

Lao People's Democratic Republic

Northern Smallholder Livestock Commercialization Project: Rural Financial Services Programme

Supervision Report

Main report and appendices

Mission Dates: 21/05/2018 - 08/06/2018

Document Date: 20/07/2018

Project No. 1100001744

Report No. 4807-LA

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

ADB	Asian Development Bank
AFN	Agriculture for Nutrition
AFP	Agricultural Finance Project
ASAP	As Soon As Possible
AWPB	Annual WorkPlan and Budget
BMZ	Federal Ministry of Economic Cooperation and Development
BoL	Bank of Laos
DAFO	Provincial Agriculture and Forestry Office
FNML	Food and Nutrition Security and Market Linkages Programme
GAP	Gender Action Plan
GIS	Geographical Information System
GIZ	German Development Organisation
GPS	Geographical Positioning System
GST	Group Support Team
HH	Household
IFAD	International Fund for Agricultural Development
KfW	German Development Bank
KM	Knowledge Management
LAFF	Laos Access to Finance Fund
LAK	Laos Kip
LDP	Livestock Development Project
LF	Livestock Fund
LPMG	Livestock Production Management Group
M&E	Monitoring and Evaluation
MAF	Ministry of Agriculture and Forestry
MoF	Ministry of Finance
MoNRE	Ministry of Natural Resource and Environment
MoU	Memorandum of Understanding
MTR	Mid-Term Review
NAFRI	National Agriculture and Forestry Research Institute
NAO	National Audit Office
NARF	National Agricultural Refinance Fund
NO	No Objection
NPMO	National Project Management Office
NSLCP	Northern Smallholder Livestock Commercialization Project
NSO	Network Support Organisation
PAFO	District Agriculture and Forestry Office
PAR	Participative Action Research
PIM	Project Implementation Manual
PoNRE	Provincial office of Natural Resource and Environment
PPME	Project Performance Monitoring Evaluation
RFS	Rural Finance Service
SSSJ	Soum Son Seun Jai – Community-Based Food Security And Economic Opportunities Programme
ToR	Terms of Reference
USD	United States Dollars
VB	Village Bank

A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Actual problem
Country:	Lao People's Democratic Republic	Environmental and Social Category:	B
Project Name:	Northern Smallholder Livestock Commercialization Project: Rural Financial Services Programme	Climate Risk Classification:	2
Project Id:	1100001744	Executing Institution:	Ministry of Agriculture and Forestry
Project Type:	Credit and Financial Services	Implementing Institutions:	Ministry of Agriculture and Forestry
CPM:	Thomas Rath		
Project Director:	not available yet		
Project Area:	not available yet		

Approval Date	10/12/2016	Last audit receipt	not available yet
Signing Date	14/03/2017	Date of Last SIS Mission	08/06/2018
Entry into Force Date	14/03/2017	Number of SIS Missions	1
Available for Disbursement Date	12/01/2018	Number of extensions	0
First Disbursement Date	16/01/2018	Effectiveness lag	3 months
MTR Date	not available yet		
Original Completion Date	31/03/2022		
Current Completion Date	31/03/2022		
Financial Closure	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	\$10,000,000
Domestic Financing breakdown	Beneficiaries	\$600,000
	National Government	\$1,912,000
	Other Government	\$2,400,000
Co-financing breakdown,	Asian Development Bank	\$2,895,000
	To be determined	\$1,850,000
	Asian Development Bank	\$21,000,000
Project total financing		\$40,657,000

Current Mission

Mission Dates: 21/05/2018 - 08/06/2018

Days in the field: 9

Mission composition: Philip Charlesworth, Agriculture Development Specialist / Team Leader; Sebastian Behrle, Rural Finance Specialist; Shankar Achuthan Kutty, IFAD regional procurement officer / Procurement Specialist; Álvaro Fernández, IFAD Financial Management Officer / Financial Specialist; Soulivanh Pattivong, IFAD Country Programme Officer / Project Management and M&E Specialist

Field sites visited: Xieng Khouang Province, Khoun District, Thaenthong Villages, and District Office. Houaphan Province, Viengsay District, Nalouang, Bambok, Natsong Villages, and District Office.

B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		3	Assessment of the Overall Implementation Performance		3

Effectiveness and Developmental Focus	3	Project Management	3
Effectiveness	2	Quality of Project Management	3
Targeting and Outreach	3	Knowledge Management	3
Gender equality & women's participation	2	Value for Money	3
Agricultural Productivity	2	Coherence between AWPB and Implementation	2
Nutrition	3	Performance of M&E System	2
Adaptation to Climate Change	3	Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	

Sustainability and Scaling-up	3	Financial Management and Execution	3
Institutions and Policy Engagement	3	Acceptable Disbursement Rate	2
Partnership-building	3	Quality of Financial Management	2
Human and Social Capital and Empowerment	3	Quality and Timeliness of Audit	4
Quality of Beneficiary Participation	4	Counterparts Funds	3
Responsiveness of Service Providers	3	Compliance with Loan Covenants	3
Environment and Natural Resource Management	3	Procurement	3
Exit Strategy	4		
Potential for Scaling-up	2		

Relevance	3
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

The Project is jointly funded by ADB and IFAD. The Rural Financial Service Programme (RFSP) of \$10 million became effective on 14 March 2017 and will complete on 14 September 2022. The Government of Lao PDR is contributing approximately \$2.03 million in kind.

The RFSP's goal is to "Establish sustainable and scalable national rural financial and technical services that support the reduction of rural poverty and increased livestock productivity." The development objective is "increased livestock production through expanded financial and technical services." The RFSP has two main outcomes: (i) smallholder livestock producers adopt productive technology; and (ii) rural households access sustainable and scalable rural financial services. The RFS has 5 outputs: (i) smallholder livestock producer and marketing groups, (ii) technology development, (iii) financial services to project beneficiaries, (iv) networked village funds in project districts, and (v) national agriculture refinancing facility.

The IFAD supervision mission took place from May 21 – June 8 with the objectives : (i) review project progress and performance in the implementation period 2017-2018; (ii) review agreed actions from Nov supervision 2017; (iii) identify any issues hindering effective project implementation in the upcoming period; and (iv) agree with MAF, BOL and GIZ on solutions to any issues and prioritized actions to ensure project's right direction on the ground, in view of the project design development objectives and sustainability.

The Mission held a kick-off meeting on 21 May 2018, chaired by Dr. Phouang Parisak Pravongviengkham, Deputy Minister of MAF. The supervision then spent from May 22-30 meeting farming households and project staff in the provinces of Xienkhong, and Houaphanh. Stakeholder meetings were also held in each of these provinces. Additional meetings, targeted at the mission objectives, were then held in Vientiane. These covered the BoL, GIZ, KfW, Luxembourg Development, BMZ. MAF staff were also consulted regularly to ensure the teams recommendations were matching their needs. A pre-wrap up meeting was held on 6 June 2018 to discuss findings with the MAF deputy minister and project technical committee. A wrap up workshop and meeting were held in Vientiane over 7-8 June 2018 consisting of: (i) a technical workshop among the LPMGs, DAFO, PAFOs, project staff and consultants; and (ii) a presentation and discussion of the results and way forward to a chairing panel consisting of senior representatives of MAF and governors of the participating provinces.

Key Mission Agreements and Conclusions

The IFAD financing for NSLCP was approved by the Executive Board in December 2016 and entered into force in March 2017. The conditions of disbursement were met in January 2018 with the disbursement of an advance of USD 1 million processed in January 2018.

So far the project reported a total expenditure of USD 74,703 against the categories of expenditure Training, Goods/Services and Operating Costs for the period covered by the AWPBs 2017 and 2018. The slow initiation of the project was mainly due to a slow start-up in the preparation of the PIM and the AWPB.

NSLCP team will concentrate efforts in the following areas :

Monitoring and Evaluation. The highest priority needs to be placed on establishing an M&E system that will allow for continuous management of project activities, and for donors to measure the return on investment of their funds.

Ethical and sustainable treatment of credit NSLCP can take hard lessons from LDP about inappropriate lending to poor households with limited capacity to repay. The project will adopt high level due-diligence when disbursing loans to ensure households are not left with crippling debts as a consequence of NSLCP. Better matching of production system with household financial and technical capacity and financial management training will contribute to higher loan success.

The project also needs to be very clear how it balances commercial lending practices, with subsidised lending to support policy mechanisms. The costs and management of the current loan portfolio, being managed from within MAF, demonstrate well the role of professional/specialist micro-finance providers.

Higher level financial management practices. MAF will mainstream its business processes within the Finance Departments for proper clearance and internal control verification before the release of funds can take place.

Overview and Project Progress:

IFAD's Rural Finance Services component of the NSLCP project is still at a very early stage of implementation.

The project uses a three-pronged approach :

- *Component 3.1 : The Village Livestock Fund*, that recovers funds previously lent through the LDP project, and reinvests them with households for livestock purposes. This is a short-term, unsustainable solution, administered through MAF.
- *Component 3.2 : Village Banks, locally owned/managed savings/credit systems, that offer greater sustainability and local empowerment.* Further development of the VB system will rely on a partnership with BoL and GIZ.

- *Component 3.3 : National Agricultural Refinancing Fund. Support for the development of formal micro-finance lenders, through the BoL and supported by KfW.*

The delay in activity is a fortunate situation, given the changes that are needed to the operation of the VLF, and the partnerships that are still to be signed with BoL, GIZ, and KfW.

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Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
Improved financial management <ul style="list-style-type: none"> - Contracting of International Project Accountant (by 15 June 2018) - Contracting of a Full time National Finance Manager (by 30 Oct 2018) - Adequacy of the Financial Manual for the IFAD financing (by 31 July 2018) - Finalization of the customization of the chart of accounts and configuration of the Financial Reporting of the accounting system (by 30 June 2018). - To mainstream of business processes within every Finance Department. - Liquidation of the advances provided to the Project Assistant and recording of transactions in the accounting software. - The project to comply with the provisions of the Financial Manual and best practices to process payments directly to suppliers or contractors of the project. - In the case of advances, the methodology has to be established in the Financial Manual and restricted to parties of the project or exceptionally to authorized staff for certain type of activities that can't be paid directly (by 31 July 2018) - Clarification and formalization of tax exemption with MoF (by 30 June 2018) - Project to request the NO to the AWPB of IFAD prior its submission to the Project Steering Committee (by November every year). - Interim Financial reports to be produced semi-annually (every six months Starting June 2018) - Private audit firm to be hired annually through a competitive bidding (every year-end starting December 2018). 	NSLCP, International Project Accountant (when employed)	12/2018

<p>Contractual arrangements and financing</p> <p>(i) AFP/GIZ and NSLCP to sign a contract on their partnership and agree on financing the planned cooperation. Clarity on the financial (End Sept) and contractual arrangements. Deadline by 31 Dec, 2018.</p> <p>(ii) MoU between MAF and BoL: Upon completion of the AFP/NSLCP contract, MAF and BoL will elaborate a MoU concerning the cooperation between the two agencies. Deadline by 30 Sept, 2018.</p> <p>(iii) Timeline: The partnership will be piloted in Luang Namtha province with existing AFP and NSLCP capacity. Draft timeline for the pilot and overall implementation framework, along with MOU of the partnership to be developed by NSCLP in coordination with AFP. Deadline by 31 Dec, 2018.</p> <p>(iv) Alternative solutions: If certainty about a cooperation with AFP has not been reached until September 30, 2018, IFAD and MAF / BoL would need to find other technical partners for the implementation of component 3.2. Such alternative would have to be developed by the next supervision mission to take place in November 2018. Deadline starts November 1, 2018</p>	<p>NSLCP NPCO and AFP PD</p>	<p>12/2018</p>
<p>Set up of 200 Village Banks and 4 NSOs</p> <p>(i) Scope: In all target districts, AFP charged with developing networks of Village Banks leading to the self-sufficient operation of 3 new provincial Network Support Organisations in Luang Prabang, Xieng Khouang and Houaphan and the inclusion of Vieng Phoukha into the existing NSO in Luang Namtha (Nalae and Sing are already included). The NSOs to have at least 200 member VB congruent with NSLCP target villages.</p> <p>(ii) Coordination: AFP to align the setup of new VB with the progress of NSLCP operations</p>	<p>BOL/GIZ project AFP</p>	<p>01/2019</p>

<p>LF continues to lend to LPMG members</p> <p>(i) Recovery of outstanding loans continues in all former LDP districts, following the Livestock Fund Guidelines poor households with very low repayment capacity will receive debt relief. Deadline for Debt relief by Dec 31, 2018.</p> <p>(ii) Lending to LPMG members continues in all 12 project districts and in the 7 former LDP districts with residual LDP funds under the conditions set by MAF: Any issue concerning the 7 out-phased districts is outside the scope of responsibility of NSLCP. IFAD recommends the LF be managed to cover its own costs. Past experience indicates a rate of 12%. NSLCP will focus on strong LPMGs for credit, while less strong groups will receive technical support only, and linkage to Nayobay Bank for credit. Immediate action</p> <p>(iii) Two Microfinance advisors will be employed to support LF in the period 2018-2020: one international/regional microfinance operations expert and one national trainer/management assistant. Amongst other tasks, the MF advisors will perform a service check and provide capacity building on financial management good practices, incl. the establishment of an accounting and reporting system (MIS) up to int. standard, and proactive monitoring of operational expenses. Deadline by 30 Oct 2018</p> <p>(iv) Fresh IFAD funds can be disbursed by the LF to LPMG members according to the following conditions : a. LF has reliable MIS; b. Credit disbursement must follow good credit management practices as outlined in the Credit Manual, c. Cost recovering interest rate to be discussed with NSOs (base ~12%), d. Require credit applications prior to disbursement of funds from IFAD to LF, e. Sample of approved credit application to be checked and approved by the MF expert. f. Credit contract stipulating transfer of loan administration to NSO. g. No new funds disbursed to 7 out-phased districts. Deadline expected starting Jan, 2019.</p> <p>(v) Transfer of responsibility: The administration these loans from fresh IFAD money incl. cash, cash in bank and credit portfolio will be formally and progressively transferred to the provinces' Network Support Organisations/Village Banks per date of their formal registration at BoL (starting with Luang Namtha at the time of the cooperation agreement with GIZ). Deadline start 2019- other provinces 2020</p>	<p>NSLCP NPCO and LF Team</p>	<p>01/2019</p>
<p>Prepare consultancy for the setup of NARF</p> <p>(i) Cooperation Agreement: IFAD and KfW with active involvement of MAF and BoL to agree on a cooperation framework for NARF and LAFF located at the Banking Operation Department of BoL. Subsequently, MAF and BoL to elaborate a MoU on their cooperation in regard to the ARF. Deadline expected 31 Dec, 2018.</p> <p>(ii) Consultancy: Once LAFF details will be in place, the planned IFAD consultancy for NARF initiation (acc. To PIM) will detail the cooperation modalities and proposed eligibility criteria for NARF loans. Deadline by 01 Jan 2019.</p> <p>(iii) Set-up: Under the guidance of the consultant, BoL will set up the NARF. Deadline y 30 Jun 2019.</p>	<p>NSLCP, BoL BO Department</p>	<p>06/2019</p>
<p>Disbursement of loans from NARF to selected FIs</p> <p>Upon establishment and funding of NARF, it will start to disburse loans to selected FI fulfilling LAFF performance and capacity criteria to on-lend to clients engaged in agriculture and agribusiness according to the criteria set by the NARF steering committee. (2020)</p>	<p>NARF steering committee</p>	<p>06/2020</p>

<p>Transfer of LF loan administration</p> <p>(i) Administration of the LF loan portfolio created from fresh IFAD funds, incl. the collection and re-disbursal to eligible LPMG members, will be formally and progressively transferred to the provinces' Network Support Organisations/Village Banks per date of their formal registration at BoL (starting with Luang Namtha at the time of the cooperation agreement with GIZ). NSOs will be entitled to keep collected loan interest to cover their own operational expenses. NSOs are not liable for Non-performing Loans disbursed by the LF Credit Team. Latest maturity date for new loans is 14/3-2021 (one year before project end)</p> <p>(ii) Audit of the NSOs will be organized annually. Starting from 1 Jan 2019 – completing Dec, 2020</p>	<p>NSO management, AFP, Ministry of Finance</p>	<p>12/2020</p>
<p>Transfer of funds to NARF</p> <p>(i) Cooperation Agreement: IFAD and KfW with active involvement of MAF and BoL to agree on a cooperation framework for NARF and LAFF located at the Banking Operation Department of BoL. Subsequently, MAF and BoL to elaborate a MoU on their cooperation in regard to the ARF</p> <p>(ii) Consultancy: Once LAFF details will be in place, the planned IFAD consultancy for NARF initiation (acc. To PIM) will detail the cooperation modalities and proposed eligibility criteria for NARF loans</p> <p>(iii) Set-up: Under the guidance of the consultant, BoL will set up the NARF</p> <p>Registration by 31 Dec, 2019, transfer by Sept 14, 2021</p>	<p>LF, NSOs, NSLCP, NARF steering committee</p>	<p>09/2021</p>

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness

Rating: 2

Justification of rating

During project design, a Theory of Change has not been developed, and in-depth analysis of the situation has not been made. Project activities are poorly connected to the project objectives, some of them harming the pre-existing business having negative effects on farmers' attitude

Log-Frame Analysis & Main Issues of Effectiveness

As of April 2018, 164 LPMGs have been established in 109 villages with a total of 2,250 member households (5,400 of targeted outreach). Forty-seven LPMGs are in Luangnamtha, 40 in Luang Phrabang, 40 in Xiangkhouang, and 37 in Huaphan. Progress against Project Goal and Development Objectives are summarised below:

Goal: Establish sustainable and scalable national rural financial and technical services that support the reduction of rural poverty and increased livestock productivity:

- 8,300 households enjoy at least 200% increase in annual livestock income;
- At Programme end, 20,000 households obtain incremental annual credit of at least LAK32 billion (USD 4 million).

Progress: NSLCP baseline survey report has not been finalised. Impact measured at MTR and completion.

DO1: Livestock production in Programme area increased from 6,200 to 11,700 tons per year.

Progress: NSLCP baseline survey report has not been finalised. Impact measured at MTR and completion.

The main issue for effective implementation of NSLCP is slow process of recollection of LF and slow progress of VBs and NSO development that is under arrangements with BOL/GIZ on technical assistance. The project design promotes decentralization of activities to target villages, farmer groups, women and men. However, as of April 2018, 164 LPMGs have been formed but with concerns on group functionality, interactions among farmers and future intention for scaling up, resulting in different group investment needs and priorities and HHs joining LPMGs hoping for only credit access, that is not in line with objectives of LPMG membership for full scale livestock commercialization. In addition, there has been no involvement of private service providers in supporting project activities at different levels. Furthermore, the project has had no clear plans and strategy in supporting farmers in term of value chain development, a part from only inputs supply and theoretical trainings needing more actions trainings and more technical support. Another concern on conditions for LPMG membership that have made the rural poor and female-headed families, with no facilities at HH level, difficult to be the LPMG members.

In order to achieve effective decentralization and full scale roll-out of physical investments in the coming years, the project is supposed to systematically follow its defined coordination mechanism among agencies, and continue providing capacity support to local levels, and execute performance-based incentive structure for assigned staffs/agencies, namely PAFOs/DAFOs and GST. The mission expects that results of such decentralized implementation mechanism will be more sustainable through better empowerment of PAFOs/DAFOs/GST and LPMGs as project owners, compared to centrally led execution.

Agreed Action	Responsibility	Agreed Date
Development Effectiveness		
Improve PAFO/DAFO/GST capacity With support from NPMO, DLF, NAFRI and DTEAP and project consultants: (i) actions trainings for PAFO/DAFO/GSTs on thematic areas for more trainings for farmers at farm level (ii) continuously coach GSTs on the job.	With support from NPMO, DLF, NAFRI and DTEAP and project	07/2018
Finalization of MOU between MAF and BOL/GIZ MAF/NPMO to work with BOL to finalize MOU with detailed roles/TOR, working arrangement, flow of funds, reporting line, etc.,	MAF/NPMO/BOL	09/2018
PAR models Share PAR models among IAs, followed by actions trainings to PAFO/DAFO/GST and then PAR models used by GST to support farmers/LPMGs at farm level	NPMO, NAFRI, PAFO/DAFO/GST	10/2018

Development Focus

Targeting and Outreach

Rating: 3

Justification of rating

Project is mainly self-targeting. Farmers decide themselves whether to participate in project activities. However, the strong focus on capital-intensive cattle production is harming gender and poor participation. A large proportion of loan funds have been disbursed to urban-based public servants.

Main issues

Almost all farmers in Northern Laos are engaged in animal husbandry, and as such potential beneficiaries for a livestock project. Villages have in some cases been selected without proper analysis of their potential – in B. Nathaen, Viengxay district, Houaphan province, cattle systems are promoted despite limited availability of land for grass production. Within target villages, project participants are mainly self-targeted – however, the project's strong focus on cattle seems to marginalise families with low resources, that are not able to do cattle raising, but would benefit from small animal husbandry.

The flawed project rationale has led to an unclear targeting in regard to wealth status in regard to subsidising. The target group with the highest potential for commercialisation has a good resource situation, and should as such not be endowed with handouts. Commercial production means to operate under commercial conditions, and subsidising and providing project-organised inputs and services is counterproductive to achieving commercial status.

Agreed Action	Responsibility	Agreed Date
Development Effectiveness		
Promote smaller livestock production (pigs/goats)	NSLCP	
Implement the loan disbursement according to Credit Manual	Credit Team	

Gender equality & women's participation

Rating: 2

Main issues

(i) Women's participation in particular project activities is not at a satisfactory level; (ii) the IFAD gender targets seem to be high due to main focus on cattle development for full scale livestock commercialization. With full VBs/NSO development, focus will change from livestock to small animal raising that will include more women in project activities (iii) even with clear project gender strategy, emphasis is on participation of women needs to be improved in consultation and planning processes, decision making and getting supports of project inputs; (iv) some of conditions for LPMG membership require access to forage land, availability of least 3-4 cattle herds, labour, etc. Women and entire families are considered poor, if they do not have land or only limited access to it, this might result in exclusion errors.

However, IFAD suggests to keep the original GAP design for use during IFAD mission.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Development Effectiveness		
Keep gender targets for now, but discuss them with NPMO during 2019 MTR, if some targets need to be updated	NPMO/IFAD	07/2019

Agricultural Productivity

Rating: 2

Justification of rating

IFAD supports the extension of forage demonstrations. Very few demonstrations have been established, and also training and extension materials are still to be implemented in most project target areas.

Main issues

There is little time allocated to DAFO/PAFO staff to supervise trials. Seed is purchased centrally, is expensive, and often misses the season for planting due to protracted procurement procedures. More importantly, the land titling has not been done, and so grazing lands are mostly still communal

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Development Effectiveness		
Procurement decentralized to LPMG level, more time allocated to PAFO/DAFO staff	ADB/NSLCP	12/2018

Nutrition

Rating: 3

Justification of rating

The project has been focusing on cattle development for full scale livestock commercialization. With full VBs/NSO development, focus will change from livestock to small animal raising (poultry, pig, etc.) that will directly support food security and nutrition aspects at community and family levels, and this will engage more participation of women in project activities. In addition, livestock value chain development, implemented under developed PARs, has also supported nutrition aspect, with increased incomes of the smallholder farmers and LPMG members

Adaptation to Climate Change

Rating: 3

Justification of rating

Environment and Climate change are cross cutting issues, that will be dealt with through various project instruments including PAR, forage development, farmer investments, land use planning and forest land use planning and allocation. The project is still at early stage of implementation, hence concrete activities related to climate change and environment are yet to be initiated. At this stage, the mission recommends project to ensure that environmental risks, vulnerabilities and adaptation measures will be well reflected in all investment plans, and especially in the examples to guide local implementation: PAR models and fodder development and land use planning and land allocation.

b. Sustainability and Scaling up

Institutions and Policy Engagement

Rating: 3

Justification of rating

NSLCP uses the government system for programme implementation and management with regular dialogues on project status, issues and recommended remedies among implementing partners at different levels. Institutional building capacity has been conducted to programme management units and line agencies at provincial and district levels.

Main issues

(i) Project supports GoL decentralization policy; however, a number of activities and procurement remains centrally focussed, resulting in delayed service delivery at local level; (ii) main policy instrument to be developed by the project is

individual land titling to enable more efficient grazing on improved pastures, but no detailed land use planning and titling have happened yet; (iii) land titling is the responsibility of the centrally based NAFRI, in cooperation with DALAM, MONRE/PONRE/DONRE and others but no progress has been made. This will now shift to the PAFO/DAFO and PoNRE/DoNRE, who have good capacity and GIS database to aid the land titling, in line with government decentralization policy; (iv) project has been providing trainings to staff at different levels, aimed at better operational and financial management, however, capacity remains generally limited; and (v) some provided trainings are inappropriate, e.g. training smallholder farmers to use GPS, needing more action trainings at practical level.

Agreed Action	Responsibility	Agreed Date
Sustainability and Scaling Up		
PONRE/DONRE and PAFO/DAFO to take-over land use planning and titling activity (i) PONRE/DONRE and PAFO/DAFO to take-over land use planning and titling activity; and (ii) besides technical training and coaching provided, more focus has to be brought to group formation with detailed group business plan, administration and governance.	ADB/NPMO/IFAD	09/2018

Partnership-building

Rating: 3

Justification of rating

NSLCP engages relevant central technical departments of MAF (NAFRI, DTEAP and DLF) and local PAFOs and DAFOs with regular dialogues to support project management and implementation. In addition, partnership with BOL, BMZ and GIZ for VBs/NSO development is expected to start by Dec 2018.

Main issues

(i) MOU between MAF and BOL/GIZ has not been finalized as reference to support development of VBs/NSO due to external factors; (ii) Roles of a number of central partners (NAFRI, DTEAP and DLF) are not clear in delivering expected outputs/deliverables on grounds; and (iii) work-plans of technical central and local partners in supporting target farmers are not harmonised and not well coordinated.

Agreed Action	Responsibility	Agreed Date
Sustainability and Scaling Up		
Roles of central and local partners to be clearly defined with joint work-plans in delivering expected outputs in line with government decentralised policy	MAF/NPMO / PAFO/DAFO	09/2018
MOU between MAF and BOL/GIZ to be finalised	MAF/NPMO	09/2018

Human and Social Capital and Empowerment

Rating: 3

Justification of rating

LPMG formation is ongoing, but only 30% of groups are classed as strong. Village banks well support social capital strengthening, empowerment – when successful. Group actions – e.g. buying inputs, selling. Decentralization with local support not commenced.

Main issues

Again, the central focus of service provision has led to greater cost, low implementation, delays due to slow processing. Village Bank formation not yet commenced. LPMG's not operating to the level of buying inputs together or selling as a group. LPMG business planning not commenced.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Sustainability and Scaling Up		
Commence Village Bank establishment	BoL/GIZ/NPMO	09/2018
Activities accelerated through moving to more decentralized implementation, inc. LPMG training	NPMO	

Quality of Beneficiary Participation

Rating: 4

Justification of rating

LPMG formed for better production, access to services and free tools, building materials and other inputs, credit, participation in land titling process, group production planning.

Main issues

In general, farmers are looked down on by government officials, who use top-down communication to tell what should be done. This is a long term behaviour that will take specific a long time frame and project effort to improve.

Group formation, and participatory training are ongoing, but delayed. Learning more about market processes, financial management, and getting more success (profit) from their livestock production, will help the empowerment and participation of community members.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Sustainability and Scaling Up		
Develop a more collegial engagement approach, more empathy with the situation of smallholders	All participants	

Responsiveness of Service Providers

Rating: 3

Justification of rating

The centralized system is not delivering services fast enough, or with enough backup to ensure the success of technical or managerial interventions. Inputs arriving too late for seasonal needs and very expensive, meaning less coverage. So far, there is no mention of the private sector. During the field trip, examples of private sector actors were encountered, in the target area, who are providing similar services to the project, and receiving no assistance from the project.

Main issues

The government service provision is too constrained by centralized bureaucracy, and a seeming lack of motivation to adopt a more market driven, private sector, approach

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Sustainability and Scaling Up		
Decentralize main project activities	ADB/NSLCP	
Develop more client oriented service approach, encourage partnerships and learning from private sector	All project entities	

Environment and Natural Resource Management

Rating: 3

Justification of rating

The project is designed with a number of interventions to help improve the natural resource management and environment in the target districts and villages, such as participatory land use planning and land allocation (PLUP/LA) to improve access for the poor and smallholder farmers to production lands and forage development in upland areas to prevent soil

erosion and provide feed to cattle at the same time.

Main issues

All other interventions related to natural resource management and environment are still in preparation stage for implementation in 2018. Therefore, potential impact has not been visible yet. In addition, in the villages visited by the supervision mission team, farmers still discharge waste from traditional cattle farming practice (cow fattening) located near houses, river and directly to canal nearby without proper treatment. Therefore, environmentally friendly measures should be considered by the project, especially through using PAR models identified by NAFRI.

Exit Strategy

Rating: 4

Justification of rating

At this stage, a comprehensive exit strategy is yet to be developed. In order to ensure that the project results and approaches will be sustained by relevant agencies at different levels, the NPMO is recommended to prepare a draft exit strategy for the project that will be discussed in the MTR 2019 and to support this, it will be discussed during ISM during Nov 2018.

Main issues

LPMG formation process and inputs support are conducted with heavy involvement and technical support of central implementing agencies that is not in line decentralised policy. These will result in less ownership and accountability of project of local agencies during project life.

Agreed Action	Responsibility	Agreed Date
Sustainability and Scaling Up		
Draft exit strategy NPMO will prepare a draft exit strategy for the project, with technical support from the CTA/LIC, in consultation with all implementing agencies at central and local levels.	NPMO / CTA/LIC	12/2019

Potential for Scaling-up

Rating: 2

Justification of rating

Scaling-up will not occur until services are handed over to private sector, and/or DAFO/PAFO are properly resourced to perform this function, in the long term.

Main issues

Most government staff still operate in 'project-mode', where each project is a self-contained set of activities that are not connected with other past or present projects, or necessarily with government activities. For example, no connection is made between JICA FMD (current) or ACIAR Livestock (past and current) projects, even though they share target areas, use similar technologies, and involve the same staff. Better coordination should bring better resource utilisation (staff time, input coordination, population coverage). More thought to such coordination/collaboration should also develop a culture of 'building' on past/present activities. Instead, the current system has the expectation that all will return to the *status quo*, after project closes.

This is also further evidence of the importance of the private sector. The private sector is operating quite successfully in parallel to any DP activities. Our challenge is in involving more and learning from the private sector, and providing appropriate support that accelerates smallholder access to improved services, without harming functioning markets e.g. with subsidies.

Agreed Action	Responsibility	Agreed Date
Sustainability and Scaling Up		
Develop more client oriented service approach, encourage partnerships and learning from private sector	All project entities	

c. Project Management

Quality of Project Management

Rating: 3

Justification of rating

Progress: (i) implementation mechanism including TORs and project implementation technical manuals – PIM, LPMG and PAR models, completed and trained conducted to project stakeholders; (ii) steering committees established with regular meetings, updating on project status, issues and joint solutions; (iii) quarterly meetings held with full participation of stakeholders at different levels; (iv) a joint 2018 AWPB of ADB and IFAD developed through broad consultation process; and (vi) joint quarterly and yearly project reports produced.

Main issues

(i) the joint ADB and IFAD 2018 AWPB approved by PSC prior to receiving NOL from IFAD/ADB, that is not in line with loan covenant; (ii) systematic and effective work planning and communication among central and local implementing agencies remain a challenge, (iii) Roles of GST are clear but with few delegated authorities and financial support of NPMO and central implementing agencies; (iv) project implementation and management are centrally based, that is not line with government decentralised scheme; (iv) a number of trainings have been conducted but mostly on theory, but farmers urgently need more actions trainings at farm level during project life.

Agreed Action	Responsibility	Agreed Date
Project Management		
Quarterly work-plans NCPO, NAFRI, DTEAP, DLF, PAFOs and DAFOs to develop quarterly work-plans with expected deliverables. Practical field work reports against work-plans produced and shared.	NPMO / central DLF, NAFRI/DTEAP	09/2018
Local capacity building schedule and decentralization (i) NPCO (lead), DTEAP, NAFRI, DLF to agree on a systematic capacity building / backstopping schedule for each district; and (ii) in line with government decentralisation policy and to speed up project activities, PAFOs, DAFOs and GSTs to lead field level implementation, with backstopping by central agencies.	NPMO / central DLF, NAFRI/DTEAP	09/2018
The AWPB to be submitted to IFAD during Nov every year for approval by IFAD before approval by PSC. Deadline by Nov every year.	NPMO	

Knowledge Management

Rating: 3

Justification of rating

Up to now, the NSLCP has produced a number of technical documents to support project implementation and management, including project guidelines – PIM, LPMG manual, seven PAR models, GAP, consultancy reports, supported by start-up consultants, NPMO consultants and LIC, and some of these have already shared with implementing agencies and partners through a number of meetings and workshops and trainings held at different levels.

Main issues

These knowledge products are not systematically shared to the key implementing partners at different levels and public through an accessible system such as project websites, so that sub-national agencies such as PAFOs and PAFOs can use to increase learning and understanding for the project implementation. Project website needs to be developed and technical documents and guidelines are uploaded for dissemination. In addition, simple project Facebook needs also to be developed to regularly disseminate key messages of project activities at different levels. The project has shifted implementation modality in line with government decentralization policy. With limited local capacity, to support decentralised rural project implementation, the project needs to develop technical tools/manuals, in term of procurement, matching grant, building on developed by previous and on-going IFAD funded projects – SSSJ, AFN and FNML.

Agreed Action	Responsibility	Agreed Date
Project Management		
Recruit intermittent KM officer to support KM and KS in partnership with implementing partners at different levels.	NPCO	03/2019

Value for Money

Rating: 3

Justification of rating

It is too early to confirm that the efficiency of project investments is satisfactory in terms of value for money. The local ownership of investment mechanisms in line with government decentralization scheme will ensure high efficiency. Nevertheless, the investments are still at preparatory stage at this stage, with expectation to improve financial achievements and a number of planned project activities will be implemented during 2019, and thus rating moderately satisfactory.

Main issues

(i) LPMG investments are prioritized, planned and designed in decentralized manner with direct engagement of beneficiaries which ensures high community participation and beneficiary contributions; (ii) the project is implemented with collective financing with ADB using same PMU with technical advisory services from LIC and IFAD; (iii) under preparatory stage, operational costs are maintained at level of design budgetary allocations; (iv) all value chain investments will come through investments through working LPMG/farmer groups and private enterprises, with requirement of private contributions, which is expected to ensure satisfactory value for money. With start of VBs/NSO, at the next 2019 SM, there will likely be more physical evidence of the success of these approaches.

Coherence between AWPB and Implementation

Rating: 2

Justification of rating

Only one target is addressed in the AWPB - # of LPMGs established (164), compared with target of 136.

AWPB Inputs and Outputs Review and Implementation Progress

AWPB Review: Project management changes proposed during this mission are designed to accelerate implementation.

Performance of M&E System

Rating: 2

Justification of rating

After three years implementation of the ADB funded part, the project does not have a functional M&E system. The development of PPME/ M&E system has been delayed even with support of start-up phase and LIC PPME consultants. The PPME needs to be finalised with functional system, with clear indicators designed to be tracked by different implementing partners at different levels, then followed by trainings/on-job trainings for M&E staff. In addition, baseline survey was done, but needing to be finalised. Furthermore, database of LMPG/famer groups has not been operationalised.

M&E System Review

M&E system Review: (i) M&E staff appointed at all project offices at NPMO, provincial and district levels - one PAFO and DAFO staff member has been nominated as M&E focal person at each province and district; (ii) quarterly report format developed with routine reporting; (iii) 12 data collection templates for GST developed; (iv) village recording book developed; and (v) trainings provided to central, provincial and district M&E staff on data collection forms, data collection and report writing.

Challenges: (i) still slow progress in finalization of PPME/M&E systems and needed tools and data collection formats and clear indicators, designed for IAs for tracking; (ii) capacity of M&E staff is not yet equipped at all levels; and (iii) farmer group/LMPG database is not yet operationalized. It was agreed that the project will (1) complete the design of data collection forms based on M&E framework and indicators; (2) train project staff on data collection procedures and conduct on-the-job training for project M&E staff on data entry and quality checking procedures; and (3) operationalize the farmer group database excel sheet.

Agreed Action	Responsibility	Agreed Date
Project Management		
Farmer group/LMPG database to be operationalized	NPCO	12/2018
Baseline survey to be finalised with technical support of M&E advisor and project team	NPCO	12/2018
PPME/M&E system with clear indicators With newly recruited M&E advisor, finalise PPME/M&E system with clear indicators designed to be tracked by IAs and weighting system to support implementation progress measurement, followed by trainings / on-job trainings to M&E staff at different levels	NPCO	12/2018

Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)

Rating:

d. Financial Management & Execution

Disbursement by financier

Type	Name	Current Amount	Disbursed Amount	Actual Rate
Domestic Financing breakdown	Beneficiaries	\$600,000	\$0	0.0%
	National Government	\$1,912,000	\$0	0.0%
	Other Government	\$2,400,000	\$0	0.0%
Co-financing breakdown,	Asian Development Bank	\$2,895,000		
	To be determined	\$1,850,000		
	Asian Development Bank	\$21,000,000	\$5,123,705	24.4%

Acceptable Disbursement Rate

Rating: 2

Justification of rating

The project has just entered in its second year of implementation. So far its disbursement rate is 10% and its actual expenditure less than 1%.

Main issues

The main issues behind the rating are:

Conditions precedent to withdrawal were reached late (January 2018).

Slow preparation of the Project Implementation Manual.

Discussions about the recollection of the LDP funds.

Delays in the GIZ project (Network Support Organizations/Village Banks).

Fiduciary Aspects

Quality of Financial Management

Rating: 2

Justification of rating

There are significant shortcomings in the financial management arrangements of the project.

Main issues

The project has finance staff at the different levels of implementation, such as in the Central Unit in Luang Prabang, in the four Districts covered by the project and in each of the Departments under the Ministry of Agriculture and Forestry that are parties of the project. Despite this organizational structure, the project doesn't have a head of finance to oversee the day-to-day financial activities of the project and to speed up its operations. This lack impacted the performance of the project and had repercussions in the compliance of the internal control system.

During the three years of the project's experience implementing the ADB financing, it was also noted that the performance of the Finance team was conditioned to the intervention of the International Project Accountant, who, at the time of the mission, started activities to set up the accounting system for the IFAD financing.

These positions mentioned above have not been contracted yet. Hence, the mission recommends the immediate recruitment of a full-time National Finance Manager and the International Consultant according with the NOL of IFAD 29 March 2018. For the latter, if deemed necessary, the project could request to IFAD the approval of an extension of the contract, initially estimated for 60 days for the entire life of the project, that seems to be insufficient at this point of the implementation. The ADB supported this recommendation.

The ADB and IFAD agreed with the proposal of the Government to share the National Finance Manager. The position will be financed 50% by ADB and 50% IFAD. It is recommended that the position be recruited immediately.

The mission detected significant irregularities and weaknesses in the internal control system of the project. So far, all transactions until the date of the assessment were processed through advances to a Project Assistant (USD 74,000), with subsequent replenishments without liquidation and reconciliation of funds. No chronological record of expenditures is maintained, and no transactions in the accounting software are registered.

Although it was expected that the project had a reliable accounting system due to the experience acquired implementing ADB funds, the financial information provided to the mission was produced manually, and it was observed that the accounting system for the IFAD financing is still on a set-up phase.

The mission noted that the AWPB 2018 was approved by the Project Steering Committee before the No-objection of IFAD. As stated in the General Conditions, Section 4.02 and 7.01 the mission recommends the project that the IFAD approval of the AWPB should precede the approval of the Project Steering Committee. This process is further described in the PIM.

Since the project started operating with the ADB's financing, it has been audited by the Lao National Audit Office (NAO). Due to the present shortcomings identified, ADB accepted the proposal of IFAD to shift to a private audit firm. The audit firm will be contracted through competitive bidding and its work will have to comply with International Standards and a separate opinion will be issued for each financing. IFAD also indicated that as per recently adopted procedures the Project yearly audited Financial Statements will be publicly disclosed.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Finalization of the customization of the chart of accounts and configuration of the Financial Reporting of the accounting system.	NSLCP	06/2018
Contracting of International Project Accountant	NSLCP	06/2018
Contracting of a Full-time National Finance Manager, to be funded 50% by ADB and 50% by IFAD.	NSLCP	06/2018
Enhance accounting process To mainstream of business processes within every Finance Department. Liquidation of the advances provided to the Project Assistant and recording of transactions in the accounting software. The project to comply with the provisions of the Financial Manual and best practices to process payments directly to suppliers or contractors of the project. In the case of advances, the methodology has to be established in the Financial Manual and restricted to parties of the project or exceptionally to authorized staff for certain type of activities that can't be paid directly.		07/2018
Adequacy of the Financial Manual for the IFAD financing.	NSLCP	07/2018
The mission recommends the project that the IFAD approval of the AWPB should precede the approval of the Project Steering Committee. November every year	NSLCP	
Interim Financial reports to be produced semi-annually. Every six months Starting June 2018	NSLCP	
Private audit firm to be hired annually through a competitive bidding. Every year-end. Starting December 2018	NSLCP	

Quality and Timeliness of Audit

Rating: 4

Justification of rating

Because the project received the first disbursement in January 2018, the audit for 2017 will be carried out together with the audit of 2018.

Counterparts Funds

Rating: 3

Justification of rating

According with the Financing Agreement between the Government of Lao and IFAD, the estimated counterpart fund for the Project is \$1.9 million (2% of the total project). As per March 2018, the Government contribution is zero.

Main issues

The GOL contribution was framed in the following: (i) all taxes and duties on Programme expenditures, (ii) activities related to agricultural land use planning under component 1.2, and (iii) part of the credit scheme financing from LDP carry-over as under the Component of Rural Finance Services.

The mission agreed to leave at a discretion of the MAF the transfer of former LDP funds to the Network Support Organizations/Village Banks/NARF. Hence, the same counterpart has to be committed for the other elements of the GOL counterpart.

Also, the mission observed that the project doesn't have clarity about its eligibility regarding tax exemption.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Financial Management & Execution		
Clarification and formalization of tax exemption with MoF	NSLCP	06/2018

Compliance with Loan Covenants

Rating: 3

Justification of rating

The overall compliance with the loan covenants is moderately unsatisfactory. The list of covenants and status of compliance is given in Annex 3. Given the delay of the physical implementation, many covenants are not yet due. Processes for financial reporting, audit and procurement are not yet due.

Main issues

The compliance with loan covenants and the agreed actions are described in the Annex 3

Procurement

Procurement

Rating: 3

Justification of rating

Not to be rated this time

Procurement Review

At preparatory stage, the project has had few expenses with few activities implemented on grounds. Procurement review will be conducted in details during ISM, planned in Nov 2018.

F. Agreed Actions

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Overview and Project Progress		
Contractual arrangements and financing (i) AFP/GIZ and NSLCP to sign a contract on their partnership and agree on financing the planned cooperation. Clarity on the financial (End Sept) and contractual arrangements. Deadline by 31 Dec, 2018. (ii) MoU between MAF and BoL: Upon completion of the AFP/NSLCP contract, MAF and BoL will elaborate a MoU concerning the cooperation between the two agencies. Deadline by 30 Sept, 2018. (iii) Timeline: The partnership will be piloted in Luang Namtha province with existing AFP and NSLCP capacity. Draft timeline for the pilot and overall implementation framework, along with MOU of the partnership to be developed by NSCLP in coordination with AFP. Deadline by 31 Dec, 2018. (iv) Alternative solutions: If certainty about a cooperation with AFP has not been reached until September 30, 2018, IFAD and MAF / BoL would need to find other technical partners for the implementation of component 3.2. Such alternative would have to be developed by the next supervision mission to take place in November 2018. Deadline starts November 1, 2018	NSLCP NPCO and AFP PD	12/2018

<p>Improved financial management</p> <ul style="list-style-type: none"> - Contracting of International Project Accountant (by 15 June 2018) - Contracting of a Full time National Finance Manager (by 30 Oct 2018) - Adequacy of the Financial Manual for the IFAD financing (by 31 July 2018) - Finalization of the customization of the chart of accounts and configuration of the Financial Reporting of the accounting system (by 30 June 2018). - To mainstream of business processes within every Finance Department. - Liquidation of the advances provided to the Project Assistant and recording of transactions in the accounting software. - The project to comply with the provisions of the Financial Manual and best practices to process payments directly to suppliers or contractors of the project. - In the case of advances, the methodology has to be established in the Financial Manual and restricted to parties of the project or exceptionally to authorized staff for certain type of activities that can't be paid directly (by 31 July 2018) - Clarification and formalization of tax exemption with MoF (by 30 June 2018) - Project to request the NO to the AWPB of IFAD prior its submission to the Project Steering Committee (by November every year). - Interim Financial reports to be produced semi-annually (every six months Starting June 2018) - Private audit firm to be hired annually through a competitive bidding (every year-end starting December 2018). 	<p>NSLCP, International Project Accountant (when employed)</p>	<p>12/2018</p>
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<p>LF continues to lend to LPMG members</p> <p>(i) Recovery of outstanding loans continues in all former LDP districts, following the Livestock Fund Guidelines poor households with very low repayment capacity will receive debt relief. Deadline for Debt relief by Dec 31, 2018.</p> <p>(ii) Lending to LPMG members continues in all 12 project districts and in the 7 former LDP districts with residual LDP funds under the conditions set by MAF: Any issue concerning the 7 out-phased districts is outside the scope of responsibility of NSLCP. IFAD recommends the LF be managed to cover its own costs. Past experience indicates a rate of 12%. NSLCP will focus on strong LPMGs for credit, while less strong groups will receive technical support only, and linkage to Nayobay Bank for credit. Immediate action</p> <p>(iii) Two Microfinance advisors will be employed to support LF in the period 2018-2020: one international/regional microfinance operations expert and one national trainer/management assistant. Amongst other tasks, the MF advisors will perform a service check and provide capacity building on financial management good practices, incl. the establishment of an accounting and reporting system (MIS) up to int. standard, and proactive monitoring of operational expenses. Deadline by 30 Oct 2018</p> <p>(iv) Fresh IFAD funds can be disbursed by the LF to LPMG members according to the following conditions : a. LF has reliable MIS; b. Credit disbursement must follow good credit management practices as outlined in the Credit Manual, c. Cost recovering interest rate to be discussed with NSOs (base ~12%), d. Require credit applications prior to disbursement of funds from IFAD to LF, e. Sample of approved credit application to be checked and approved by the MF expert. f. Credit contract stipulating transfer of loan administration to NSO. g. No new funds disbursed to 7 out-phased districts. Deadline expected starting Jan, 2019.</p> <p>(v) Transfer of responsibility: The administration these loans from fresh IFAD money incl. cash, cash in bank and credit portfolio will be formally and progressively transferred to the provinces' Network Support Organisations/Village Banks per date of their formal registration at BoL (starting with Luang Namtha at the time of the cooperation agreement with GIZ). Deadline start 2019- other provinces 2020</p>	<p>NSLCP NPCO and LF Team</p>	<p>01/2019</p>
<p>Set up of 200 Village Banks and 4 NSOs</p> <p>(i) Scope: In all target districts, AFP charged with developing networks of Village Banks leading to the self-sufficient operation of 3 new provincial Network Support Organisations in Luang Prabang, Xieng Khouang and Houaphan and the inclusion of Vieng Phoukha into the existing NSO in Luang Namtha (Nalae and Sing are already included). The NSOs to have at least 200 member VB congruent with NSLCP target villages.</p> <p>(ii) Coordination: AFP to align the setup of new VB with the progress of NSLCP operations</p>	<p>BOL/GIZ project AFP</p>	<p>01/2019</p>
<p>Prepare consultancy for the setup of NARF</p> <p>(i) Cooperation Agreement: IFAD and KfW with active involvement of MAF and BoL to agree on a cooperation framework for NARF and LAFF located at the Banking Operation Department of BoL. Subsequently, MAF and BoL to elaborate a MoU on their cooperation in regard to the ARF. Deadline expected 31 Dec,2018.</p> <p>(ii) Consultancy: Once LAFF details will be in place, the planned IFAD consultancy for NARF initiation (acc. To PIM) will detail the cooperation modalities and proposed eligibility criteria for NARF loans. Deadline by 01 Jan 2019.</p> <p>(iii) Set-up: Under the guidance of the consultant, BoL will set up the NARF. Deadline y 30 Jun 2019.</p>	<p>NSLCP, BoL BO Department</p>	<p>06/2019</p>

Disbursement of loans from NARF to selected FIs Upon establishment and funding of NARF, it will start to disburse loans to selected FI fulfilling LAFF performance and capacity criteria to on-lend to clients engaged in agriculture and agribusiness according to the criteria set by the NARF steering committee. (2020)	NARF steering committee	06/2020
Transfer of LF loan administration (i) Administration of the LF loan portfolio created from fresh IFAD funds, incl. the collection and re-disbursal to eligible LPMG members, will be formally and progressively transferred to the provinces' Network Support Organisations/Village Banks per date of their formal registration at BoL (starting with Luang Namtha at the time of the cooperation agreement with GIZ). NSOs will be entitled to keep collected loan interest to cover their own operational expenses. NSOs are not liable for Non-performing Loans disbursed by the LF Credit Team. Latest maturity date for new loans is 14/3-2021 (one year before project end) (ii) Audit of the NSOs will be organized annually. Starting from 1 Jan 2019 – completing Dec, 2020	NSO management, AFP, Ministry of Finance	12/2020
Transfer of funds to NARF (i) Cooperation Agreement: IFAD and KfW with active involvement of MAF and BoL to agree on a cooperation framework for NARF and LAFF located at the Banking Operation Department of BoL. Subsequently, MAF and BoL to elaborate a MoU on their cooperation in regard to the ARF (ii) Consultancy: Once LAFF details will be in place, the planned IFAD consultancy for NARF initiation (acc. To PIM) will detail the cooperation modalities and proposed eligibility criteria for NARF loans (iii) Set-up: Under the guidance of the consultant, BoL will set up the NARF Registration by 31 Dec, 2019, transfer by Sept 14, 2021	LF, NSOs, NSLCP, NARF steering committee	09/2021
Development Effectiveness		
Improve PAFO/DAFO/GST capacity With support from NPMO, DLF, NAFRI and DTEAP and project consultants: (i) actions trainings for PAFO/DAFO/GSTs on thematic areas for more trainings for farmers at farm level (ii) continuously coach GSTs on the job.	With support from NPMO, DLF, NAFRI and DTEAP and project	07/2018
Finalization of MOU between MAF and BOL/GIZ MAF/NPMO to work with BOL to finalize MOU with detailed roles/TOR, working arrangement, flow of funds, reporting line, etc.,	MAF/NPMO/BOL	09/2018
PAR models Share PAR models among IAs, followed by actions trainings to PAFO/DAFO/GST and then PAR models used by GST to support farmers/LPMGs at farm level	NPMO, NAFRI, PAFO/DAFO/GST	10/2018
Procurement decentralized to LPMG level, more time allocated to PAFO/DAFO staff	ADB/NSLCP	12/2018
Keep gender targets for now, but discuss them with NPMO during 2019 MTR, if some targets need to be updated	NPMO/IFAD	07/2019
Promote smaller livestock production (pigs/goats)	NSLCP	

Implement the loan disbursement according to Credit Manual	Credit Team	
Sustainability and Scaling Up		
Commence Village Bank establishment	BoL/GIZ/NPMO	09/2018
MOU between MAF and BOL/GIZ to be finalised	MAF/NPMO	09/2018
PONRE/DONRE and PAFO/DAFO to take-over land use planning and titling activity (i) PONRE/DONRE and PAFO/DAFO to take-over land use planning and titling activity; and (ii) besides technical training and coaching provided, more focus has to be brought to group formation with detailed group business plan, administration and governance.	ADB/NPMO/IFAD	09/2018
Roles of central and local partners to be clearly defined with joint work-plans in delivering expected outputs in line with government decentralised policy	MAF/NPMO / PAFO/DAFO	09/2018
Draft exit strategy NPMO will prepare a draft exit strategy for the project, with technical support from the CTA/LIC, in consultation with all implementing agencies at central and local levels.	NPMO / CTA/LIC	12/2019
Decentralize main project activities	ADB/NSLCP	
Develop more client oriented service approach, encourage partnerships and learning from private sector	All project entities	
Activities accelerated through moving to more decentralized implementation, inc. LPMG training	NPMO	
Develop a more collegial engagement approach, more empathy with the situation of smallholders	All participants	
Develop more client oriented service approach, encourage partnerships and learning from private sector	All project entities	
Project Management		
Local capacity building schedule and decentralization (i) NPCO (lead), DTEAP, NAFRI, DLF to agree on a systematic capacity building / backstopping schedule for each district; and (ii) in line with government decentralisation policy and to speed up project activities, PAFOs, DAFOs and GSTs to lead field level implementation, with backstopping by central agencies.	NPMO / central DLF, NAFRI/DTEAP	09/2018
Quarterly work-plans NCPO, NAFRI, DTEAP, DLF, PAFOs and DAFOs to develop quarterly work-plans with expected deliverables. Practical field work reports against work-plans produced and shared.	NPMO / central DLF, NAFRI/DTEAP	09/2018
Baseline survey to be finalised with technical support of M&E advisor and project team	NPCO	12/2018

PPME/M&E system with clear indicators With newly recruited M&E advisor, finalise PPME/M&E system with clear indicators designed to be tracked by IAs and weighting system to support implementation progress measurement, followed by trainings / on-job trainings to M&E staff at different levels	NPCO	12/2018
Farmer group/LMPG database to be operationalized	NPCO	12/2018
Recruit intermittent KM officer to support KM and KS in partnership with implementing partners at different levels.	NPCO	03/2019
The AWPB to be submitted to IFAD during Nov every year for approval by IFAD before approval by PSC. Deadline by Nov every year.	NPMO	
Financial Management & Execution		
Finalization of the customization of the chart of accounts and configuration of the Financial Reporting of the accounting system.	NSLCP	06/2018
Contracting of International Project Accountant	NSLCP	06/2018
Clarification and formalization of tax exemption with MoF	NSLCP	06/2018
Contracting of a Full-time National Finance Manager, to be funded 50% by ADB and 50% by IFAD.	NSLCP	06/2018
Enhance accounting process To mainstream of business processes within every Finance Department. Liquidation of the advances provided to the Project Assistant and recording of transactions in the accounting software. The project to comply with the provisions of the Financial Manual and best practices to process payments directly to suppliers or contractors of the project. In the case of advances, the methodology has to be established in the Financial Manual and restricted to parties of the project or exceptionally to authorized staff for certain type of activities that can't be paid directly.		07/2018
Adequacy of the Financial Manual for the IFAD financing.	NSLCP	07/2018
Private audit firm to be hired annually through a competitive bidding. Every year-end. Starting December 2018	NSLCP	
The mission recommends the project that the IFAD approval of the AWPB should precede the approval of the Project Steering Committee. November every year	NSLCP	
Interim Financial reports to be produced semi-annually. Every six months Starting June 2018	NSLCP	

Northern Smallholder Livestock Commercialization Project: Rural Financial Services Programme

Logical Framework

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result	Cumulative Result	Cumulative Result %	Source	Frequency	Responsibility	
Outreach	1.b Estimated corresponding total number of households members										
	Household members			6							
	1.a Corresponding number of households reached										
	Non-women-headed households			20000							
	Women-headed households										
	1 Persons receiving services promoted or supported by the project										
	Males			60000							
	Females			60000							
Goal Establish sustainable and scalable national rural financial and technical services that support the reduction of rural poverty and increased livestock productivity	☐ 8,300 households enjoy at least 200% increase in annual livestock income							RIMS Surveys; LECS Survey; Targeted Programme studies	Programme start, Mid-term and end Programme	NPMO	☐ Provincial and district government policies and regulations support smallholder livestock commercialization
	LAK	3400000	6000000	8000000							
	☐ At Programme end, 20,000 households obtain incremental annual credit of at least LAK32 billion (USD 4 million)							NSO and VF financial records	Programme start, Mid-term and end Programme	NPMO; GIZ	
	Credit		2000	4000							

Objective Increased livestock production through expanded financial and technical services	<input type="checkbox"/> Livestock production in Programme area increased from 6,200 to 11,700 tons per year						RIMS Surveys; PAFO and DAFO annual reports	Programme start, Mid-term and end Programme	NPMO	<input type="checkbox"/> Government policies and regulations continue to support an enabling environment for non-deposit taking MFIs to operate	
	Weight	6200	9000	11700							
Outcome Smallholder livestock producers adopt productive technology	<input type="checkbox"/> 70% of SLPMG members sell heavier live animals: pigs: 60 kg (baseline 2014: 45 kg); cattle: 275 kg (baseline 2014: 200 kg)						Programme M&E	Annual	NPMO	Close collaboration between DAEC, NAFRI and NAC for technology testing and dissemination to livestock farmers; Private sector able and willing to participate in animal health and husbandry, and product input supply	
	SLPMG members			70							
	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices						RIMS Surveys; Targeted Programme studies	Programme start, Mid-term and end Programme	NPMO; DAEC		
	Males			3100							
	Females			3125							
	Total number of household members			6225							
	Indigenous people										
Output Smallholder livestock producer and marketing groups	<input type="checkbox"/> 300 SLPMGs are formed (35% female committee members in SLPMG governance)						Programme M&E records	Annual	NPMO	<input type="checkbox"/> Smallholders are willing to join SLPMGs and modernize production practices	
	groups			300							
	Females			105							
	<input type="checkbox"/> At least 5,400 smallholders are trained in group development (at least 45% female) and have adopted business plans						Programme M&E records	Annual	NPMO		
	Males			3510							
	Females			2430							

Output Technology development	□ 8,300 livestock farmers are trained in key livestock husbandry and health management techniques						Programme M&E records	Annual	NPMO	Livestock farmers are willing to attend trainings provided through the project. Land Policy is approved in 2016 and new Land Law is under implementation by mid-2018	
	Females		2250	4150							
	Males		2250	4150							
	□ 12,000 households acquire agriculture land use rights						MoNRE records ; Programme M&E	Annual	NPMO		
	Households		4000	12000							
Outcome Rural households access sustainable and scalable rural financial services	□ 20,000 households in Programme area access financial services from VFs						Programme M&E; MFI records	Annual	NPMO and service provider	□ Government policies and regulations continue to support an enabling environment for MFIs to function	
	Households		10000	20000							
	□ Approved banks, MFIs, NSOs and associated VFs have accessed USD 3.5 million of ARF refinancing						MFI records	Annual PY3 onwards			
	financing			2800							
Output Financial services to SLMPG members	□ 5,400 NSLCP credits are disbursed						Livestock Fund reports; LWU reports	Annual	NPMO, LWU and MFI Service Provider	□ LWU credit management capacity is enhanced □ Outstanding loans from VLF are timely and comprehensively recovered	
	credit		4500	5400							
Output Networked village funds in NSLCP districts	□ 200 new VFs established or strengthened in NSLCP villages						GIZ/AFP Report; NSCP Reports	Quarterly	GIZ; NPMO	□ Government policies and regulations continue to support an enabling environment for non-deposit taking MFIs to operate	
	VFs		100	200							
	□ 3 provincial-level NSOs established to support VFs						BoL Reports	Annual PY3 onwards	NPMO, GIZ and BoL		
	NSOs		3	3							

Output National Agriculture Refinancing Facility	<input type="checkbox"/> At least 4,000 ARF leveraged agriculture or rural development loans to smallholder farmers							RIMS Survey; BoL/MoF	Annual PY3 onwards	NPMO and BoL/MoF	<input type="checkbox"/> Close collaboration between MAF, MOF and BOL to establish regulatory and management structure of the NARF <input type="checkbox"/> Outstanding loans from NSLCP credit funds are timely recovered and redirected to NARF
	ARF loans		2000	4000							

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Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category

Mission Dates: 21/05/2018 - 08/06/2018
Document Date: 20/07/2018
Project No. 1100001744
Report No. 4807-LA

Appendix 1: Financial: actual financial performance by financier; by component and disbursements by category

Table 1A: Financial performance by financier (USD, as at 31st March 2018)

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	10,000,000	1,000,000	10%
ABD Loan	21,000,000	5,581,347	27%
Bilateral Partner	1,900,000		0%
Government (IFAD)	2,030,000		0%
Total	34,930,000	6,581,347	

Table 1B: Financial performance by financier by component (USD, as at 31st March 2018)

Component	IFAD loan			ABD Loan			Government counterpart (only IFAD FA)			Bilateral Financing	Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%		Appraisal	Actual	%
Component 1	1,513,200	8,277	0.08%	3,978,868	480,753	2.29%		0	0.00%		5,492,068	489,030	1.40%
Component 2				4,461,904		0.00%		0	0.00%		4,461,904	0	0.00%
Component 3	7,166,600	23,052	0.23%					0	0.00%		7,166,600	23,052	0.07%
Component 4	320,200	43,374	0.43%	9,621,136	4,642,952	22.11%		0	0.00%		9,941,336	4,686,326	13.42%
Unallocated	1,000,000		0.00%	2,227,692		0.00%		0	0.00%		3,227,692		0.00%
Interest				710,400		0.00%					710,400		0.00%
Bilateral										1,900,000	1,900,000		0.00%
GOL Counterpart							1,900,000				1,900,000		
Total	10,000,000	74,703	0.75%	21,000,000	5,123,705	24.40%	1,900,000	0	0.00%	1,900,000	34,800,000	5,198,408	14.88%

Table 1C: IFAD loan disbursements (USD, as at 31st March 2018)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent Disbursed	Per cent Actual Expenditure
I	Equipment & Materials	500,000				500,000		0%
II	Grants & Subsidies	310,000				310,000		0%
III	Training	970,000			23,052	946,948		0.23%
IV	Goods, services and inputs	1,900,000			51,625	1,848,375		0.52%
V	Credit	2,630,000				2,630,000		0%
VI	Consultancies	2,330,000				2,330,000		0%
VII	Operating costs	360,000			26	359,974		0.00%
	Unallocated	1,000,000				1,000,000		
	Initial deposit							
	Total	10,000,000		1,000,000	74,703	9,925,297	10%	0.75%

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Appendix 2: Physical progress measured against AWP&B

Mission Dates: 21/05/2018 - 08/06/2018

Document Date: 20/07/2018

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Appendix 2: Physical progress measured against AWP&B

Results Hierarchy	Implementation targets					Jan-Dec 2018			Cumulative	Appraisal Target	%
	Indicators	Unit	YR1	Mid-Term	End Target	AWPB	Actual	%			
Goal:	§ 8,300 households enjoy at least 200% increase in annual livestock income	LAK	4.0 million	6.0 million	8.0 million		NA			8.0 million	
Establish sustainable and scalable national rural financial and technical services that support the reduction of rural poverty and increased livestock productivity											
	§ At Programme end, 20,000 households obtain incremental annual credit of at least LAK32 billion (USD 4 million)	LAK	0	16 bn	32 bn		NA			32 bn	
Development Objective:											
Increased livestock production through expanded financial and technical services	§ Livestock production in Programme area increased from 6,200 to 11,700 tons per year	T/livestock	7,000	9,000	11,700		NA			11,700	
Outcome 1:											
Smallholder livestock producers adopt productive technology	§ 75% of 8,300 beneficiary livestock farming HHs are adopting at least 5 recommended technologies (disaggregated by gender and ethnic groups)	%	0	25%	60%		NA			60%	
	§ 70% of SLPMG members sell heavier live animals: pigs: 60 kg (baseline 2014: 45 kg); cattle: 275 kg (baseline 2014: 200 kg)	%	10%	35%	70%		NA			70%	
Output 1											
Smallholder livestock producer and marketing groups	§ 300 SLPMGs are formed (35% female committee members in SLPMG governance)	No. LPMG	60	300	300	136	0		164	300	55%
	§ At least 5,400 smallholders are trained in group development (at least 45% female) and have adopted business plans	No Farmers	1,500	4,500	5,400	1,200	0			5,400	
Output 2											
Technology development	§ 8,300 livestock farmers are trained in key livestock husbandry and health management techniques	No Farmers	1,500	4,500	8,300	450	0			8,300	
	§ 12,000 households acquire agriculture land use rights.	HH	0	4000	12,000	2,500	0			12,000	
Outcome 2											
Rural households access sustainable and scalable rural financial services	§ 20,000 households in Programme area access financial services from VFs (disaggregated by gender)*	HH		10,000	20,000		NA			20,000	
	§ Approved banks, MFIs, NSOs and associated VFs have accessed USD 3.5 million of ARF refinancing	%		-	80%		NA		0	80%	0%
Output 3											
Financial services to SLPMG members	§ 5,400 NSLCP credits are disbursed	No credits	1,500	4,500	5,400		NA			5,400	
Output 4											
Networked village funds in NSLCP districts	§ 200 new VFs established or strengthened in NSLCP villages	No VBs		100	200		NA		0	200	0%
	§ 3 provincial-level NSOs established to support VFs	No NSO	0	3	3		0		0	3	0%
Output 5											
National Agriculture Refinancing Facility	§ At least 4,000 ARF leveraged agriculture or rural development loans to smallholder farmers	No Loans	0	2,000	4,000		NA			4,000	

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Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 21/05/2018 - 08/06/2018

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Appendix 3: Compliance with legal covenants: status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status
Section B.06-07 Financing Agreement	Upon the entry into force of a Financing Agreement, the Borrower shall open a Designated Account in USD to receive proceeds from the Fund, also a Programme Account shall be open under the management of the National Programme Management Office.		Complied
Section B.08 Financing Agreement	Counterpart financing 1.9 million to cover: a) Taxes and duties exemption. b) Agricultural land use and planning. c) Carry-over Live Stock Fund progressively transferred to the provinces' Network Support Organisations/Village Banks. d) National Agricultural Refinancing Facility (NARF).	31 July 2018	Project to clarify with MoF the scope of exemption and taxes. Started in AWPB 2018 but not yet disbursed. Funds to be transferred to NSOs at the discretion of MAF. NARF not yet in place.
Section 9.03 GC and LTB	Each Fiscal Year the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund and the IFAD Handbook for Financial Reporting and Auditing of IFAD.	30 June 2019	Private Auditor to be recruited. Audit of FY 2018 due on 30 June 2019.
LTB Section G.25	Interim Financial Reports to be shared with IFAD semi-annually.	Semi-annually, starting on June 2018 Deadline end of August every year	First interim Financial Report due on August 2018.
PIM 6.3	AWPB to be submitted to the NO of IFAD before its approval.	November/December every year	Not complied.
Section 8.03	A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD.	To be carried out on 2019	

The above sections/covenants are illustrative; if applicable to your project the contents of which are common to all Financing Agreements, ensure that the references to the Financing Agreement are correct. Covenants specific to your project should be added to this table.