
President's report
Proposed loan
Lao People's Democratic Republic
Linking Enterprises, Agriculture and Development
for Green Growth (LEAD) Project

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 55.

Technical questions:

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Project delivery team

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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

Financing summary

Initiating institution:	International Fund for Agricultural Development (IFAD)
Borrower:	Lao People's Democratic Republic
Executing agency (lead project agency):	Ministry of Agriculture and Environment
Total project cost:	SDR 15.05 million (equivalent to approximately US\$20.65 million)
Amount of IFAD loan (performance-based allocation system):	SDR 12.82 million (equivalent to approximately US\$17.59 million)
Terms of IFAD loan:	Blend: 25 years, including a grace period of 5 years, with a service charge of 0.75 per cent and an interest rate of 1.25 per cent per annum in special drawing rights (SDR) (adjustments for single-currency loans)
Contribution of borrower/recipient:	SDR 1.73 million (equivalent to approximately US\$2.38 million)
Contribution of participants:	SDR 0.5 million (equivalent to approximately US\$0.68 million)
Amount of IFAD climate finance:	US\$12.03 million
Cooperating institution:	Directly supervised by IFAD

I. Context

A. National context and rationale for IFAD involvement

National context

1. Rural poverty, food insecurity and weak market integration continue to constrain inclusive agricultural transformation in the Lao People's Democratic Republic, particularly in climate-vulnerable rural areas. Many rural households remain dependent on smallholder agriculture, which is characterized by low productivity, limited value addition and weak commercialization, reflecting still inadequate organization of farmers, limited access to finance, insufficient market infrastructure and recurrent exposure to climate shocks.
2. Building on lessons identified in the Lao People's Democratic Republic Country strategy and programme evaluation 2011-2023¹ and the country strategic opportunities programme 2026-2031,² the proposed Linking Enterprises, Agriculture and Development for Green Growth (LEAD) Project will scale up the successful productivity, nutrition and market-linkage models developed under the Agriculture for Nutrition Project – Phase 2, and the Partnerships for Irrigation and Commercialization of Smallholder Agriculture Project. The project will focus on Savannakhet and Khammouane, two provinces in the central part of the Lao People's Democratic Republic with strong agricultural and commercial potential, including good connectivity to domestic and cross-border markets.
3. The project is aligned with the Government's priorities for green growth, agricultural modernization, private sector development and rural poverty reduction. It will support a gradual transition from subsidy-driven approaches towards more sustainable, market-based rural investment models, strengthening producers' organizations and crowding in private sector participation. LEAD will also contribute to the implementation of Government Decree No. 606, on groups and cooperatives, and to stronger coordination between the Ministry of Agriculture and Environment and the Ministry of Industry and Commerce.

Special aspects relating to IFAD's corporate mainstreaming priorities

4. Although important socioeconomic gains have been made over the past decade, women, youth, vulnerable households and persons with disabilities continue to face disproportionate barriers in access to productive assets, services and finance and in market participation. Nutrition outcomes remain constrained by low dietary diversity, food safety risks and limited access to nutritious food, while increasing climate vulnerability – including floods, storms and dry spells – continue to disrupt production and post-harvest systems, with poorer households experiencing the greatest impacts.
5. In line with IFAD's mainstreaming commitments, the project has been validated as:
 - Nutrition-sensitive
 - Youth-sensitive
 - Prioritizing persons with disabilities
 - Including adaptive capacity
 - Including climate finance

Rationale for IFAD involvement

6. IFAD is well placed to support the transition from subsistence-oriented farming and weak producers' organizations towards more resilient and market-oriented

¹ [EC 2025/129/W.P.2/Rev.1.](#)

² [EB 2025/OR/20.](#)

producers' groups and cooperatives, while maintaining a strong focus on poor and vulnerable households. LEAD will address key constraints affecting smallholders, agricultural producers' groups (APGs), cooperatives, and rural micro and small enterprises (MSEs), including weak organization and coordination, low investment readiness, insufficient access to finance and limited commercialization capacity.

7. The project will build on IFAD's long-standing engagement in the Lao People's Democratic Republic and provide a platform to deepen policy dialogue and strengthen institutional coordination and the implementation of Decree No. 606 and related frameworks. It will also enhance food safety standards, improve multistakeholder value chain coordination and leverage complementary investments by other development partners.

B. Lessons learned

8. The design of LEAD incorporates several key lessons learned from IFAD-financed operations in the Lao People's Democratic Republic and comparable rural transformation initiatives. First, implementation readiness is critical to avoid start-up delays; accordingly, the LEAD design includes early actions related to staffing, systems, manuals and coordination arrangements. Second, producer groups require sustained technical, organizational and business support to become commercially viable; LEAD therefore combines targeted support for farmers' organizations with market linkages, business development services and investment planning. Third, efforts to increase resilience and inclusion are most effective when embedded in productive systems and value chains rather than treated as stand-alone initiatives. Finally, previous experience underscores the importance of realistic institutional arrangements and stronger cross-sector coordination. LEAD will address this lesson through a dual-ministry implementation model, with clearly defined roles for each ministry.

II. Project description

A. Objectives, geographical area of intervention and target groups

9. The goal of LEAD is to contribute to the reduction of rural poverty and improve 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.
10. The project will be implemented in Savannakhet and Khammouane provinces, in the central part of the Lao People's Democratic Republic, which has high potential for agricultural commercialization, but also has persistent poverty, market access constraints and climate vulnerability. The target area includes locations with strong potential for integration into viable value chains and for convergence with public and private investment. Subject to the mobilization of additional climate finance, the project may be geographically scaled up to expand outreach and resilience investments in Sekong and Salavan provinces.
11. The primary target groups are:
 - (i) Vulnerable rural households, including women, youth and persons with disabilities;
 - (ii) Existing and newly formed APGs with potential to evolve into cooperatives; and
 - (iii) Rural MSEs.
12. As the poorest and most excluded groups may not yet be ready to engage in markets or producers' organizations, the project will adopt a phased and inclusive

approach to strengthen livelihoods, productive capacities and assets, enabling the gradual integration of these groups into market systems and organized groups, including cooperatives.

13. The project is expected to directly benefit approximately 14,308 households (about 80,125 persons), of whom 50 per cent will be women and at least 10 per cent will be youth. Targeting will be consistent with IFAD's targeting policy and will combine geographical, poverty-based and market vulnerability criteria.

B. Components, outcomes and activities

14. The project will have two interlinked components: (i) development of inclusive value chains; and (ii) promotion of climate-resilient technologies and diversification in farming systems. Project management is presented separately as a cost component in the financing tables.

Component 1: Development of inclusive value chains

15. The objective of this component is to transition existing APGs and agricultural cooperatives 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. This will include dedicated investment for reducing post-harvest losses and developing scalable agrifood processing technologies tailored to smallholder contexts. Additionally, this component will support the development of agrifood MSEs engaging in the selected value chains; investment in climate-resilient infrastructure, including market infrastructure; and creation of enabling environments for sustainable, inclusive and climate-resilient value chains development.

Component 2: Promotion of climate-resilient technologies and diversification in farming systems

16. 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 under component 1. Activities under this component will promote technological innovation and participatory research to enhance the 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 APGs or establish micro-enterprises in short value chains.
17. Together, the two components are expected to:
 - (i) Strengthen inclusive and commercially viable value chains; and
 - (ii) Improve resilience, productivity, food security and livelihood opportunities among target households.

C. Theory of change

18. The project theory of change is that if smallholders, producer groups, cooperatives, rural enterprises and vulnerable households are supported to improve climate-resilient production, strengthen organization and business capacity, access infrastructure and services, meet food safety and quality standards, and connect more effectively to markets and finance, then they will increase productivity, value addition, market participation and income in a more resilient, inclusive and sustainable manner.
19. This pathway depends on several assumptions, including viable market demand, effective institutional coordination, a supportive policy and regulatory environment, continued engagement by financial institutions and private actors, and adequate implementation capacity. These assumptions will be addressed through phased

implementation, targeted technical assistance, adaptive management and structured public-private partnerships.

D. Alignment, ownership and partnerships

20. The project is aligned with national priorities for green growth, agricultural commercialization, climate resilience and rural poverty reduction, and is informed by IFAD's country strategic opportunities programme for the Lao People's Democratic Republic for 2026–2031 and the country's Tenth National Socioeconomic Development Plan (2026–2030). It is also aligned with IFAD's strategic priorities and will contribute to the Sustainable Development Goals related to poverty reduction, food security, climate action, gender equality and reduced inequalities.
21. Government ownership is strong, with the Ministry of Agriculture and Environment as lead agency and the Ministry of Industry and Commerce as co-implementing agency. The project is also designed to complement other ongoing or planned investments and offers potential for operational convergence with other development partners, including prospective parallel financing with the World Bank for rural road connectivity investments and with the Asian Development Bank for enterprise finance, agrifood systems and related productive investments, subject to final confirmation.

E. Costs, benefits and financing

Project costs

22. Total project cost is estimated at SDR 15.05 million (equivalent to US\$20.65 million), including contingencies. The project will be financed through an IFAD loan of SDR 12.82 million (equivalent to US\$17.59 million); government counterpart financing of SDR 1.73 million (equivalent to US\$2.38 million), of which US\$1.25 million will be in the form of duties and taxes and US\$1.13 million in kind; and participant contributions estimated at SDR 0.5 million (equivalent to US\$0.68 million), of which US\$0.62 million will be in cash and US\$0.06 million in kind.
23. Project cost assumptions include taxes and duties, physical contingencies and price contingencies and reflect the investment-intensive nature of the operation, particularly under the climate resilience and productive systems component.
24. Both project components are counted as climate finance. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this project is estimated as US\$12.03 million.

Table 1

Project costs by component and subcomponent and financier

(Thousands of United States dollars)

<i>Component/subcomponent</i>	<i>IFAD loan</i>		<i>Participants</i>			<i>Borrower/recipient</i>			<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>		<i>%</i>	<i>Amount</i>		<i>%</i>	<i>Amount</i>	<i>%</i>
			<i>Cash</i>	<i>In kind</i>		<i>Cash (taxes)</i>	<i>In kind</i>			
1. Development of inclusive value chains	6 578	89	317	-	4	487	-	7	7 382	36
1.1. Market access facilitation	3 887	92	-	-	0	360	-	8	4 247	21
1.2. Enterprise development and financial inclusion	2 032	84	317	-	13	66	-	3	2 415	12
1.3. Policy engagement and market integration	660	92	-	-	0	61	-	8	720	3
2. Promotion of climate-resilient technologies and diversification in farming systems	9 075	89	301	67	4	742	-	7	10 185	49
2.1. Climate resilience and productivity of APG farming systems	5 216	89	301	-	5	371	-	6	5 887	29
2.2. Action research and scaling up of successful practices	871	93	-	-	0	67	-	7	938	5
2.3. Livelihood improvements for vulnerable households	2 988	89	-	67	2	304	-	9	3 359	16
3. Project management	1 937	63	-	-	0	20	1 129	37	3 085	15
Total	17 590	85	618	68	3	1 250	1 129	12	20 653	100

Table 2

Project costs by expenditure category and financier

(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD loan</i>		<i>Participants</i>			<i>Borrower/recipient</i>			<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Cash</i>	<i>In kind</i>	<i>%</i>	<i>Cash (taxes)</i>	<i>In kind</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Investment costs										
Consultancies	1 834	100	-	-	0	4	-	0	1 838	9
Goods, services and inputs	7 542	90	-	67	1	709	35	9	8 352	40
Civil works	5 000	91	-	-	0	500	-	9	5 500	27
Grants	2 872	82	618	-	18	20	-	1	3 510	17
Total investment costs	17 248	90	618	67	4	1 233	35	7	19 200	93
Recurrent costs										
Operating costs	342	24	-	-	0	16	1 094	76	1 453	7
Total recurrent costs	342	24	-	-	0	16	1 094	76	1 453	7
Total	17 590	85	618	68	3	1 250	1 129	12	20 653	100

Table 3

Project costs by component and project year (PY)

(Thousands of United States dollars)

<i>Component</i>	<i>PY1</i>		<i>PY 2</i>		<i>PY3</i>		<i>PY4³</i>		<i>PY5</i>		<i>PY6</i>		<i>PY7</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
1. Development of inclusive value chains	378	5	1 614	22	2 279	31	1 501	20	810	11	571	8	229	3	7 382
2. Promotion of climate-resilient technologies and diversification in farming systems	544	5	2 821	28	3 258	32	1 297	13	1 657	16	389	4	220	2	10 185
3. Project management	478	16	478	16	492	16	533	17	492	16	412	13	200	6	3 085
Total	1 400	7	4 913	24	6 029	29	3 331	16	2 960	14	1 372	7	648	3	20 653

Financing and cofinancing strategy and plan

25. Project financing consists of the IFAD loan, government counterpart financing and participant contributions. IFAD will finance the project through a loan of SDR 12.82 million (equivalent to US\$17.59 million, or 85 per cent of the total financing) under the performance-based allocation system for the Thirteenth Replenishment of IFAD's Resources (IFAD13) cycle. The Government will provide SDR 1.73 million (equivalent to US\$2.38 million, or 12 per cent) to cover taxes, duties and selected implementation costs. Participant contributions of SDR 0.5 million (equivalent to US\$0.68 million, or 3 per cent) will be provided in cash and in kind through cost-sharing and in-kind participation in productive investments and related activities.

Disbursement

26. The Ministry of Finance will open a designated account denominated in United States dollars at the Bank of the Lao People's Democratic Republic to receive the IFAD loan disbursements. The Ministry of Agriculture and Environment, through the project management unit (PMU), will prepare consolidated interim financial reports and withdrawal applications for cash forecasts and disbursement requests, in line with the approved annual workplan and budget. The interim financial reports and withdrawal applications will be submitted to IFAD through the IFAD client portal system.
27. IFAD will disburse funds into the designated account under the revolving fund modality and in accordance with IFAD's Project Financial Management and Financial Control Handbook and the related Financial Management and Financial Control Letter.
28. The Ministry of Agriculture and Environment will maintain a project account denominated in Lao kip in a commercial bank. The PMU will prepare requests for replenishment of the project account and submit them, together with supporting documents, to the Ministry of Finance, which will transfer funds from the designated account to the project account in local currency for transaction purposes. Two provincial bank accounts will be opened and maintained by the Ministry of Agriculture and Environment and will receive advances based on established floats for project activities at the provincial and district levels.
29. The Ministry of Industry and Commerce will implement the activities planned under component 1. It and other implementing partners will receive advances upon submission of requests for funds to the Ministry of Agriculture and Environment, based on signed memorandums of understanding and approved annual workplans and budgets. The transfers will be treated as advances until expenditures are incurred and financial reports and documents are submitted to the PMU. Transfers to financial institutions under the blocked grant mechanism, participants and farmers will be made from the project account.
30. Loan disbursements will be based on schedule II derived from the cost tables. The first disbursement to the designated account will be made upon fulfilment of the conditions precedent to disbursement, including opening of the designated account and submission of evidence to IFAD with the specimen signatures of persons authorized to operate the designated account and submission of the names of users authorized to approve withdrawal applications. Government and participant contributions will be tracked in the project accounts using unique codes in the accounting system.
31. The project will be eligible for a start-up advance in an amount of up to US\$500,000 to accelerate activities for the fulfilment of the conditions for first disbursement. The start-up costs will be in accordance with the 18-month procurement plan to cover start-up activities. The start-up costs will be eligible for disbursement from the date of Executive Board approval and will be indicated in the financing agreement. The start-up advance will be provided from the loan proceeds

on entry into force of the project and prior to the fulfilment of the conditions precedent to first withdrawal.

Summary of benefits and economic analysis

32. The economic analysis confirms that the project is viable. The estimated economic internal rate of return is 20.37 per cent, with a positive net present value and a satisfactory benefit-cost ratio under the base scenario. These results will be driven by expected improvements in productivity, commercialization, value addition, resilience and income across supported value chains and farming systems. Sensitivity analysis confirms that the project remains economically justified under adverse scenarios.

Exit strategy and sustainability

33. The project's exit strategy is based on strengthening local institutions, building commercially relevant capacities and embedding functions within sustainable public and market systems. Sustainability will be supported through stronger producers' organizations, market-based partnerships, cost-sharing arrangements, operation and maintenance provisions for infrastructure, and progressive institutionalization of project-supported systems and coordination mechanisms within government structures and stakeholder platforms.

III. Risk management

A. Risks and mitigation measures

34. The project's overall risk is assessed as moderate at design stage, with the main risks relating to:
- (i) Institutional coordination and implementation capacity;
 - (ii) Sustainability of commercial and financial linkages; and
 - (iii) Climate and market shocks.
35. The dual-ministry implementation model will improve ownership, but will also increase coordination demands. This risk will be mitigated through a formal memorandum of understanding, clear division of responsibilities, structured coordination arrangements and targeted implementation support. Risks related to commercial sustainability and rural finance will be mitigated through phased support, performance-based approaches, market-oriented investment planning and close monitoring of early implementation. Climate-related risks will be mitigated through resilience-oriented investments and adaptation support.
36. Financial management risk is assessed as substantial and will be mitigated through a team of finance officers who will be assigned to the project to manage the fiduciary aspects.

Table 4
Overall risk summary

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

B. Environment and social category

37. The environmental and social risk of the project is classified as moderate. The expected environmental and social risks are manageable and can be mitigated through the application of IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) and related implementation measures.

C. Climate risk classification

38. The climate risk classification is moderate. The target area is exposed to floods, storms and dry spells, and the project requires a basic climate risk analysis. The project is expected to strengthen, rather than undermine, the resilience of target groups.

D. Debt sustainability

39. The Lao People's Democratic Republic is in debt distress under the Low-Income Countries Debt Sustainability Framework as measured by the debt sustainability assessment of the International Monetary Fund in February 2026. The country is eligible for blend terms under IFAD13 as it is classified as a gap country at above the operational cut-off for International Development Association eligibility for more than two consecutive years. Therefore, the Lao People's Democratic Republic is not eligible for financing through the Debt Sustainability Framework or the Borrowed Resource Access Mechanism under IFAD13. The country's risk rating and debt sustainability have deteriorated since the debt sustainability assessment conducted in May 2023, owing to an adverse macroeconomic environment (including a strong exchange rate depreciation), an expansion of debt coverage to include guaranteed debt, expenditure arrears, and the issuance of domestic debt to recapitalize state-owned banks.

IV. Implementation

A. Organizational framework

Project management and coordination

40. The Ministry of Agriculture and Environment will be the lead implementing agency and the Ministry of Industry and Commerce will be the co-implementing agency. A PMU will be established under the Ministry of Agriculture and Environment for overall project coordination, planning, fiduciary management, reporting and supervision. The Ministry of Agriculture and Environment will lead the implementation of the climate resilience and productive systems component (component 2), while the Ministry of Industry and Commerce will lead implementation of the inclusive value chains component (component 1).
41. A project steering committee will provide strategic guidance and review annual workplans and budgets. Provincial and district authorities will support decentralized implementation, and specialized service providers and technical partners will be engaged where required.

Financial management, procurement and governance

42. The project will adopt cash-based accounting in accordance with the International Public Sector Accounting Standards. A stand-alone accounting software will be installed for accounting and report production. Annual financial statements of the project will be audited by an independent audit firm, in accordance with the International Standards on Auditing and the IFAD Handbook for Financial Reporting and Auditing of IFAD-Financed Projects.
43. Procurement will be undertaken in accordance with IFAD's procurement framework and the approved procurement strategy. Procurement risk mitigation measures, including prior review where applicable, will be applied throughout implementation. Governance arrangements will include oversight, transparency and

complaint-handling mechanisms consistent with IFAD's anti-fraud and anti-corruption requirements.

44. Measures will be implemented to prevent, mitigate and combat fraud and other prohibited practices, including measures to ensure compliance with IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations; strengthening of internal controls within the PMU; 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 and oversight authorities; and use of IFAD's independent reporting mechanisms.

Target group engagement and feedback and grievance redress

45. The project will apply a participatory and inclusive implementation approach to ensure that target groups are involved in planning, implementation and monitoring. Specific measures will be used to facilitate the participation of women, youth, vulnerable households and persons with disabilities.

Grievance redress

46. A grievance redress mechanism will be established to allow project-affected populations and stakeholders to raise complaints, report concerns and seek timely resolution of issues arising during implementation.

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

47. The project will establish a results-based planning and monitoring system centred on annual workplans and budgets, progress reporting, and logframe-based monitoring. Baseline, midterm and completion assessments will be undertaken, and monitoring data will be systematically disaggregated and used to support adaptive implementation.
48. Knowledge management and communications will support implementation learning, policy engagement and scaling up. Lessons learned and evidence will be documented through project reporting, stakeholder platforms and knowledge products.

Innovation and scaling up

49. The project will introduce several features with strong learning and scaling up potential in the Lao context, including a more structured approach to linking producers' organizations and rural enterprises to markets and finance, use of value chain and producer investment planning, and stronger coordination among public and private actors. These features are intended to strengthen institutional and market systems rather than operate as stand-alone pilot initiatives.

C. Implementation plans

Implementation readiness and start-up plans

50. A detailed start-up plan has been prepared to reduce implementation delays. Priority actions include staffing of the PMU, finalization of operational arrangements, establishment of fiduciary and monitoring systems, and procurement of essential goods and services.

Supervision, midterm review and completion plans

51. IFAD will undertake regular supervision and implementation support missions. A midterm review will assess implementation progress and, where required, allow adjustment of targets, sequencing and delivery arrangements. A project completion review will be conducted at the end of implementation.

V. Legal instruments and authority

52. A financing agreement between the Ministry of Finance of the Lao People's Democratic Republic and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as appendix I.
53. The Lao People's Democratic Republic is empowered under its laws to receive financing from IFAD.
54. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

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

RESOLVED: that the Fund shall provide a loan on blend terms to the Lao People's Democratic Republic in an amount of twelve million eight hundred twenty thousand special drawing rights (SDR 12,820,000), equivalent to seventeen million five hundred ninety thousand United States dollars (US\$17,590,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement

Loan No: 200000XXXX

Project name: Linking Enterprises, Agriculture and Development for Green Growth ("the Project" or "LEAD")

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

and

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. This Agreement comprises the following: the Main Document (Whereas and Sections A-E), the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.
3. The Fund shall provide a Loan (the "Financing") to the Borrower, which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the loan is twelve million eight hundred and twenty thousand special drawing rights (SDR 12 820 000).
2. The Loan is granted on Blend terms and shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of the Loan by the Fund's executive Board. The interest rate and service charge determined will be fixed for the life cycle of the loan and payable semi-annually in the Loan Service Payment Currency and shall have a maturity period of twenty-five (25) years, including a grace period of five (5) years starting from the date of approval of the Loan by the Fund's Executive Board. The principal loan granted on blend terms will be repaid in equal instalments.

3. The Loan Service Payment Currency shall be in United States Dollars (USD).
4. The first day of the applicable Fiscal Year shall be the first day of January.
5. Payments of the principal, service charge and interest shall be payable on each 1 March and 1 September.
6. There shall be a Designated Account (DA) in United States Dollars (USD), for the exclusive use of the Project opened in the Bank of Lao PDR. The DA shall be managed by the Ministry of Finance (MOF). The Borrower shall inform the Fund of the officials authorized to operate the DA.
7. There shall be a Project Account (PA) in local currency, Lao Kip (LAK), for the benefit of the Project, opened in a commercial bank for receiving funds transferred from the DA. The Borrower shall inform the Fund of the officials authorized to operate the project operational account.
8. The Borrower shall provide counterpart financing for the Project equivalent to two million three hundred seventy-seven thousand nine hundred seventy-seven United States dollars. (USD2 377 977) of which one million two hundred forty-nine thousand four hundred ninety-seven United States dollars (USD1 249 497) is in the form of taxes and duties. The remainder is in-kind shall include salaries for Government staff, office equipment, maintenance and operation costs.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture and Environment (MAE).
2. The following are designated as additional Project Parties: 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. Additional Project Parties are described in Schedule 1 Part II, Paragraph 9.
3. A Mid-Term Review (MTR) will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the MTR of the implementation of the Project.
4. The Project Completion Date shall be the seventh (7th) anniversary of the date of entry into force of this Agreement.
5. Procurement using IFAD funds will follow national procurement regulations (the Law on Public Procurement No. 30/NA, 2017) to the extent such are consistent with the IFAD Project Procurement Guidelines. The Project Management Unit (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 training and provide support to provincial implementation teams for carrying out procurement activities at district level. Procurement of productive infrastructure (access road, irrigation) will be done by district implementation teams. A Project Procurement Arrangement Letter (PPA) will establish the detailed procurement requirements and thresholds for procurement methods and IFAD's prior review. IFAD's Online Procurement End-to-end System (OPEN) will be used for planning and monitoring implementation of project procurement activities.

Section D

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

Section E

1. The following are designated as additional specific conditions precedent to first withdrawal:

- (a) The Borrower, through the Lead Project Agency, shall have established the Project Management Unit (PMU) and the National, Provincial and District Project Steering Committees.
- (b) The Borrower, through the Lead Project Agency, shall have appointed or designated, with qualifications and terms of reference acceptable to the Fund: (i) the National Project Director; (ii) the National Project Coordinator; (iii) the Financial Management Officer; (iv) the Procurement Officer; (v) the Monitoring and Evaluation Specialist; and (vi) Chief of Technical Assistance.
- (c) The Borrower shall have opened the Designated Account referred to in Section B, paragraph 6, and submitted to the Fund the names and specimen signatures of the authorized signatories.
- (d) The Borrower, through the Lead Project Agency, shall have submitted the Project Implementation Manual (PIM) to the Fund and obtained the Fund's no objection thereto.
- (e) The Borrower, through the Lead Project Agency, shall have submitted the first eighteen (18)-month Annual Workplan and Budget (AWPB) to the Fund and obtained the Fund's no objection thereto.
- (f) The Borrower, through the Lead Project Agency, shall have submitted the first eighteen (18)-month Procurement Plan to the Fund and obtained the Fund's no objection thereto.

2. The following are designated as additional grounds for suspension of the right of the Borrower to request withdrawals under this Agreement:

- (a) The Project Implementation Manual (PIM) or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.
- (b) The Memorandum of Understanding between the Ministry of Agriculture and Environment and the Ministry of Industry and Commerce, setting out the Project implementation arrangements has not been signed in form and substance acceptable to the Fund within ten (10) months from date of entry into force of this agreement.
- (c) The Memoranda of Understanding among the implementing partners as referred to in paragraph 9 (Implementing Partners) of Part II of Schedule 1, or any provision thereof, has been waived, suspended, terminated, amended, or modified without the prior consent of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.
- (d) Key Project staff as established in Paragraph 11 of Part I of Schedule 3 have been removed from the Project without prior consultations with the Fund.
- (e) The Borrower did not request a disbursement of the Financing, following the first eighteen (18) months of the Project Implementation Period, for a period of at least twelve (12) consecutive months without justification from the Borrower.

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

For the Borrower:

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

For the Fund:

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

If applicable, the Parties accept the validity of any qualified electronic signature used for the signature of this Agreement and recognise the latter as equivalent to a hand-written signature.

This Agreement has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Soulivath Souvannachoumklam
Deputy Minister of Finance

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Alvaro Lario
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit approximately 14,308 rural households (80,125 persons) across Savannakhet and Khammouane provinces, with a strong focus on women (50%), youth (10%), and persons with disabilities. Beneficiaries include existing and newly formed agricultural producer groups (APGs), agricultural cooperatives (ACs), micro and small enterprises (MSEs), and the poorest households in target villages – including those constrained by food insecurity, limited access to markets, finance, and extension services.

2. *Project area.* The Project will operate in Savannakhet and Khammouane provinces, located along the Lao section of the Greater Mekong Subregion’s East–West Economic Corridor (EWEC) (the “Project Area”). Districts will be selected based on market potential, road connectivity, functioning APGs, climate vulnerability, and UXO-cleared status. The Project may expand to Sekong and Salavan provinces should supplementary climate co-financing becomes available.

3. *Goal.* The goal of the Project is to contribute to the reduction of rural poverty and enhance the income, food safety and food 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.

4. *Objectives.* The objective of the Project is to promote inclusive agricultural and food value chains for national and export markets while enhancing climate resilience. The Project will strengthen APGs, promote enterprise development, improve access to finance, expand climate-resilient technologies, and support vulnerable households with livelihood diversification and nutrition-sensitive interventions.

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

5.1 *Component 1: Development of Inclusive Value Chains.* The Borrower will support the transition existing and newly formed APGs and ACs 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. Additionally, it 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.

5.1.1 *Sub-Component 1.1: Market Access Facilitation.* The Borrower will identify high-potential commodities, develop Value Chain Investment Plans (VCIPs), establish inclusive multi-stakeholder platforms, deploy digital tools for market intelligence, and invest in strategic climate-resilient market infrastructure. Activities include value chain analysis, participatory planning, governance strengthening of Multi-Stakeholders Platforms (MSPs), and the establishment or rehabilitation of market infrastructure such as roads, storage, processing, and aggregation facilities.

5.1.2 *Sub-Component 1.2: Enterprise Development and Financial Inclusion.* The Borrower will strengthen the organizational, financial, and business capacities of APGs, cooperatives, and MSEs. Activities will include organizational assessments and facilitation of voluntary consolidation of APGs into cooperatives, financial and business literacy training, preparation of business plans, and support for quality management and food

safety compliance. The Borrower will facilitate access to credit by supporting the preparation of bankable investment proposals and deploying blended financing mechanisms that de-risk lending by financial institutions. Special focus will be given to women- and youth-led enterprises.

5.1.3 *Sub-Component 1.3: Policy Engagement and Market Integration.* The Borrower will strengthen the policy and regulatory environment for inclusive value chain development and agricultural commercialization. Activities will include supporting the operationalization of the Decrees on Groups and Cooperatives through development of practical implementation guidelines and strengthening of cooperative oversight capacity; developing simplified regulatory guidelines to facilitate smallholder compliance with food safety and export standards; and facilitating multi-stakeholder policy dialogue between government agencies, private sector actors, and producer organizations to address regulatory bottlenecks and strengthen market integration.

5.2 *Component 2: Promotion of Climate-Resilient Technologies and Diversification in Farming Systems.* The Borrower will increase the resilience and productivity of farming systems linked to targeted value chains, and to support livelihood diversification and nutrition improvements for the poorest households. Activities will include promotion of climate-smart agricultural practices, rehabilitation of irrigation and water management systems, testing and scaling of climate-resilient technologies and innovations, provision of targeted livelihood support and capacity building for poor and vulnerable households, including persons with disabilities, consideration of technological innovations and research to enhance resilience of farming systems, and promotion of value addition practices and processing techniques for wider adoption.

5.2.1 *Sub-Component 2.1: Climate Resilience and Productivity of APG Farming Systems.* The Borrower will strengthen the climate resilience and productivity of APGs farming systems through climate-smart and market-oriented production practices. Activities will include the preparation and implementation of PRIPs, provision of blended financing mechanisms to support climate-resilient investments by APGs and their clusters, technical assistance and extension support, and rehabilitation of off-farm irrigation and water management infrastructure.

5.2.2 *Sub-Component 2.2: Action Research and Scaling of Successful Practices.* The Borrower will promote innovation through the testing, validation, and scaling of climate-resilient technologies and diversified farming practices. Activities will include collaboration with research institutions to identify priority innovation gaps, participatory testing of technologies with model APGs through on-farm trials and action research, documentation and dissemination of proven practices across APG clusters through training, demonstration activities, and knowledge-sharing platforms.

5.2.3 *Sub-Component 2.3: Livelihood Improvement for Vulnerable Households.* The Borrower will support poor and food-insecure households, including persons with disabilities and other vulnerable groups who face barriers to participating in commercial agriculture. Activities will include provision of tailored livelihood packages, nutrition training, mentoring and capacity building, and facilitation of market linkages to diversify incomes, strengthen food security, and enable the progressive integration of vulnerable households into APGs, cooperatives, and local value chains supported under the Project.

II. Implementation Arrangements

6. *Lead Project Agency.* The Ministry of Agriculture and Environment (MAE), through its Department of Planning and Cooperation (DoPC), will serve as the Lead Project Agency, leveraging its long-standing partnership with IFAD. MAE will be responsible for overall project implementation, fiduciary management, technical leadership, and coordination with central, provincial and district project implementing agencies.

The Ministry of Industry and Commerce (MoIC) will serve as co-implementing agency for activities related to value chain development, market integration and private sector engagement. An Implementation Memorandum of Understanding between MAE and MoIC will be concluded during project start-up to define roles, responsibilities, coordination arrangements and accountability.

7. *Project Oversight Committee.* Project Steering Committees will be established at national, provincial, and district levels in accordance with the Government's Sam Sang decentralisation policy. The National Project Steering Committee (NPSC) will provide strategic guidance, approve annual workplans and budgets, and ensure policy alignment. Provincial Steering Committees (PPSC) will endorse provincial plans and coordinate sectoral inputs, while District Steering Committees (DPSC) will oversee quarterly planning, monitoring, and technical backstopping at the local level.

8. *Project Management Unit.* A Central Project Management Unit (PMU), housed within DOCP / MAE in Vientiane Capital, will lead day-to-day management, planning, procurement, financial management, reporting, and technical coordination. The PMU will be staffed by both seconded government personnel and competitively recruited project staff.

At sub-national level, Provincial and District Implementation Teams (PITs and DITs) will be established within MAE and MOIC provincial and district offices to support local planning, coordination with partners and service providers, and day-to-day implementation and reporting. Key Technical Specialists or targeted technical assistance *may be* deployed at provincial or district level to strengthen implementation quality, capacity building, and delivery of project activities, while ensuring cost-efficiency.

9. *Project Parties.* The Project will collaborate with relevant technical ministries and institutions including the Ministry of Public Works and Transport (MoPWT), Ministry of Technology and Communication (MoTC), Ministry of Labour and Social Welfare (MoLSW), Ministry of Health (MoH), and Ministry of Information, Culture and Tourism (MoICT), and technical departments of MAE.

The Project will also engage key national partners including the National Agriculture and Forestry Research Institute (NAFRI), the Lao Farmers' Association (LFA), the Lao Women's Union (LWU), Lao Front for National Development (LNFD) and the Lao Youth's Union (LYU) to provide technical inputs to project implementation as needed.

10. *Monitoring and Evaluation.* A comprehensive M&E system will be established within the PMU to track progress against outcomes, outputs, and targets. The system will capture disaggregated data by gender, age, poverty status, and disability.

11. *Knowledge Management.* Knowledge management will be embedded across project activities through documentation of lessons learned, case studies, innovation testing results, and cross-learning among APG clusters. The Project will facilitate learning events, exchange visits, and digital dissemination of training materials, including farmer-to-farmer e-learning videos. Synergies with research institutions, development partners, and MSPs will ensure continuous innovation and scaling of successful practices.

12. *Project Implementation Manual*. A Project Implementation Manual (PIM), prepared during project design, will be finalized during project start-up to provide detailed operational guidance for project implementation. The PIM will outline institutional arrangements, roles and responsibilities, and procedures for planning, procurement, financial management, safeguards, monitoring and evaluation, knowledge management, targeting, and value chain development processes.

The PIM will be adopted by the Lead Project Agency with IFAD's prior no-objection and may be updated during implementation, as necessary, to reflect operational adjustments. Any material amendments to the PIM shall be subject to IFAD's prior no-objection.

Schedule 2

Allocation Table

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

Category	Loan Amount Allocated (expressed in SDR)	Percentage (Net of taxes)
I. Works	3 644 000	100%
II. Consultancies	1 336 000	100%
III. Grants	2 093 000	100%
IV. Goods, services and inputs	5 497 000	100%
V. Operating costs	250 000	100%
TOTAL	12 820 000	

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

- (i) **Category IV - Goods, Services and inputs** shall include eligible expenditure under Goods, services and inputs; such as equipment, material and vehicles; trainings, capacity building and workshops.
- (ii) **Category V - Operating costs** shall mean eligible expenditure for salaries and travel and allowances.
- (iii) **Percentage indicated under "Percentage eligible for IFAD Financing"** is applied to project expenditures, excluding duties, taxes and other financiers. However, under Goods, services and input, the expenditure for the vehicles to be purchased using the Loan proceeds, includes taxes.

2. *Disbursement arrangements.*

Start-up Costs means the reasonable expenditures approved by IFAD that are necessary to initiate Project implementation, including, inter alia, the establishment of Project management arrangements, preparation of implementation and fiduciary tools, initial planning and budgeting activities, and other start up activities agreed by IFAD. Notwithstanding Section 4.02 of the General Conditions (Conditions Precedent to Withdrawal) and the conditions precedent to withdrawal set forth in Section E of this Agreement, withdrawals may be made with respect to eligible Start-up costs financed by the Fund prior to the satisfaction of such conditions, up to an aggregate amount not exceeding five hundred thousand United States Dollars (USD 500 000). Activities to be financed by Start-up Costs shall be subject to the prior no objection of IFAD and shall otherwise comply with Section 4.07 of the General Conditions.

3. *Audit arrangements.*

Independent auditors will audit the project financial statements annually, in accordance with acceptable auditing standards and the Conceptual Framework for Financial Reporting and Auditing of IFAD-financed Projects and Related Handbook. The audit report and management letter will be sent to IFAD within six months of the end of the financial year.

Schedule 3

Special Covenants

I. General Provisions

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

1. Within six (6) months of entry into force of the Financing Agreement, the Project will procure and install a customized accounting software in accordance with International Accounting Standards and IFAD's requirements.
2. Within ten (10) months of entry into force of the Financing Agreement, MAE will enter into an agreement with implementing MOIC to define the collaboration, including the roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.
3. *Planning, Monitoring and Evaluation.* The Borrower shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system is established within twelve (12) months from the date of entry into force of this Agreement.
4. *Gender.* The Borrower shall ensure that gender equality and social inclusion considerations are systematically integrated into Project implementation. To this end, the Borrower shall ensure that women have equitable access to Project resources, training, financial services and decision-making processes, including leadership roles within APGs and cooperatives supported by the Project. The Borrower shall further ensure that gender-sensitive targeting, monitoring and reporting mechanisms are implemented in accordance with the Project Implementation Manual and IFAD policies.
5. *Ethnic Groups.* The Borrower shall ensure that the concerns of Ethnic Groups are given due consideration in implementing the Project and, to this end, shall ensure that:
 - (a) the Project is carried out in accordance with the national applicable provisions;
 - (b) Ethnic Groups are adequately and fairly represented in all local planning for Project activities;
 - (c) Ethnic Groups rights are duly respected;
 - (d) Ethnic Groups communities, participate in policy dialogue and local governance;
 - (e) The terms of Declarations, Covenants and/or Conventions ratified by the Borrower on the subject are respected;
 - (f) The Project will not involve encroachment on traditional territories used or occupied by Ethnic Groups communities.
6. *Land tenure security.* The Borrower shall ensure that the land acquisition or land use arrangements under the Project are undertaken in accordance with applicable national legislation and, as applicable, IFAD's Social, Environmental and Climate Assessment Procedures (SECAP). The Borrower shall seek to avoid involuntary resettlement to the extent possible and, where such impacts cannot be avoided, ensure that they are addressed in a manner acceptable to IFAD.

7. *Anticorruption Measures.* The Borrower shall comply with IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations, as may be amended from time to time.

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

9. *Use of Project Vehicles and Other Equipment.* The Borrower shall ensure that:

- (a) all vehicles and other equipment procured under the Project are allocated to the Lead Project Agency, MAE for Project implementation;
- (b) The types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project; and
- (c) All vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use.

10. *IFAD Procurement system.* The Borrower shall ensure that a procurement plan is prepared and maintained in IFAD's designated end-to-end procurement system ("IFAD OPEN"). The Borrower shall ensure that all procurement-related contracts, agreements and related payments financed under the Project (including but not limited to those in relation to goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts), are recorded in IFAD-OPEN in accordance with IFAD's applicable policies and procedures. The Borrower shall ensure that the related data is updated on a quarterly basis during Project implementation.

11. The Key Project Personnel shall include: (i) the National Project Director; (ii) the National Project Coordinator; (iii) the Financial Officer; (iv) the Procurement Officer; (v) the Monitoring and Evaluation Specialist; and (vi) Chief of Technical Assistance.

In order to assist in the implementation of the Project, the PMU, unless otherwise agreed with IFAD, shall employ or cause to be employed such Key Project Personnel whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be seconded from the Government or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD.

The recruitment of Key Project Personnel is subject to IFAD's prior review. Key Project Personnel shall be subject to annual performance evaluation and the continuation of their engagement shall be contingent upon satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's Social, Environmental and Climate Assessment Procedures, as may be amended from time to time by the Fund (SECAP). Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

II. SECAP Provisions

1. The Borrower shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the Environmental and Social Management Plan (ESMP) and in compliance with the Social, Environmental and Climate Assessment Procedures ("SECAP"), as may be amended from time to time by the Fund. The Borrower shall not amend, vary or waive any provision of the Management Plan(s), unless agreed in writing by the Fund.
2. Where Project activities may involve land use or potential resettlement impacts, the Borrower shall ensure that no civil works are commenced until all Project affected persons have been compensated or resettled in accordance with applicable national legislation and the relevant SECAP requirements.
3. The Borrower shall ensure compliance with the SECAP procedures and the ESMP during the Project implementation. All bidding documents and contracts for goods, works and services shall contain provisions that require contractors, sub-contractors and suppliers to comply at all times during the implementation of the Project with the standards, measures and requirements set forth in the SECAP and the ESMP.
4. In the event of any environmental, social (including labor and community), or health and safety (ESHS) incident occurring in connection with the Project, the Borrower must, in good faith, promptly notify IFAD and agree to follow procedures indicated either in the PIM or as may be designated by IFAD in consultation with the Borrower. In all cases, the procedures must comply with IFAD's Incident Procedures.
5. The Borrower shall ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the Management Plan(s) (if any) are respected.
6. Without limitation on its other reporting obligations under this Agreement, the Borrower shall provide the Fund with:
 - periodic reports on compliance with SECAP and the ESMP, at least on a semi-annual basis or as otherwise agreed with IFAD;
 - reports of any environmental, social, health or safety incidents occurring during Project implementation and proposed remedial measures; and
 - reports of any breach of compliance with SECAP or the ESMP promptly after becoming aware of such breach.
7. In the event of a contradiction/conflict between the ESMP and the Financing Agreement, the Financing Agreement shall prevail.

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1 Persons 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 - Males	0	5607	14017				
	Females - Females	0	5607	14017				
	Young - Young people	0	1121	2803				
	Total number of persons receiving services - Number of people	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 - Households	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 of people	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 - Percentage (%)	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 - Percentage (%)	0	35	75					
Development Objective	Target households (CI 1a) report enhanced resilience to climate change and natural disasters				COI survey	Start-up; mid-term; completion		Stable market conditions and continued

To promote inclusive value chain investments for national and export markets and enhance the climate resilience of targeted smallholder farmers and rural producer households.	Households - Percentage (%)	0	35	75			External survey firm contracted by PMU	engagement of key public and private partners, and absence of major climate or economic shocks affecting agricultural production and value chains.
	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 of people	0	12820	68106				
	Households - Percentage (%)	0	40	85				
	Households - Households	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 of people	0	4807	32050				
	Households - Percentage (%)	0	15	40				
Households - Households	0	858	5723					
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 start-up, either as independent individuals (self-employed) or as employees of micro, small and medium-sized
	Number of POs - Organizations	0	10	26				
	Total number of POs members - Number of people	0	1400	3640				
	Males POs members - Males	0	840	2184				
	Females POs members - Females	0	560	1456				
	Young POs members - Young people	0	140	364				
2.2.6 Households reporting improved physical access to markets, processing and storage facilities				COI survey	Start-up; mid-term; completion			

Households reporting improved physical access to markets - Percentage (%)	0	85	85				External survey firm contracted by PMU	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.
Households reporting improved physical access to processing facilities - Percentage (%)	0	85	85					
Households reporting improved physical access to storage facilities - Percentage (%)	0	85	85					
Size of households - Number of people	0	6397	15994					
Households reporting improved physical access to storage facilities - Households	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 of people	0	7741	19354					
Households - Percentage (%)	0	60	60					
Households - Households	0	1382	3456					
Value of loans accessed by SMEs and cooperatives (in USD)				MFI' reports	Quarterly and annually	MFIs and PMU		
total (million) - Money (USD' 000)	0	1300	1600					
2.2.1 Persons with new jobs/employment opportunities								

	Males - Males	0	216	540				
	Females - Females	0	144	360				
	Young - Young people	0	36	90				
	Total number of persons with new jobs/employment opportunities - Number of people	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)	Active participation of local authorities and value chain stakeholders in VCIP preparation and validation.
	Number - 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				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 - Platforms	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 - Facilities	0	8	24				
	Total expected users - Number of people	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 of people	0	6720	16800					
Output 1.2.1. Capacity building support provided to cooperatives and MSEs for the development of	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
	Rural enterprises - Enterprises	0	67	102				
	Employees - Number of people	0	326	816				

business plans or bankable business proposals, or the formation of new cooperatives	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)	and advisory services. Regulatory procedures for cooperative registration remain operational, and producer groups are willing to formalize and comply with registration requirements.
	Males - Males	0	398	663				
	Females - Females	0	398	663				
	Young - Young people	0	80	133				
	Persons in rural areas trained in financial literacy and/or use of financial products and Services (total) - Number of people	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	Service providers' and MFIs' records; District Offices reports	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	
	Average repayment rate by MSEs and cooperatives							
MSEs - Percentage (%)		90	90					
Cooperatives - Percentage (%)		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				Project MIS	Annually	PMU	Continued engagement of relevant authorities in policy dialogue processes.
	Number - Knowledge Products	0	1	2				
1.2.4 Households reporting an increase in production				COI survey				

Outcome 2. Enhanced climate and market shock resilience of smallholders' farming systems and improved food security and safety for food insecure households	Total number of household members - Number of people	0	10618	26544		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.
	Households - Percentage (%)	0	75	75				
	Households - Households	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 (%) - Percentage (%)	0	85	85				
	Women (number) - Females	0	1564	3910				
	Households (%) - Percentage (%)	0	85	85				
	Households (number) - Households	0	1564	3910				
Household members - Number of people	0	8758	21896					
Output 2.1.1. Resilience and improvement plans (PRIP) developed and implemented	PRIPs developed and implemented				Service providers' records and District Offices reports	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	Beneficiary groups are willing to implement PRIPs, and adequate technical support is available to translate plans into concrete investments. 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 - Number	0	24	60				
	Cooperative/cluster-level - Number	0	5	12				
	APGs-level - Number	0	19	48	COI survey	Start-up; mid-term; completion	External survey firm contracted by PMU	
	3.1.4 Land brought under climate-resilient practices							
	Hectares of land - Area (ha)	0	1300	2550				
	People reached - Number of people	0	1608	4020	COI survey			
1.1.4 Persons trained in production practices and/or technologies								

	Men trained in crop - Males	0	804	2010				
	Women trained in crop - Females	0	804	2010				
	Young people trained in crop - Young people	0	161	402		Start-up; mid-term; completion	External survey firm contracted by PMU	
	Total persons trained in crop - Number of people	0	1608	4020				
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 - Area (ha)	0	400	1000				
	Total expected users - Number of people	0	320	800				
	WUGs receiving capacity building support							
	Number - Number	0	8	20	Service providers' and District Engineers records; District Offices reports	Quarterly and annually	PMU (consolidation), District and Provincial Offices (reporting)	
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 - Males	0	644	1610				
	Females - Females	0	276	690				
	Young - Young people	0	92	230				
	Persons trained in IGAs or BM (total) - Number of people	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 of people	0	1840	4600			
Males - Males	0	920	2300			
Females - Females	0	920	2300			
Households - Households	0	680	1700			
Household members benefitted - Number of people	0	3808	9520			
Young - Young people	0	184	460			
Number of persons with disabilities - Number	0	160	400			

Integrated project risk matrix

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	Moderate	Moderate
Political Commitment	Moderate	Moderate
Governance	Moderate	Moderate
Macroeconomic	Substantial	Substantial
Fragility and Security	Moderate	Moderate
Sector Strategies and Policies	Moderate	Moderate
Policy alignment	Low	Low
Policy Development and Implementation	Substantial	Substantial
Environment and Climate Context	Substantial	Substantial
Project vulnerability to environmental conditions	Substantial	Substantial
Project vulnerability to climate change impacts	Substantial	Substantial
Project Scope	Moderate	Moderate
Project Relevance	Low	Low
Technical Soundness	Moderate	Moderate
Institutional Capacity for Implementation and Sustainability	Moderate	Moderate
Implementation Arrangements	Moderate	Moderate
Monitoring and Evaluation Arrangements	Moderate	Moderate
Project Financial Management	Substantial	Substantial
Project Organization and Staffing	High	High
Project Budgeting	Substantial	Substantial
Project Funds Flow/Disbursement Arrangements	Substantial	Substantial
Project Internal Controls	High	High
Project Accounting and Financial Reporting	High	High
Project External Audit	Substantial	Substantial
Project Procurement	Moderate	Moderate
B.1 Assessment of Project Complexity	Moderate	Moderate
B.2 Assessment of Implementing Agency Capacity	Moderate	Moderate
Project Procurement Overall	Moderate	Moderate
A.1 Legal, Regulatory and Policy Framework	Low	Low
A.2 Institutional Framework and Management Capacity	Moderate	Moderate
A.4 Accountability, Integrity and Transparency of the Public Procurement System	Moderate	Moderate
A.3 Public Procurement Operations and Market Practices.	Moderate	Moderate
Environment, Social and Climate Impact	Moderate	Moderate
Biodiversity Conservation	Moderate	Moderate
Resource Efficiency and Pollution Prevention	Moderate	Moderate

Cultural Heritage	Low	Low
Indigenous People	Low	Low
Labour and Working Conditions	Moderate	Moderate
Community health, safety and security	Moderate	Moderate
Physical and Economic Resettlement	Low	Low
Financial intermediaries and direct investments	Low	Low
Climate change	Moderate	Moderate
Stakeholders	Moderate	Moderate
Stakeholder Engagement/Coordination	Moderate	Moderate
Stakeholder Grievances	Low	Low
Overall	Moderate	Moderate