievances, and designate a responsible person as the Grievance Redressal Focal Point (MSP-GRF).

Grievances related to inclusion, access to project benefits, aggregation operations, infrastructure access, user fees, service quality, and market transaction disputes will probably feature at this level and are expected to be addressed at the concerned Management Committee level.

For Component 2 Climate resilient technologies and diversification of farming systems, the project will establish the Agriculture Production Groups (APGs) for production, storage and market related activities. Each APG will establish a Grievance Redressal Cell (APG-GRC) and nominate a Grievance Redressal Focal Point (APG-GRF) responsible for handling of grievances.

Step 1. Grievance Intake. The Grievance Redress Focal Point of the different Committees will be responsible for receiving and recording grievances and details of the complainant, including the date of reception and other relevant information (template for recording grievances is available in annex 3). Grievances by a complainant may also be submitted to the Committee office in writing. In case a complainant prefers to maintain

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Project Design Report

Annex: Ifad Adb Parallel Financing Note To File 21.05.2026

Mission Dates: 10-21 November 2025
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NOTE TO FILE

Lao People's Democratic Republic

KEY ISSUE: Lao PDR: Parallel Financing between ADB-financed Sustainable Agrifood Systems Sector Project (SASSP) and IFAD-financed Linking Enterprises, Agriculture and Development for Green Growth (LEAD) Projects

DATE: 21/05/2026

LOCATION: Vientiane, Lao PDR

ADB:

- Shanny Campbell, Country Director
- Amr J. Qari, Country Operations Head
- Alex Lebel, Senior Natural Resources and Agriculture Specialist
- Yukitsugu Yanoma, Senior Natural Resources and Agriculture Specialist

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- Rachele Arcese, Country Director a.i.
- Pattivong Soulivanh, National Coordinator
- Rikke Grand Olivera, Lead Global Technical Specialist
- Tendayi Makuyana, Regional Financial Management Officer
- Peter Kamero, Legal Officer

Purpose

This Note to File is prepared to formally record the agreed parallel financing arrangement between the ADB-financed Sustainable Agrifood Systems Sector Project (SASSP) and the IFAD-financed Linking Enterprises, Agriculture and Development for Green Growth (LEAD) Project in the Lao People's Democratic Republic (Lao PDR).

The arrangement has been developed through exchanges between the respective teams and consultation with Government counterparts.

Background

The ADB-financed SASSP is designed to increase climate-resilient and gender-sensitive nutritious food production and agrifood value addition through improved access to finance and technical services, stronger enterprise value chains, targeted rural infrastructure, and food safety systems. SASSP provides financial services nationwide, while technical services and infrastructure are targeted to selected provinces under its implementation framework.

The IFAD-financed LEAD Project is designed to strengthen producer organizations, cooperatives, and agri-enterprises by improving market linkages, enterprise capacity, productive investments, climate resilience, and inclusive economic opportunities for rural women and men, beginning in Savannakhet and Khammouane.

Given the strong strategic complementarity between the two operations, both institutions explored opportunities for coordinated implementation in overlapping geographies and market systems, particularly where LEAD-supported enterprises could subsequently become eligible applicants for financing instruments supported under SASSP, among others.

Nature of the Proposed Parallel Financing

The proposed parallel financing is understood as complementary financing by two development partners toward related development objectives in shared geographic areas and for partially

Attachments:

- LEAD PDR
- SASSP PDR
- Email exchanges between IFAD and ADB

cc: IFAD APR Front Office
IFAD Lao PDR Country Team
IFAD LEAD PDT

ADB Lao PDR Country Team

overlapping target groups, under separate financing arrangements, procedures, and approval processes.

Under the current project design:

- LEAD would support cooperatives, producer groups, and micro/small enterprises through capacity-building, governance strengthening, business planning, financial literacy, quality management, and preparation of bankable investment proposals; and
- Eligible enterprises graduating from this support pathway may subsequently apply for and access financing under mechanisms supported through SASSP, subject to applicable eligibility criteria, due diligence, and approval processes.

Design-Stage Estimation Methodology

For project design and internal reporting purposes, the indicative potential value of such parallel financing has been estimated using the following working assumptions:

1. Approximately 120 enterprises / cooperatives receive direct enterprise-readiness support under LEAD;
2. Approximately 25 per cent successfully progress to access ADB-supported finance;
3. Average financing mobilized per successful enterprise is estimated at USD 100,000.

Based on the above assumptions, the ***indicative estimated parallel financing is USD 3,000,000.***

Status and Disclaimer

This estimate is indicative and non-binding and is prepared solely for project design, planning, and internal documentation purposes. It does **not** constitute:

- a financing commitment by ADB or IFAD;
- a guarantee of beneficiary access to finance;
- an obligation to allocate funds to specific enterprises or districts; or
- a substitute for the appraisal, approval, fiduciary, environmental, social, or credit processes of either institution.

Actual results and financing volumes, if any, will depend on implementation progress, enterprise readiness, demand, eligibility, market conditions, and approvals under the respective institutional frameworks.

Next Steps

The collaboration will be further operationalized through coordination during project start-up and implementation.

The indicative estimate may be revised based on actual outreach, pipeline development, and financing performance.

Supporting Documentation

This note should be read together with:

- Relevant IFAD–ADB email correspondence on potential parallel financing; and
- LEAD and SASSP Project Design Report financing and partnership sections.