



Investing in rural people

## **Lao People's Democratic Republic**

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### **Supervision mission report-SSFSNP-AFN**

### **Supervision report 2017**

### Main report and appendices

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## Abbreviations and acronyms

AFN	Agriculture for Nutrition Project
AWPB	Annual work plan and budget
CDD	Community driven development
CF	Community facilitator
DAEC	Department of Agricultural Extension and Cooperative
DAFO	District Agriculture and Forestry Office
DPC	Department of Planning and Cooperation
DPIO	District Planning and Investment Office
DHO	District Health Office
DONRE	District Office of Natural Resource and Environment
DRDO	District Rural Development Office
ECU	Extension and cooperative unit
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FNS	Farmer nutrition school
GAFSP	Global Agriculture and Food Security Program
GALS	Gender action learning system
GIS	Geographic information system
GOL	Government of Laos
GST	Group support team
HGNPD	Health Governance and Nutrition Development Project
IFAD	International Fund for Agriculture Development
KDP	Kum Ban Development Plan
KM	Knowledge management
LWU	Lao women union
MAF	Ministry of Agriculture and Forestry
MIS	Management information system
MDG	Millennium Development Goal
MOH	Ministry of Health
MPI	Ministry of Planning and Investment
NAFRI	National Agriculture and Forestry Research Institute
NNSPA	National Nutrition Strategy to 2025 and Plan of Action 2016 – 2020
NPCO	National Project Coordination Office
NPSC	National Project Steering Committee
ODA	Official Development Assistance
PAFO	Provincial Agriculture and Forestry Office
PAR	Participatory action research
PHO	Provincial Health Office
PIM	Project implementation manual
PoNRE	Provincial Office of Natural Resource and Environment
PPP	Public private partnership
PPSC	Provincial Project Steering Committee
PRF	Poverty reduction fund
RIMS	Results and Impact Management System
SEDP	Social economic development plan
SIP	Strategic investment plan
SSFSNP	Strategic Support for Food Security and Nutrition Project
SSWGUp	Sub Sector Working Group Uplands
TA	Technical assistance
TOT	Training of trainer
TSC	Technical Service Center
VDP	Village development plan
VIT	Village Implementation Teams
WASH	Water, sanitation and health
WFP	World Food Program

## A. Introduction<sup>1</sup>

1. The Agriculture for Nutrition Programme (AFN)<sup>2</sup> is implemented over a six year period starting from project effectiveness 28 April 2016.<sup>3</sup> The total cost for the project is US\$38.8 million including GAFSP Trust Fund grant (No. 2000001548) of US\$30 million administered by IFAD (24 mil) and WFP (6 mil). The project goal is to contribute to reduced extreme poverty and malnutrition in poorest communities; development objective is: “improved and diversified agricultural production and household nutrition enhance life prospects”. The goal and objective are in the context of Laos National Nutrition Strategy to 2025 and Plan of Action 2016-2020 (NNSPA). The project is implemented in 400 villages of 12 districts in four Northern provinces: Oudomxai, Phongsaly, Xieng Khouang and Houaphan.

2. The first IFAD Supervision Mission of AFN was undertaken in partnership with MAF and WFP during 20-31 March 2017. A draft Mission Report was consolidated 30 March, and a formal wrap up meeting was held on the same day. The mission objectives were to: (i) review the initial progress in the project implementation as per project design document and PIM and identify issues and solutions for improvement in the start-up of the project activities in the ground; (ii) review follow up actions after the 2016 IFAD support missions; (iii) provide technical support to the PCO and implementing partners to the extent possible; and (iv) agree with project stakeholders on prioritized actions to ensure project's right direction during the second year of the implementation.

3. The Supervision Mission held meetings with managers and staff of MAF-NPCO, DAEC, NAFRI, WFP and FAO at the central level. Furthermore, districts and villages were visited in the provinces of Xieng Khouang and Houaphan to meet with Governors, Agriculture and Forestry Offices, Departments of Health, Village Committees and with Agricultural Producer Groups. The Supervision Mission extends sincere thanks to the AFN Coordinator and his team, MAF senior management and colleagues, WFP management and colleagues, FAO, DAEC, NAFRI, Province, District and Village authorities and especially to rural households visited for their kind support and cooperation.

## B. Overall assessment of AFN implementation

4. AFN in overall is set out to implement four agriculture interventions of the 22 priority interventions within the Laos National Nutrition Strategy. These include (i) expanded and intensified production of nutritionally-rich plant-based foods, (ii) production and promotion of animal based protein for household consumption, (iii) improved post-harvest handling and food processing to strengthen year-round food security, and (iv) promotion of income generating activities, with a focus on women. These four interventions are implemented by the AFN through a participatory planning and investment mechanism: Component 2 engages and capacitates beneficiaries to develop their own plans for improvement of agricultural production and nutrition conditions, and Component 3 channels financing to implement those plans that show satisfactory quality. Component 1 supports the process through nutrition sensitive agricultural services.

5. After first 11 months of AFN effectiveness, in view of timely project start-up and appropriate work plans, the project *likelihood of achieving development objectives* is rated as **moderately satisfactory**. The *annual implementation progress* is also assessed as *moderately satisfactory*. In particular, AFN progress is noted in the following areas: (i) **Implementation mechanism** established at all levels including signing of MOUs with national key stakeholders, recruitment and assignment of personnel and drafting of Project Implementation Manual and Financial Management Manual; (ii)

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<sup>1</sup> Mission composition: Mr. Sauli Hurri, Team Leader and Value Chain Specialist; Mr. Nguyen Ngoc Quang, Planning, CCA and M&E Specialist; Ms. Juliane Friedrich, IFAD Nutrition Specialist; Mr. Alvaro Fernandez, IFAD Financial Management Specialist; Ms. Na Eun Choi, IFAD Procurement Specialist, Mr. Soulivanh Pattivong, IFAD CPO for Laos; and Mr. Amphone Monephachan, interpreter/translator. Field visits and selected meetings were also joined by Mr. Hakan Tongul, WFP Deputy Country Representative, Mr. Khamtanh Khamdeng, MAF Project Management Division Director, Mr. Sisovath Phandanouvong, AFN National Coordinator, Mr. George Collett, AFN CTA, Mr. Kroungsivilay Malaythong, AFN Deputy Coordinator, and other AFN Staff.

<sup>2</sup> By GoL request the project name is changed from SSFSNP (Strategic Support for Food Security and Nutrition Project) to Agriculture for Nutrition Programme (AFN)

<sup>3</sup> Important dates include:

- Project effectiveness – 28 April 2016
- Project Completion – 30 June 2022
- Financial closing date – 31 December 2022

**International TA** engaged through WFP and FAO for building institutional capacity and technical skills, (iii) **Nutrition sensitive agricultural services**: With NAFRI and DAEC coordination and FAO technical advice, Participatory Action Research and Forage Development Programme were initiated; (iv) **Project planning**: AWPBs drafted through comprehensive stakeholder consultations, Strategic Investment Planning initiated, and first Farmer Groups established as basis for participatory investment planning.

6. As at 28 February 2017, the total disbursement for the GAFSP grant and by all financiers stood at USD 1.6 million against total approved project cost of USD 38.8 million (4%). This comprises disbursement of 6% of the IFAD administered grant amount and 1% of the WFP administered grant amount. GoL had met 4% of its commitment to the Project. In 2016, the disbursement against AWPB was 18%.

7. In addition to the detailed agreed actions by this Aide Memoire, the following key issues require specific attention: (i) **Coordination across sectors**. The project has a large number of stakeholders due to the multi-sectoral nature of AFN development objectives, and the coordination between these is still insufficient especially between agriculture and health sectors; (ii) **Nutrition sensitive agriculture**. The staff at all project levels have limited understanding on the concept and its operationalization; (iii) **Village Development Planning** framework is yet to be established which poses a risk for investment process in 2017 and 2018; (iv) **Decentralized management capacity** remains limited for implementation of the innovative project instruments as well as for standard requirements of financial and project management; (v) **Implementation structure**. As the AFN has two major interdependent implementing agencies (MAF and WFP), concrete joint work-planning and periodic reporting system needs to be established.

Agreed action	Responsibility	Agreed date
<b>Coordination across sectors.</b> MAF/MOH to agree on joint activities for AFN, and assign implementation responsibilities to DAFOs/DOHs.	MAF, MOH, DAFO, DOH	Q2/2017
<b>Nutrition sensitive agriculture.</b> The project with TA support to elaborate and operationalize the concept, and all project stakeholders to be trained accordingly.	NPCO	Q2/2017
<b>Village Development Planning</b> manual to be completed as soon as possible, village planning support delivered by end of Q2/2017, and first set of plans finalized by end of Q3/2017.	WFP, NPCO	Q1,Q2,Q3 2017
<b>Decentralized management capacity</b> to be strengthened through a systematic training and coaching programme with particular focus on community led investment mechanism.	NPCO, WFP, DAEC, NAFRI, PAFO, DAFO	Q1/2017 onwards
<b>Implementation structure.</b> All AFN stakeholders including WFP, DAEC, NAFRI, FAO, DAFOs, PAFOs, DOHs to prepare annual/quarterly implementation schedules with key milestones and timelines that match with project overall planning/investment process. Quarterly physical and financial progress reports sent to NPCO for consolidation.	AFN Steering Committee and all stakeholders	Q2/2017 onwards

## C. Outputs and outcomes

### Component 1: Strengthened public services

*Overall assessment of the component is rated moderately satisfactory*

#### Sub-component 1.1: Programme coordination capacity

8. *The sub-component is rated moderately satisfactory.* The AFN implementation structure has been mostly established: (i) MOUs have been signed between implementing partners and staff is at place at all levels of MAF coordination, (ii) WFP has recently contracted an International CTA at the national level and some National Specialists at the province and district levels. WFP-managed TA package for VDPs is being negotiated with Poverty Reduction Fund, (iii) Capacity building has been initiated for all units, (iv) First AWPBs were completed for all districts, provinces and at national level, (v) Through IFAD start-up support the Project Implementation Manual, Farmer Group Support Manual and Financial Management Manual were completed, approved, translated and disseminated; additional manuals are under preparation including Procurement Manual and VDP manual, (v) M&E tools are drafted for monitoring of project progress, and (vi) Support to MAF KM system PROMIS is initiated.

9. The mission noted following issues: (i) AFN includes a large number of implementing and supporting agencies including MAF, MOH, DAEC, NAFRI, PAFOs, DAFOs, DOHs, LWU, DSEDC, PRF, WFP, FAO, and IFAD. Clear division of tasks between these agencies and respective TORs are yet to be concluded, and thus it has been challenging for the project to coordinate district level work effectively. Especially the critical collaboration between DAFOs and DOHs is weak and clear assignment is missing from MOH/MAF to the effect; (ii) The staff especially at the decentralized levels have significant capacity gaps at the initial project stage for planning/investment mechanism, nutrition-technical contents and financial management; (iii) Project baseline survey is not only for AFN but also for the Health, Governance and Nutrition Development Project (HGNDP) in the target areas, and AFN does not lead the process. Baseline is significantly delayed which hampers project impact assessment efforts; (iv) WFP recruitments and contracting of TA have had delays which risks the quality of local planning especially for nutrition aspects. This risk if realized would reduce the nutrition impact of AFN investments.

Agreed action	Responsibility	Agreed date
(i) Agree on concrete AFN tasks of each stakeholder especially at the district level: DAFO, DOH, DLWU, PRF; (ii) Ministry level to assign local units for their respective duties.	PCO, PSC, MAF, MOH, district agencies	By May 2017
National line agencies/PCO to intensify field support, ensuring local capacity to implement the assigned tasks. Annual field support schedules prepared for each agency and individual specialist.	PCO, DAEC, NAFRI, MOH, LWU, PRF	Q2/2017 onwards
All stakeholders including WFP and PRF (when contracted), DAEC, NAFRI, FAO, DAFOs, PAFOs, DOHs to prepare annual/quarterly implementation schedules with key milestones and timelines that match with project overall planning/investment process. Quarterly physical and financial progress reports sent to NPCO for consolidation.	WFP, PRF, DAEC, NAFRI, FAO, DAFOs, PAFOs, DOHs	Q2/2017 onwards

### Sub-component 1.2: Nutrition-sensitive agricultural services

10. *The sub-component is rated moderately satisfactory.* The objective is to deliver nutrition-sensitive agricultural services including (i) Participatory Action Research (PAR), (ii) Forage Development, (iii) Technical Service Centre service contracts, and (iv) Farmer-to-farmer extension.

11. **Participatory Action Research (PAR)** is to identify, assess and document at least 20 garden models and 10 farmer group investment models. Progress to date includes: (i) Results based contract signed between project and NAFRI; (ii) IFAD training organised to guide NAFRI and project staff on PAR method; (iii) Field surveys conducted by NAFRI and local partners. NAFRI to submit draft PAR documents for project review by 30 April 2017; (iv) DAEC and NAFRI agreed to conduct TOTs and farmer trainings based on the PAR models. Risks in this activity are anticipated as follows: (i) Any delays in PAR development would hinder timely roll-out of other project activities especially farmer nutrition schools, garden grants and farmer group support; (ii) Mass-scale replication of the models is to be facilitated by the DAFOs and TSCs however these units still have limited capacity to do so.

12. **Forage development program.** Until now the results include: (i) FAO was contracted to support DAEC and TSCs; (ii) Technical team by FAO and DAEC is currently in the field to assess the current status, local needs and development opportunities on forage production. An interim report was received and supervision mission agrees with the report observations. A concrete action plan is expected as result of the FAO support, to be owned and implemented by DAEC, DAFOs and TSCs.

13. **Technical Service Centres (TSC).** This activity is to build capacity of 30 TSCs in the project areas and contract these to deliver agricultural services to beneficiary groups. As of now, DAEC has conducted an initial information survey about existing TSC capacity at the target areas. No further progress is made and improvement is required in the following: (i) TSC-support should result in improved roll-out of other AFN activities (forage, F2F, home garden grant, farmer group grant), which however is not yet captured in project plans; (ii) TSCs have limited capacity to develop business plans and to deliver services per AFN expectation; (iii) DAEC has yet to develop a comprehensive road-map and systematic approach to capacity building of TSCs; (iv) The expectation of supporting 30 TSCs seems high as currently the target areas only have 10 TSCs in operation.

14. **Farmer-to-farmer (F2F) extension** activity is to engage 800 lead-farmers to deliver extension services to at least 10,000 people. TSCs will lead this activity with support from DAFO and DAEC, however the activity is not yet initiated. Experienced farmers are a key resource for agricultural technology transfer, thus F2F should be initiated as soon as TSC service contracts become effective.

Agreed action	Responsibility	Agreed date
<b>PAR:</b> (i) By April, NAFRI to submit PAR models to NPCO review; (ii) By May, NPCO, NAFRI, and DAEC to develop a road-map for PAR replication through TOT trainings (GSTs, TSCs, lead farmers), farmer nutrition schools and household/farmer group investments; (iii) NPCO and NAFRI to agree on further PAR research rounds with increased nutrition emphasis.	NAFRI, DAEC, NPCO	April-May/2017
<b>TSC:</b> DAEC to prepare and implement a comprehensive road-map for TSC capacity building. Subsequently, TSCs to develop business plans and supported to deliver agricultural services in the project areas.	DAEC, TSCs	May/2017 and onwards

## Component 2: Nutrition-Sensitive Planning

*Overall assessment of the component is rated moderately satisfactory.*

### Sub-component 2.1: District multi-sector planning

15. *The sub-component is rated moderately unsatisfactory.* District multi-sector nutrition planning is to be led by DOH in collaboration with DAFO and the inter-agency District Nutrition Committees. The purpose of the process is to coordinate MAF-AFN and MOH-HGNPD projects' support to the implementation of the NNSPA. During the supervision mission interviews, it became evident that this district level coordination is urgently required to engage DOH nutrition-technical inputs to village level Farmer Nutrition Schools and investment planning mechanisms.

16. There is no progress yet due to delays in recruitment of coordination staff and specialists. As of now, DOHs are separately supported by the HGNDP while DAFOs receive technical support from AFN, and their respective tasks are similarly separated. Further delay in this coordination activity would imply risks as follows: (i) AFN village planning process would likely lack sufficient nutrition and health related inputs; (ii) DAFOs and TSCs would establish and develop farmer groups following standard approaches without nutrition emphasis; and subsequently (iii) The AFN investments would be rolled out separately under MAF coordination without HGNDP/DOH nutrition-related inputs.

Agreed action	Responsibility	Agreed date
WFP to complete AFN staff recruitments at district level and ensure their capacity to effectively support the NNSPA and AFN implementation.	WFP	April 2017
International part-time specialist and national full-time specialist engaged to provide nutrition-technical support for AFN staff at all levels. Budget released from unspecified international and national TA budget.	NPCO	2017 and Q1-Q2/2018
MOH and MAF to assign DOH and DAFO for their joined AFN activities: (i) VDP technical support, (ii) farmer nutrition schools. District level action plans, timeline and multi-sector coordination mechanism established to the effect.	MOH, MAF, DOH, DAFO, WFP	May 2017

### Sub-component 2.2: Village development planning

17. *The sub-component is rated moderately satisfactory.* The project includes a participatory planning and investment mechanism at the village level. Nutrition sensitive agricultural development and supporting small-scale infrastructure are in focus of the planning process. Achievement to date includes: (i) Establishment of the District Technical Support Team at each district consisting of District DAEC, DAFO, DHO, District Planning Department, and Village representatives; (ii) As VDP is not yet in place, PRA was conducted in 61 villages with participation of 5197 villagers (1455 poor, 1805 women) to identify local needs as inputs for 2017 AWPB; and (iii) initial discussion have been held between WFP and the Poverty Reduction Fund (PRF) to engage PRF network as service provider for the VDP process. PRF has experience in nation-wide implementation of village planning, small infrastructure investments, agricultural production investments and micro-credit. In the project areas, PRF is present in 253 villages out of 400 project targeted villages which would make PRF a natural and cost-effective partner to the AFN.

18. At the initial stage of the project, following risks are anticipated for the VDP: (i) Next village planning cycle is in June-July to be followed by the first VDF investments by end of 2017. However, the required planning support is yet to be mobilized. The project investments of this year cannot be implemented unless a comprehensive VDP process is immediately established with all supporting documents and a capacity building plan; (ii) WFP has yet to finalize an agreement with PRF about provision of services to the VDP process. There are still open some questions regarding the possible

extent of support by PRF and compatibility of PRF and AFN planning approaches. This institutional set-up and respective preparations need to be in place to commence the VDP cycle. (iii) Understanding and capacity regarding nutrition sensitive planning is limited among project partners and communities, due to delays in components 2.1 and 2.3.

Agreed action	Responsibility	Agreed date
Based on existing MPI guideline and project materials (PRF, SUFORD, SSSJ), finalize the VDP manual and training package. Manual to include practical tools and a set of criteria for identification and selection of nutrition sensitive investments.	WFP, NPCO, Service Provider	April-May/2017
Organize TOT for all District Technical Support Teams and village authorities on the finalized VDP approach and tools.	WFP, Service Provider, PAFO, DAFO	May-June/2017
Implement VDP in project targeted villages.	WFP, Service Provider, DAFO, DOH, villages.	June/2017 onwards

### Sub-component 2.3: Farmer nutrition schools

19. *The sub-component is rated moderately unsatisfactory.* Monthly “farmer nutrition schools” (FNS) are to be established and supported in 400 villages. The FNS’ will be implemented by the district DOH, DAFO, LWU and Village Nutrition Committees while the WFP is to provide technical assistance and coordination support. The FNS is meant to function as a village-level forum for SBCC, nutrition trainings, agricultural trainings and for the farmer group and village development planning processes. However due to delays in recruitment of district level staff and SBCC consultant the activity is yet to be initiated.

Agreed action	Responsibility	Agreed date
WFP, MAF, MOH to draft and agree on a TOR for the Farmer Nutrition Schools including detailed description for: (i) overall description of the FNS concept, (ii) functions of facilitators, (iii) functions of technical trainers, (iv) functions of TOT master trainers, (v) expected immediate outputs and results, (v) roll-out plan including timeline for contents development, TOTs, trainings, planning meetings and investments.	WFP, MAF, MOH	May 2017
SBCC consultant to be hired and to develop the FNS nutrition-technical SBCC contents and training materials.	WFP	Q2/2017

### Sub-component 2.4: Household farm/garden planning

20. *The sub-component is rated moderately satisfactory.* In the context of Farmer Nutrition Schools, DAFOs and DLWUs are to facilitate village discussions and workshops to plan garden investments and farm investments. The achievement so far includes: (i) Farmer group grant manual finalized through IFAD support and consultative workshops with NPCO, DAEC, NAFRI, MOF, MPI; (ii) Provincial and districts partners informed on household farm/garden grant mechanism; (iii) Group Support Teams (GST) established in all 12 districts, with participation of 152 members (42 women) from DOHs, DAFOs, LWs, District PRFs, District Planning Units, and village leaders; (iv) DAEC conducted initial GST training sessions for all districts and facilitated one model farmer group establishment in each province; (v) Each DAFO has scheduled establishment and capacitation of 5 farmer groups in 2017.

21. Substantial issues under this sub-component include: (i) Institutional arrangement for the sub-component is not yet clarified especially for the division of specific tasks between DAEC, LWU, DAFO, DLWU; (ii) The planning should result in investment plans for nutrition sensitive agricultural practices/technologies to be financed through sub-component 3.3. This workflow was not yet clear to the interviewed GSTs; (iii) GSTs and villagers have limited planning skills, and limited technical knowledge about nutrition sensitive farm/garden models. In order to function adequately, the sub-component requires substantial continuous support for nutrition sensitive agricultural production, farm planning skills and group management. The absence of a comprehensive support strategy for this sub-component undermines effective rollout of sub-component 3.3.



Agreed action	Responsibility	Agreed date
Clarify the division of tasks between DAEC, LWU, DAFOs, and DLWUs. Each agency to prepare action plans and training materials accordingly.	NPCO, WFP, LWU, DAEC, DAFO, DLWU	April-May/2017
Conduct TOT training for GSTs on nutrition sensitive garden/farm planning and investments process.	WFP, DAEC, DAFOs, DOHs,	May-June/2017
Organise village meetings at Farmer Nutrition Schools to learn about nutrition sensitive farming models, establish farmer groups, and to plan for AFN garden/farmer group investments.	DAFO, LW, DAEC, GSTs	July-August/2017

### Component 3: Investments

*Overall assessment of the component is rated moderately satisfactory*

#### Sub-component 3.1: Strategic investment plans

22. *The sub-component is rated moderately satisfactory.* AFN target is to conduct 2-3 commodity specific SIPs in each project district, in support of VDF, Farmer Group and PPP investments. Progress so far includes: (i) FAO prepared a comprehensive work-plan based on which it was contracted to describe 12 different value chains (1 per target district) and prepare 8 strategic investment plans; (ii) First field visits were completed in all districts and draft SIPs are under preparation for seven first or second priority commodities, namely rice, chicken, cattle pig, maize, cardamom, buffalo. Additional commodities will be chosen out of nine commodities which were ranked as third or fourth priority: mulberry-silk-weaving, bamboo shoots, pea bean, garlic, fruits and fruit tree branches, goat, fish, ginger, job tears; (iii) Second field visits and review process are scheduled to finalize the FAO inputs by 10/2017; (iv) The research team composition and quality of work-plans are satisfactory thus the expectation is high for the final documents; (v) NAFRI researchers take part in the SIP process to learn the method.

23. However, (i) the quality of SIPs could not yet be assessed by the mission as initial findings are yet to be documented and shared with the AFN, and (ii) the concrete application of the upcoming SIP documents requires some clarification: AFN needs to plan how DAEC/NAFRI/DAFOs will make use of the upcoming SIP documents in the planning and investment processes, and discuss with the FAO drafting team about possible adjustment of the SIP documentation accordingly.

#### Sub-component 3.2: Village agriculture infrastructure

24. *The sub-component is rated moderately satisfactory.* The purpose is to invest USD 12 million in 400 villages' agriculture infrastructure. As input to this, the VDP process (2.2) is to identify investment priorities at the villages. Following approval of the VDPs, fund transfers will be made to Village Development Fund bank accounts for community self-implementation of the plans. DAFOs, PAFOs, AFN accountants and WFP district coordinators will support the villages' self-implementation including simple designs, financial management and procurement processes.

25. In the AWPB 2017, the project has budgeted USD 600.000 for the village infrastructure investments, however constraints persist to deliver this: (i) The process is not yet fully defined as VDP Manual and Project Decentralized Procurement Manual are not yet completed; (ii) If delays and quality constraints in VDP process continue, this will severely hinder the village infrastructure investments for 2017; (iii) Capacities at the district and village levels require intensive strengthening to enable self-implementation of infrastructure investments; (iv) Support responsibilities at province and district level is yet to be defined and coordinated.

Agreed action	Responsibility	Agreed date
VDP Manual and Project Decentralized Procurement Manual to be finalized without further delay and submitted to IFAD for review.	NPCO, WFP	April 2017
Cease disbursement of the current infrastructure package until (i) Required capacity and manuals are in place; and (ii) Appropriate VDPs are approved and include infrastructure identification through a participatory process.	NPCO	May 2017 onwards
(i) Define and coordinate the support responsibilities at province and district levels. (ii) Accordingly, roll out intensive capacity building programme to the support units and to villages.	NPCO, PAFO, DAFO,	April 2017 and onwards

### Sub-component 3.3: Farmer organization investments

26. *The sub-component is rated as moderately satisfactory.* Two grant instruments are to be established for nutrition-sensitive agriculture investments: Garden Grants and Farmer Group Grants. Both are to be implemented through direct financing of farmers' developed plans. For effective implementation of these, results from other activities are required including PAR (sub-comp 1.2), FNS (sub-comp 2.3), and Garden/Farmer Group Planning (sub-comp 2.4). Initial achievement includes: (i) PAR process and Group Establishment as described in respective sections above, and (ii) Investment procedures agreed upon and disseminated to project districts and villages.

27. The project plans to test the instruments in 2017 through initial 12 farmer group grants and 244 home garden grants. However the progress is still at very early stage and a number of challenges were identified: (i) Specific responsibilities of GST members are yet to be assigned; (ii) Grant investment mechanism is new to the GST members and they have limited experience in investment planning, financial assessment and procurement support; (iii) Approvals of grant proposals need to be made in a transparent and systematic manner, hence NPCO and/or District grant management unit need to be capacitated for the purpose; (iv) Villagers have limited planning skills and technical knowledge about upgraded farm/garden models, and require intensive support in order to meet the standard requirements; (v) Requirements of financial reporting and procurement by farmer groups is not yet clarified due to pending Project Procurement Manual; and (vi) Due to the various inherent risks, the first year grant implementation needs to be thoroughly reviewed prior to next disbursements.

Agreed action	Responsibility	Agreed date
(i) Assign group support responsibilities for GST members and build their capacity accordingly; (ii) Establish and capacitate district level appraisal boards for grant approvals.	NPCO, DAEC, DPSCs, GSTs	June 2017
GSTs to support initial farmer groups in (i) development of their grant proposals; (ii) financial reporting, (iii) procurement, (iv) implementation.	GSTs	July-December 2017
Evaluate the grant making process and its results, and revise practice as required.	NPCO, DAFO	December 2017 onwards

### Sub-component 3.3B Forest land use Planning and Allocation (FLUPA)

28. Considering the workload to be implemented during 2017 the project should consider delay of this sub-component until 2018. The first activities of the subcomponent should include: (i) Consultancy contract to conduct forest land use analysis in the project areas; (ii) Development of an action plan for FLUPA roll-out in the following years.

### Sub-component 3.4: Public-private investments

29. *The sub-component is rated moderately satisfactory.* The sub-component objective is to build inclusive pro-poor value chains benefitting at least 1800 households. This is to be achieved by co-investment of USD 0.9 million with at least 18 value chain lead enterprises. During 2017 the project is expected to prepare for the investment process as follows: (i) Finalize above (3.1) described SIP process; and (ii) Conduct a contract farming framework assessment to support policy making and to ensure inclusiveness of the PPP investments. This work will be supported by FAO and the tentative work-plan includes a country status report by end of May 2017 and subsequent strategic support for the Lao legal framework through 2017.

## D. AFN implementation progress

30. **Project management performance.** *Rated as moderately satisfactory.* AFN has carried out a number of activities to establish project management and implementation at different levels: (i) functional project steering committees established at central, provincial and district levels with roles and responsibilities and working mechanism to support AFN performance; (ii) key project officers recruited and total 257 government staff assigned to support the programme at central, provincial and district levels; (iii) project concept, strategy and implementation arrangements are introduced to project staffs at central and local levels; (iv) PIM, Farmer Group Manual and AWPBs for 2016 (6 months) and 2017 were developed through stakeholder consultations at different levels; (v) Service contract with key development partners and service providers were signed to provide technical support for AFN implementation.

31. Management and initial coordination efforts by the NPCO are appreciated in view of the large number of AFN stakeholders from different sectors. For strengthened operations, areas of improvement are elaborated above in section 1.1 along with relevant recommendations.

32. **Coherence between AWPB and Implementation.** *Rated as moderately unsatisfactory.* As of 20 March, 2017, the project disbursement against the 2017 AWPB is 4%. For 2016, the disbursement against AWPB reached 18%. The AWPB 2017 received IFAD no-objection in January 2017, and MAF approval in February 2017. In order to build foundation for intensive field-level implementation in the forthcoming years, following were selected as priority investments in 2017: (i) undertaking background studies and PAR on best farm practices, forage, SIP, and contract farming; (ii) capacity building for districts and villages on VDP, farmer group establishment, and nutrition sensitive issues; (iii) implementation of VDP in 61 villages; (iv) establishment of up to 60 farmer groups; (v) nutrition sensitive small-scale infrastructure development in villages; and (vi) organization of a baseline survey in cooperation with the World Bank funded HGNDP project. At this initial stage, it is still early to assess the coherence between the planned and implemented activities. However, the following activities require critical attention since they are potentially delayed in comparison to the plan: (i) capacity building for partners and beneficiaries related to VDP, farmer group establishment, and nutrition sensitive issues; and (ii) development and implementation of the VDP in the course of 2017.

33. **Monitoring and Evaluation.** *Rated as moderately satisfactory.* M&E in the first year focused on setting up the monitoring system and building related capacity for staff. To date, the following activities have been implemented: (i) responsible staff for M&E has been appointed at all project offices/units from central to district levels; (ii) a draft manual with all monitoring tables has been developed and will be finalised by end of March, 2017; (iii) various project start-up workshops have been organised at district level, in which M&E approaches and methodologies were presented; (iv) TA and equipment support for improvement of MAF PROMIS is planned and budgeted in the AWPB 2017 and competitive selection of service providers is foreseen; (v) the RIMS baseline survey is under preparation. The survey will be conducted in cooperation with the HGNDP – World Bank funded project.

34. The following issues in M&E implementation are noted: (i) slow progress in completion and distribution of M&E manual to districts and villages delayed the actual M&E implementation in the field; (ii) capacity of M&E staff is not yet equipped in all levels, leading to a lack of appropriate tools to measure project interventions; (iii) the cooperation between the project and the HGNDP requires improvement to ensure that key project/RIMS indicators are included in the baseline survey. In the coming period, the mission recommends the M&E staff (i) to finalise and distribute the M&E manual as soon as possible; (ii) to develop a capacity building plan for M&E and implement interventions to capacitate M&E staff accordingly; and (iii) to thoroughly discuss with HGNDP to include project/RIMS indicators in the baseline survey using the project log-frame and the standard RIMS questionnaire as inputs for discussion.

35. **Gender focus.** *Rated as moderately satisfactory.* Although the project is still at its initial stage with limited activities implemented in the field, the project has demonstrated awareness in gender focus. In specific, (i) women account for 45% of all beneficiaries in capacity building activities by the project; (ii) 35% PRA participants are women. Through field visits, the mission notes that women have played a significant role both as beneficiaries and actors in the initial stage of project implementation. In order to further guide project staff and partners to practical mainstreaming of gender aspects into project activities, the mission suggests the project to develop gender mainstreaming guidelines and provide capacity building for project staff and partners in this respect.

36. **Poverty focus.** *Rated as satisfactory.* The project poverty focus is adequate. 400 selected project villages are among the poorest and most difficult villages with poverty rates higher than the provincial poverty rates. Project statistics reflect that participation of the poor in initial project activities is high. Regarding specific activities, proportion of poor participating was 30% in PRA, and approximately 52% in capacity building activities. Through field visits, the mission observed that the poorest groups within the project areas are (i) the ethnic minorities (Hmong and Khmu), and (ii) the HHs headed by women (husband deceased or disabled). Future project activities should pay a specific attention to these groups, in particular in the VDP, farmer group grant, and home garden grant.

37. **Effectiveness of targeting approach.** *Rated as moderately satisfactory.* In this early stage, it is still early to evaluate the effectiveness of the project targeting approach as most project instruments

are not yet implemented in the field. Recommendations for strengthened targeting: (i) The agricultural models should be tailored for the specific needs of poor in different locations; (ii) Coordinated targeting effort by various NNSPA stakeholders including AFN, HGNDP, UNICED, EU and PRF requires strengthening especially where complementariness is expected.

38. **Climate and environment focus.** *Rated as moderately satisfactory.* Climate change and environment are cross cutting issues of the project. CCA and environmental technologies and practices will be addressed through various project instruments including VDP, farmer grant, and home garden grant. The project is in early stage of implementation and concrete activities related to climate and environment are yet to be initiated. However, the mission notes that implementation plans for above mentioned instruments indicate an adequate focus in climate and environmental outputs, outcomes, and impacts.

39. **Innovation and learning.** *Rated as moderately satisfactory.* The project design introduces a number of innovative food nutrition and security, and rural development instruments to the project villages. At the initial stage, the project and implementing partners have initiated learning processes to enable implementation of these instruments. Various required manuals and guidelines including PIM and the Farmer group manual were developed. However, the progress of implementation and learning is still limited. Most of the project partners are still unaware of the opportunities brought in by the innovative new methods, and lack technical capacities to implement these appropriately. The mission recommends to carry out a comprehensive capacity building framework to ensure efficient delivery of the innovative instruments including forage, VDP, Farmer Nutrition School, home garden grant, farmer group grant, farmer to farmer extension, and PPP.

40. **Partnerships.** *Rated as moderately satisfactory.* In provinces where there are concurrent projects/programmes under implementation, effective partnerships are particularly essential in order to ensure successful project implementation. To date, the project has initiated dialogues with relevant ministries (MPI, MOH, MOE) and development donors (WFP, FAO, WB, EU and UNICEF) regarding possible cooperation in project implementation. Resulting from such efforts, the project baseline survey will be jointly conducted with the World Bank funded HGNDP project. In addition, the NPCO has made significant efforts to integrate various project processes with the government Social Behavioral Change Communication (SBCC) in nutrition programme through the multi-sector convergence planning process. These partnerships have strategic relevance to the IFAD Lao RB-COSOP. The NPCO is also closely partnering with all relevant agencies in activity implementation, including DAEC, NAFRO, PAFO, LW, DAFO, DOH at provincial and district levels. Partnership with private sector entities including enterprises and households is planned to be initiated from last quarter of 2017.

## E. Fiduciary aspects

41. **Financial Management.** *Rated as moderately unsatisfactory.* The mission noted positive attempts to implement an appropriate Financial Management system. Financial structure is established with personnel that has the potential for improvement. The supporting documentation for accounting is fairly organized and follows a rudimentary filing system with manual vouchers. Efforts are made to consolidate and create capacity in the financial reporting from the Provincial and District levels. Bank reconciliations and a payroll file are made appropriately. Despite these efforts, the mission is concerned mainly with: (i) weaknesses in the financial reporting due to the absence of a computerised system, and in the accounting due to the non-compliance of International Accounting Standards, (ii) inadequate segregation of duties, and (iii) several gaps in the procedures that regulate the unit's financial operations in its day-to-day operations (effective management of funds at different levels of the project, weekly capacity building, etc.). These concerns negatively affect the implementation of the project, principally due to a limited capacity to monitor financial progress, delays and inefficiencies in the funds flow, and cumbersome but non-effective internal controls that lack a specific purpose and fail to help the performance of the project.

42. **Organization and Staffing.** The mission has observed that the NPCO and DAFOs are adequately staffed in terms of Financial Management (FM) and Administration. This structure to support the project meets its functional needs, but the segregation of duties among them is not optimal. The assigned roles overlap, generating weakness in the internal control system. For example, the Accountant both records transactions and prepares the bank account reconciliations; and at the NPCO it is difficult to identify between the Finance Assistant, Accountant, and Cashier who is engaged with each type of task. For improvement, the mission recommends that (i) the Financial

Management Manual and the Procurement Manual be updated and used as a guide to revise the ToR for each position in the Finance, Administrative and Procurement sections, in order to rationalize the allocation of duties and ensure proper segregation of duties; and (ii) the duties of the Finance Manager, in order to effectively lead the support structure, be centered around supervising the NPCO, PAFOs, DAFOS and finance staff, analytical reviews and tasks, and financial reporting. Additionally, the mission recommends that a performance-based evaluation system be put in place with semi-annual and annual performance reviews all over the cost centres of the project.

43. **Accounting and Financial Reporting & Monitoring.** The project uses a single-entry manual system in which transactions are recorded in Excel. In this manual environment, accounting procedures are duplicative and time-consuming, the financial data produced is not reliable, and there is a great risk of losing information. Monthly financial reporting by PAFOs and DAFOs, and consolidation by NPCO - done on Excel - is highly error-prone, and critical information needed for good financial management is not readily available (such as monitoring of budget, monthly reporting, management of accounts payable and accounts receivable). Finally, no backup measures are in place, should these manual or Excel records be damaged or destroyed. In order to address these issues, the mission recommends the immediate installation of a specialised, proven, accounting software package, adapted for project and donor needs (including analytical coding of transactions, production of financial statements, AWPB monitoring by sub-component, and outcome). All finance staff at NPCO should be fully trained on the use of the software.

44. **Internal Controls.** Expenditure authorization processes at the NPCO level were found to be moderately satisfactory. However, in addition to the internal controls shortcomings caused by the use of a manual accounting system, the mission has noted the following: (i) The Financial Management Manual is not fully effective; it has not been adapted to the current finance staff structure of the NPCO and to the needs of the project (establishing formal processes to manage funds at PAFOs, DAFOS and other entities implementing project activities); (ii) Monthly reconciliations from PAFOs and DAFOs are incomplete and unorganized. They don't follow a harmonized pattern of preparation and verification procedures. The preparation and approval of reconciliations, including monthly bank reconciliation responsibilities, are not segregated; (iii) Accounts Receivable and Accounts Payable information cannot be easily obtained; (iv) Travel expenditures management needs differentiation as corresponding either to staff members or to participants/beneficiaries; (v) Lack of control over the allocation of expenditures to the proper expense category, component, sub-component, outcome and location leads to allocation errors being undetected. Recommendations addressing these issues are made in the agreed actions below.

45. **Fund flows and Disbursements / Withdrawals:** The project maintains bank accounts at the district level of implementation, in which an allocated amount is replenished on a regular basis (current monthly threshold USD 10,000). For the implementation at the province level, the project provides advances to the personal bank accounts of the PAFOs' staff. The mission recommends incorporating a section in the Financial Management Manual, both to regulate the administration of the replenishments to the DAFOs cost centres and to monitor the advances to the staff personal accounts, establishing deadlines for reporting submission and standardizing the procedures to be followed.

46. For the payments or transfers to entities implementing project activities, such as small scale infrastructure at village level, it is recommended that these are governed by effective legal agreements (MoUs or contracts). It is also recommended that monthly reporting on the use of funds is performed and that these types of contracts appear as "Accounts Payable" on the DA reconciliation statement until they have been settled for and the work is finished.

47. Regarding the preparation of WAs, the project needs to standardize the procedure and automate it to provide updated information about its final position at each time of submission to IFAD.

48. **Disbursement.** *Rated as moderately satisfactory.* As at 28 February 2017, the total disbursement for the GAFSP grant and by all financiers stood at USD 1.6 million against total approved project cost of USD 38.8 million (4%). This comprises disbursement of 6% by the IFAD administered grant amount and 1% by the WFP administered grant amount.

49. **Counterpart funds.** *Rated as moderately satisfactory.* The disbursement from government budget as of 28 February 2017 was USD 0.2 million, standing at 4% of the total committed counterpart budget. The mission observed that the project has not yet obtained the foreseen tax exemption, causing a misappropriation in the accounting due to the complexity to track and compensate IFAD the

tax counterpart of the government on a manual accounting environment. The mission recommends the project to obtain the tax exemption as soon as possible. For the expenses made before the tax exemption is effective, the project needs to show that the tax was efficiently tracked and compensated to IFAD.

50. **Beneficiary contribution.** *Rated as moderately satisfactory.* The beneficiaries' contributions are foreseen to start during Q3/2017 when the investment instruments are first rolled out. Project is alerted that the contributions should be recorded and noted in the financial progress reports.

51. **Compliance with loan covenants.** *Rated as moderately satisfactory.* The NPCO has complied with most of the financing agreements' covenants, except for the accident/health insurance for project personnel, tax exemption, and the computerized accounting system. The latter, is a critical element to ensure proper accounting and financial reporting prudent. Thus, it was agreed that the accounting software will be installed and operationalised within the next one month, with all financial accounts and reports inputted to the new, computerised system at NPCO level. Following up with this agreed action is required for approval of next WA submitted to IFAD.

52. **Audit.** *Rated as moderately satisfactory.* Through agreement between IFAD and the project the external audit for the year 2016 will be performed together with the audit for the year 2017, due to the limited amount spent during 2016. The project will be audited by a private firm at the end of 2017, covering the period of 28 April 2016 to 31 December 2017, in compliance with the International Standards on Auditing and the IFAD Guidelines on Project Audits. The audit report will be submitted to IFAD within six months of the end 2017

53. **Procurement.** *Rated as moderately satisfactory.* Overall, the NPCO has established processes and procedures for procurement, and key documents on planning, bidding and contract management are being maintained, with minor areas for improvement. Procurement documentation and decisions made so far in the project are of moderate quality. While there have been delays with some procurements such as the tender for IT equipment, the mission recognized that the decision to cancel the initial bidding and re-tender was made in order to ensure transparency and fairness in the procurement activities. However, the mission noted with concern that the procurement capacity in the decentralised levels is very limited and Project Decentralised Procurement Manual for decentralized procurement is not finalized yet, which may result in delays as the project advances in its implementation. Therefore, it is recommended that concentrated efforts are made by the NPCO to finalize the Project Decentralised Procurement Manual as soon as possible and provide intensive trainings in order to mitigate this risk.

54. **Procurement Planning:** Procurement Plan (PP) is prepared and maintained by the NPCO, which outlines the major procurement requirements in line with the AWPB. In order to allow tracking of actual process of planned procurements it is recommended to revise the PP template as discussed during the mission. Furthermore, the PP needs to also track implementing agencies at decentralized level, which will become important as the project starts to decentralize procurement implementation. Regarding procurement of civil works for village infrastructure investments, the current PP indicates USD 600,000 based on National Shopping procurement method, which is not in line with the project design and PIM. These items are subject to VDP approval and the specific investment process needs to be defined in Project Decentralised Procurement Manual.

55. **Procurement Processes and Procedures:** The NPCO is following Prime Minister Decree No.03/PM (2004), Implementing Rules and Regulations No.063/MOF (2004, amended 2009) and Procurement Manual endorsed by MOF (2009). Standard bidding documents (SBD) endorsed by MOF are being used for tenders conducted by NPCO. However, DAFOs have very limited understanding on procurement processes and documentation requirements. As noted above, the Project Decentralised Procurement Manual has not been finalized yet, and the NPCO is currently in the process of developing it which is foreseen to include simplified processes and templates to facilitate implementation at decentralised levels. It will be important to finalise the Project Decentralised Procurement Manual and train the relevant stakeholders in decentralised levels as soon as possible, in order to ensure that procurement at decentralised level can be implemented on schedule as needed in project components.

56. **Contract Management:** Register of Contracts is prepared and maintained by the NPCO, recording the major contracts signed under the project in line with the AWPB and Procurement Plan.

57. **Record Management:** Electronic records are currently kept in the personal computer of procurement staff, but NPCO is establishing an online documents repository with restricted access. Given the limitations in official documents repository system for electronic records, systematic filing of original hard copies is important to serve as the official records for procurement. However, currently the files are not kept in specific designated files by each procurement, as there are limitations in filing space at the NPCO. While the situation is expected to be improved with additional space becoming available, it is recommended that the NPCO systematically reviews the filing and records management structure.

Agreed actions	Responsibility	Agreed date
At the NPCO level, install and customize a specialised accounting software, adapted to the project and donor requirements, and making reference to existing solutions in other IFAD Laos projects. Processing of the next WA (3) will be subject to this. Following installation, intensive training provided at least for the first year of its implementation.	NPCO	30/04/2017
Improve the filing system for better organization: payment vouchers, receipt vouchers, journal vouchers, contracts, human resources, assets, payroll, etc.	NPCO	30/05/2017
Updated FMM in the following: segregation of duties, management accounts payable and accounts receivable, management of contracts/ agreements at the province and district levels, special treatment of funds channelled to groups of beneficiaries/farmers at the village level, management of cash, differentiation between travel expenses to staff members and to participants/beneficiaries, systematize the financial reconciliations from the DAFOs.	NPCO	30/04/2017
The project to maintain a separate registry to monitor Accounts Payable and Accounts Receivable.	NPCO	30/04/2017
The project to obtain the tax exemption. For the expenses made before the tax exemption is effective, project to show that the tax was efficiently tracked and compensated to IFAD.	NPCO	30/04/2017
ToRs of the Finance, Administrative and Procurement staff be updated and reviewed according to the updated versions of the Financial Management and Procurement Manuals.	NPCO	31/05/2017
Financial management staff performance-based evaluation system be put in place with semi-annual and annual performance reviews.	NPCO	30/04/2017
The internal audit function to be recruited.	NPCO	30/06/2017
First draft of the Project Decentralised Procurement Manual to be shared with IFAD for review, addressing processes and procedures for procurement conducted at decentralized levels.	NPCO	30 April 2017
On-the-job training on the finalised Project Decentralised Procurement Manual conducted for relevant stakeholders in decentralised levels	NPCO	May 2017 onwards
Updated Procurement Plan to be submitted for IFAD no-objection, including revision on structure to allow tracking and monitoring of actual implementation	NPCO	Immediately
Procurement of civil works for village infrastructure investments (component 3.2) are subject to approved VDPs (specific process to be defined in Project Decentralised Procurement Manual, to be sent to IFAD for no-objection)	NPCO	Immediately

## F. Sustainability

58. **Institution building.** *Rated as moderately satisfactory.* AFN adopts the Government decentralization policy for programme management and implementation, thus effective institution building is the key for AFN success. So far, institutional capacity has been developed at the various project levels on project concept, strategies and initially on technical skills. International TA through WFP and FAO has been extended to support the national line agencies which in turn support the institutional capacities at the provincial and district levels. More practical technical support will be continuously required for the key implementing line agencies. Ownership and sustainability of results

will ultimately depend on the capacity of the programme stakeholders and especially the decentralized line agencies.

59. **Empowerment and social sustainability.** *Rated as moderately satisfactory.* It is early to evaluate the empowerment and social sustainability of the project. However, the mission observed positive indication for the coming year including: (i) the VDP and nutrition school process and subsequent VDF/home garden investments will increase the empowerment of the project beneficiaries and local implementing partners in villages; and (ii) the innovative financing instruments (farmer grant, PPP) will likely strengthen the capacities of the HHs in market access and economic development, and facilitate the participation of the poor, the women and the ethnic minorities.

60. **Quality of beneficiary participation.** *Rated as moderately satisfactory.* To date, early field activities show positive signals of quality of beneficiary participation. VDP/PRA processes involved 61 villages with 1455 poor beneficiaries in identification and planning of project activities at village level. The voices of these groups, therefore, are raised and heard in the process of setting priorities for investments. Funding and full managerial ownership of VDF decentralized to village level, increased motivation significantly. Considerable amount of challenging work remains to be done to facilitate beneficiary participation in market oriented planning for economic development.

61. **Responsiveness of service providers.** *Rated as moderately satisfactory.* The AFN engages a range of service providers to the project implementation, both for direct support of beneficiaries as well as for capacity building for the stakeholders. Especially: DAEC, FAO and NAFRI already support the agricultural-technical aspects at all levels; PRF is to support the participatory village planning process; and MOH/HGNDP are to support the nutrition-technical aspects. DAFOs, DOHs, Lao Women's Union and especially the established District Group Support Teams extend the range of development services to villagers in mass scale. The efforts so far have been responsive to the expectations as per Project Design.

62. **Exit strategy.** *Rated as moderately satisfactory.* At the early stage of project implementation, an exit strategy is not yet required nor developed by the AFN. However in some sub-components the project management needs to consider

63. **Potential for scaling-up.** *Rated as moderately satisfactory.* Although at initial stage, there is high potential for scaling-up project instruments including the local planning instrument (VDP) and farmer nutrition schools throughout Laos. Furthermore, the implementation guidelines for commune infrastructure investment, farmer group grant, and public private investment will also have potential for replication under the Strategy for Agriculture Development (2011-2020) and the Sam Sang programme. The new instruments included in the AFN project are appreciated by the central, provincial, and district leadership, and therefore have high potential for later up-scaling

## **G. Other (impact)**

64. **Impact on physical and financial assets.** *Rated as moderately satisfactory.* The project design includes various instruments which create impacts on physical and financial assets, most importantly VDP, farmer group grant, home garden grant, and PPP. Roll-out of above instruments is prepared for and will be initiated during 2017. Baseline data is readily made available, and the initial impact is expected to be seen at SM 2018.

65. **Impact on food security.** *Rated as moderately satisfactory.* As the project is at its initial stage, it is still early to evaluate the impact of project on food security. The baseline survey is under preparation in cooperation with the WB funded HGNDP project. Food security situation of project villages will be thoroughly evaluated under this survey. The mission notes that beside food security, food nutrition also needs to be assessed. By adding more nutrient to the meals of households, it will likely reduce malnutrition among children.

66. **Impact on quality of natural assets and climate resilience.** *Rated as moderately satisfactory.* As the project is at initial stage, impact on natural assets and climate resilience is still to be determined. However, as mentioned in the Climate and Environment focus section, climate change adaptation is among the cross cutting issues of this project. The CCA related instruments including VDP, farmer group grant, and home garden grant are foreseen to create positive impact on quality of natural asset and climate resilience.



## H. Conclusion

67. At this early stage of implementation, the AFN achievement is substantial. The project institutional start-up was done in a timely manner and village level implementation has already begun. After some initial delays also the WFP inputs are now moving well and the project receives quality international technical advisory services. In overall, the project performance is assessed moderately satisfactory and the key achievements were observed as follows: (i) Implementation mechanism is established at all levels including signing of MOUs with national key stakeholders, recruitment and assignment of personnel and drafting of Project Implementation Manual and Financial Management Manual; (ii) International TA has been engaged through WFP and FAO for building institutional capacity and technical skills of the AFN stakeholders; (iii) Participatory Action Research and Forage Development Programme were initiated through NAFRI and DAEC coordination and FAO technical advice; and (iv) The project AWPBs were drafted through comprehensive stakeholder consultations, Strategic Investment Planning has been initiated, and first Farmer Groups established as basis for participatory investment planning.

68. To strengthen the AFN orientation and implementation during the upcoming year, the following key agreements were made between the IFAD supervision, MAF, WFP and other AFN partners:

- Due to the multi-sectoral nature of AFN development objectives, both agriculture and health sectors are involved in the implementation. However, at the field level the cooperation is still limited. As discussed during the supervision mission, MAF and MOH will define their specific joint activities for AFN, and during Q2/2017 assign implementation responsibilities to DAFOs/DOHs;
- The AFN staff still have limited understanding on the concept of Nutrition Sensitive Agriculture. The project with TA support will elaborate and operationalize the concept, and train project stakeholders accordingly;
- The AFN Village Development Planning manual will be completed as soon as possible, village planning support delivered by end of Q2/2017, and first set of village plans are to be finalized by end of Q3/2017;
- Decentralized management capacity will be strengthened through a systematic training and coaching programme with particular focus on community led investment mechanism;
- All AFN implementing partners including WFP, DAEC, NAFRI, FAO, DAFOs, PAFOs, DOHs will prepare annual/quarterly implementation schedules with key milestones and timelines that match with project overall planning/investment process. Quarterly physical and financial progress reports will be sent to NPCO for consolidation.

69. Through adopting the above key points as well as the other recommendations outlined in the report, AFN should be in a strong position to move towards full-scale implementation of the project. At this early stage there are no critical obstacles in sight to the achievement of designed development objectives.

## Appendix 1: Summary of project status and ratings

Project 2000001131 Strategic Support for Food Security and Nutrition Project - GAFSP funds - Draft

### Basic Facts

Country	Lao People's Democratic Republic		Project ID	2000001131	Grant No.	2000001548
Project	Strategic Support for Food Security and Nutrition Project - GAFSP funds					
Date of Update	31-March-2017					
Supervising Inst.	IFAD					
No. of Supervisions	1	No. of Implementation Support/Follow-up missions	3			
Last Supervision	March 2017	Last Implementation Support/Follow-up mission	January 2017			

					USD million	Disb. rate %
Approval	13-Apr-2016			Total financing	38.80	4
Agreement	28-Apr-2016	Effectiveness lag	0.5	IFAD Total	0.00	
Entry into force	28-Apr-2016	PAR value	-----	IFAD loan	0.00	
First disbursement				DSF grant	0.00	
MTR		Last amendment		IFAD grant (GAFSP)	24.00	6
Original completion	30-Jun-2022	Last audit		ASAP grant	0.00	
Current completion	30-Jun-2022			Domestic Total	8.79	2
Current closing	30-Dec-2022			Beneficiaries	2.90	0
No. of extensions	0			National Govern	5.44	4
				Local private	0.46	0
				GAFSP/WFP	6.00	1

### Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management		3	1. Quality of project management		4
2. Acceptable disbursement rate		4	2. Performance of M&E		4
3. Counterpart funds		4	3. Coherence between AWPB & implementation		3
4. Compliance with financing covenants		4	4. Gender focus		4
5. Compliance with procurement		4	5. Poverty focus		5
6. Quality and timeliness of audits		4	6. Effectiveness of targeting approach		4
			7. Innovation and learning		4
			8. Climate and environment focus		4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Strengthened public services		4	1. Institution building (organizations, etc.)		4
2. Nutrition-Sensitive Planning		4	2. Empowerment		4
3. Investments		4	3. Quality of beneficiary participation		4
			4. Responsiveness of service providers		4
			5. Exit strategy (readiness and quality)		4
			6. Potential for scaling up and replication		4

#### B.5 Justification of ratings:

The AFN at its early stage is overall assessed as moderately satisfactory, in view of: (i) Implementation mechanism established at all levels and PIM/FMM are approved; (ii) International TA has been engaged through WFP and FAO for building institutional capacity and technical skills, (iii) Nutrition-sensitive agricultural services are initiated including PAR and Forage Programme; (iv) AWPBs were drafted through comprehensive stakeholder consultations, and first Farmer Groups are established as basis for

participatory investment planning. However the financial management was assessed as moderately unsatisfactory due to missing computerized system and some areas of improvement for internal control.

## Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets		4
C.2 Food security		4
C.3 Quality of natural asset improvement and climate resilience		4
C.4 Overall implementation progress (Sections B1 and B2)		4

### Rationale for implementation progress rating:

At this early stage of implementation, the AFN achievement is substantial. The project institutional start-up was done in a timely manner and village level implementation has already begun. In overall the progress is assessed as moderately satisfactory. As at 28 February 2017, the total disbursement for the GAFSP grant and by all financiers stood at USD 1.6 million against total approved project cost of USD 38.8 million (4%). This comprises disbursement of 6% of the IFAD administered grant amount and 1% of the WFP administered grant amount. GoL had met 4% of its commitment to the Project.

C.5 Likelihood of achieving the development objectives (section B3 and B4)		4
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### Rationale for development objectives rating:

AFN is in a strong position to move towards full-scale implementation of the project. At this early stage there are no critical obstacles in sight to the achievement of designed development objectives. After some initial delays also the WFP inputs are now moving well and the project receives quality international technical advisory services. In overall the likelihood is assessed as moderately satisfactory.

C.6 Risks <i>Short description of major risks for each section and their impact on achievement of development objectives and sustainability</i>	
Fiduciary aspects	- Weaknesses remain in the financial reporting and accounting due to the absence of a computerised system - The Financial Management Manual is not fully effective; it is yet to be adapted to the current finance staff structure of the NPCO and to the needs of the project
Project implementation progress	- As the AFN has two major interdependent implementing agencies (MAF and WFP), concrete joint work-planning and periodic reporting system needs to be established - Decentralized management capacity remains limited for implementation of the innovative project instruments as well as for standard requirements of financial and project management
Outputs and outcomes	- Village Development Planning framework is yet to be established which poses a risk for investment process in 2017 and 2018 - The staff at all project levels have limited understanding on the concept of Nutrition Sensitive Agriculture and its operationalization
Sustainability	- The project has a large number of stakeholders due to the multi-sectoral nature of AFN development objectives, and for effective/sustainable implementation the coordination between these is still insufficient especially between agriculture and health sectors.

## Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Coordination across sectors	MAF/MOH to agree on joint activities for NNSPA, and assign implementation responsibilities to DAFOs/DOHs.	Q2/2017	
Nutrition sensitive agriculture	The project with TA support to elaborate and operationalize the concept, and all project stakeholders to be trained accordingly	Q2/2017	
Village Development Planning	VDP manual to be completed as soon as possible, village planning support delivered by end of Q2/2017, and first set of plans finalized by end of Q3/2017	Q1,Q2,Q3 2017	
Decentralized management capacity	Local capacities to be strengthened through a systematic training and coaching programme with particular focus on community led investment mechanism	Q1/2017 onwards	
Implementation structure	All AFN stakeholders including WFP, DAEC, NAFRI, FAO, DAFOs, PAFOs, DOHs to prepare annual/quarterly implementation schedules with key milestones and timelines that match with project overall planning/investment process. Quarterly physical and financial progress reports sent to NPCO for consolidation.	Q2/2017 onwards	

## Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Results Hierarchy	Indicators						Means of Verification			Assumptions
	Name	Baseline	Achievement by 03/2017	YR1	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Goal:</b> Contribute to reduced extreme poverty and malnutrition	<ul style="list-style-type: none"> <li>Incidence of child malnutrition (height for age) amongst two-year old children in Project villages, reduced from 60%<sup>4</sup> at present to 50% by project completion (disaggregated by gender and ethnicity).</li> </ul>	0	0	0	3%	10%	RIMS surveys UNICEF, Multiple Indicator Cluster Surveys (MICS), GoL statistics	Project start, mid-term and end-project	Project management	
<b>Development Objective:</b> Improved and diversified climate resilient agricultural production and household nutrition enhance life prospects. (inflation adjusted and disaggregated by gender and ethnicity)	<ul style="list-style-type: none"> <li>21,000 HH out of poverty by increasing per capita income from the current level to more than \$270/yr. <sup>5</sup>) by Project-end (inflation adjusted and disaggregated by gender and ethnicity)</li> <li>At least 21,000 households with improved food security (measured as a HFIAS<sup>6</sup> score of 7.0 or lower) (disaggregated by gender and ethnicity).</li> </ul>	0	0	0	8,000	21,000	RIMS surveys; LECS Surveys	Project start, mid-term and end-project	Project management	<ul style="list-style-type: none"> <li>Continued government commitment to multi-sectoral approaches to improved food security and nutrition;</li> <li>Resource access and land security of poor communities is supported and expanded.</li> </ul>
<b>Outcome 1:</b> Strengthened public services	<ul style="list-style-type: none"> <li>30 technical service centres operating sustainably using outcome-based farmer contracts.</li> </ul>	0	0	2	15	30	Project M&E records and annual surveys; PAR reports	Annual	Project management DAEC	<ul style="list-style-type: none"> <li>Close DAEC, NAFRI and TSC collaboration for technology testing and dissemination;</li> <li>Comprehensive mapping and use of proven/tested tools within country and Asian region</li> <li>TSC's incentivised to operate sustainably</li> <li>Project financing is disbursed in time to support field implementation.</li> </ul>
	<ul style="list-style-type: none"> <li>10 sustainable climate-adapted and nutrition-sensitive agriculture and natural resource management technologies adopted by more than 10,000 farmers (disaggregated by gender and ethnic group)</li> </ul>	0	0	1	4	10	Project M&E records and annual surveys; PAR reports	Annual	Project management DAEC	
<b>Output 1</b> Build government staff capacities and procedures and technical packages to support and converge community implementation of selected National Nutrition Strategy	<ul style="list-style-type: none"> <li>12 districts have guidelines, tools and core competencies for participatory nutrition-sensitive, climate-adapted market-led agriculture and rural development planning and implementation</li> </ul>	0	0	Partial	Yes	Yes	Project M&E records	Annual	Project management Service Provider	<ul style="list-style-type: none"> <li>Technical coordination is responsive to the grassroots level needs.</li> <li>Effective mobilization of service providers and experts within govt. and non-state actors</li> </ul>
	<ul style="list-style-type: none"> <li>At least 70% rural household satisfaction with farmer-level technical information services (gender, age ethnic and poverty</li> </ul>	0	0	0%	50%	70%	Project M&E records and periodic	Annual	Project management	

<sup>4</sup> Current level of stunting to be confirmed through Project baseline survey

<sup>5</sup> Prime Minister's Decree Ref.309/PM dated 14 Nov. 2013

<sup>6</sup> Household Food Insecurity Access Scale (HFIAS), ([http://www.fao.org/fileadmin/user\\_upload/eufao-fsi4dm/doc-training/hfias.pdf](http://www.fao.org/fileadmin/user_upload/eufao-fsi4dm/doc-training/hfias.pdf))

Results Hierarchy	Indicators						Means of Verification			Assumptions
	Name	Baseline	Achievement by 03/2017	YR1	Mid-Term	End Target	Source	Frequency	Responsibility	
interventions	disaggregated).						surveys		DAEC	
<b>Outcome 2:</b> Community-driven agriculture-based nutrition interventions established	▪ 300 participatory village investment plans show return on investment > 8%.	0	0	0	100	300	Project M&E records and annual surveys	Annual	Project management; Service provider	<ul style="list-style-type: none"> <li>▪ VDPs are prepared and implemented at field level;</li> <li>▪ Service providers successfully transfer participatory development skills to district administrations</li> <li>▪ Project financing is disbursed in time to support field implementation;</li> <li>▪ Convergence with other programmes and nutrition initiatives;</li> </ul>
	▪ At least 21,000 households achieve a household dietary diversity score of at least 75 per cent of the HDDS of the top income tercile in their kum ban (disaggregated by ethnicity).	0	0	1,000	10,000	21,000	RIMS surveys HDDS studies FNS records	Project start, mid-term and end-project	Project management; DHO	
<b>Output 2:</b> Planning for improved nutritional outcomes	▪ 34,000 beneficiary households participate in VDP preparation (disaggregated by gender and ethnicity of HH-head);	0	5197	3,000	20,000	34,000	Project M&E records and annual surveys	Annual	Project management; Service provider	
<b>Output 3:</b> Women-led improvement in household nutrition	▪ 28,000 women in project area of 15-49 years of age, consume at least 5 out of 10 defined food groups daily (disaggregated by ethnicity)	0	0	0	10,000	28,000	RIMS surveys	Project start, mid-term and end-project	Project management MoH/DHO	
<b>Outcome 3:</b> Sustainable and inclusive market-driven partnerships established	▪ Market driven partnerships increase income of at least 10,000 participating farmers by at least 40% (disaggregated by gender)		0		3,000	10,000	Project M&E records and annual surveys	Annual	DAFO; Project management Farmers' organizations	
	▪ 10,000 farmers with new land use rights recorded (disaggregated by gender) in a manner recognized by national or customary law	0	0	1,000	4,000	10,000	DAFO records Project M&E records and annual surveys			
<b>Output 4:</b> Profitable investment in nutrient-sensitive, climate adapted agriculture	▪ 2,000 hectares of new irrigated land established; <sup>7</sup>	0	0	100	700	2,000	PAFO records	Annual	PAFO	
<b>Output 5:</b> Linking farmers to markets	At least 20 private or public-private agro-processing and quality control facilities installed	0	0	0	6	20	Project M&E system	annual	Project management DAEC DAFO Project management Contracted service providers	
	25 registered agricultural cooperatives or community-based agro-enterprises established with sound charters and business plans	0	0	0	5	25	Project M&E records and annual surveys	Annual		

<sup>7</sup> Irrigation opportunities in some upland districts are limited.

## Appendix 3: Physical progress measured against AWP&B, including RIMS indicators

(Against SSFSNP LF as of 25 March, 2017)

Results Hierarchy	Name	Indicator level	Unit	Baseline	AWPB for PY1			Mid-term	Cumulative		
					2017-plan	Implementation in 2017	% of implementation		6 years-plan (Completion targets)	Accumulation	% of implementation
1	2	3	4	5	6	7	8	9	10	11	12
<b>Goal</b>											
Contribute to reduced extreme poverty and malnutrition	Reduction in child malnutrition (boys/girls)		%			not done	n/a	3	10	0	0%
	Acute malnutrition (weight/height)	3 <sup>rd</sup>	%	not done		not done	n/a	too early		0	n/a
	Chronic malnutrition (height/age)	3 <sup>rd</sup>	%	not done		not done	n/a	too early		0	n/a
	Underweight (weight/age)	3 <sup>rd</sup>	%	not done		not done	n/a	too early		0	n/a
	Increased in the ownership of household asset*	3 <sup>rd</sup>	number	not done		not done	n/a	too early		0	n/a
<b>Programme Development Objective</b>											
Improved and diversified climate resilient agricultural production and household nutrition enhance life prospects. (inflation adjusted and disaggregated by gender and ethnicity)	21,000 HH out of poverty by increasing per capita income from the current level to more than \$270/yr. by Project-end (inflation adjusted and disaggregated by gender and ethnicity)	3 <sup>rd</sup>	Hhs	not done		not done	n/a	8,000	21,000	0	0%
	At least 21,000 households with improved food security (measured as a HFIAS score of 7.0 or lower (disaggregated by gender and ethnicity).	3 <sup>rd</sup>	Hhs	not done		not done	n/a	8,000	21,000	0	0%
<b>Component 1:</b>											
Strengthened Public Services	30 Technical Service Center (TSC) operating sustainability using outcome-based farmer contract;	2 <sup>nd</sup>	number			12	not done	n/a	15	30	n/a
	10 sustainable climate adapted and nutrition-sensitive resource management technologies adopted by more than 10,000 farmers (disaggregated by gender and ethnic group)	2 <sup>nd</sup>	number	0		1	not done	n/a	4	10	n/a
		2 <sup>nd</sup>	Pers.	0		TBM	not done	n/a		10,000	n/a
	Lao-Tai (women)	2 <sup>nd</sup>	number	not done		TBM	not done	n/a			n/a
	Lao-Tai (men)	2 <sup>nd</sup>	number	not done		TBM	not done	n/a			n/a
	Mone-Knair (women)	2 <sup>nd</sup>	number	not done		TBM	not done	n/a			n/a

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Results Hierarchy	Name	Indicator level	Unit	Baseline	AWPB for PY1			Mid-term	Cumulative		
					2017-plan	Implementation in 2017	% of implementation		6 years-plan (Completion targets)	Accumulation	% of implementation
	<i>Mone-Kmair (men)</i>	2 <sup>nd</sup>	number	not done	TBM	not done	n/a			n/a	
	<i>Tibet - China (women)</i>	2 <sup>nd</sup>	number	not done	TBM	not done	n/a			n/a	
	<i>Tibet - China (men)</i>	2 <sup>nd</sup>	number	not done	TBM	not done	n/a			n/a	
	<i>Hmong-Emean (women)</i>	2 <sup>nd</sup>	number	not done	TBM	not done	n/a			n/a	
	<i>Hmong-Emean (men)</i>	2 <sup>nd</sup>	number	not done	TBM	not done	n/a			n/a	
<b>Sub-components (Outputs)</b>											
<b>Output 1.1: Programme coordination capacity</b>	12 Districts have guideline tools and core competencies for participatory nutrition-sensitive, climate-adapted market-led agriculture and rural development planning and implementation;	1 <sup>st</sup>	number	not done	12	not done	n/a		12	n/a	
	At least 70% rural household satisfaction with farmer level technical information services (gender age ethnic and poverty disaggregated).	1 <sup>st</sup>	%	not done	TBM	not done	n/a	50	70	n/a	
	<i>Lao-Tai (better-off)</i>	1 <sup>st</sup>		not done	TBM	not done	n/a			n/a	
	<i>Lao-Tai (Medium)</i>	1 <sup>st</sup>		not done	TBM	not done	n/a			n/a	
	<i>Lao-Tai (poor)</i>	1 <sup>st</sup>		not done	TBM	not done	n/a			n/a	
	<i>Mone-Kmair (better-off)</i>	1 <sup>st</sup>		not done	TBM	not done	n/a			n/a	
	<i>Mone-Kmair (Medium)</i>	1 <sup>st</sup>		not done	TBM	not done	n/a			n/a	
	<i>Mone-Kmair (poor)</i>	1 <sup>st</sup>		not done	TBM	not done	n/a			n/a	
	<i>Tibet - China (better-off)</i>	1 <sup>st</sup>		not done	TBM	not done	n/a			n/a	
	<i>Tibet - China (Medium)</i>	1 <sup>st</sup>		not done	TBM	not done	n/a			n/a	
	<i>Tibet - China (poor)</i>	1 <sup>st</sup>		not done	TBM	not done	n/a			n/a	
	<i>Hmong-Emean (better-off)</i>	1 <sup>st</sup>		not done	TBM	not done	n/a			n/a	
	<i>Hmong-Emean (Medium)</i>	1 <sup>st</sup>		not done	TBM	not done	n/a			n/a	
	<i>Hmong-Emean (poor)</i>	1 <sup>st</sup>		not done	TBM	not done	n/a			n/a	
<b>Output 1.2.1: Participatory action research (PAR)</b>	at least 20 small garden investments that require about USD 100-500 to implement	1 <sup>st</sup>	number	not done	4	not done	n/a		20	n/a	
	at least 10 farmer group investments that require about USD 500-5000 to implement	1 <sup>st</sup>	Group	not done	12	not done	n/a		10	n/a	
	At least 48 TOTs to the DAFOs and TSCs based on the PAR documents	1 <sup>st</sup>	course	not done	20	12	n/a		48	n/a	
	At least 400 training courses to farmer group on Farmer Nutrition Schools held (disaggregated by gender)	1 <sup>st</sup>	Pers.	not done	12	2	n/a		400	n/a	
	<i>women</i>	1 <sup>st</sup>	number	not done		22	n/a			n/a	
	<i>men</i>	1 <sup>st</sup>	number	not done		25	n/a			n/a	

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Results Hierarchy	Name	Indicator level	Unit	Baseline	AWPB for PY1			Mid-term	Cumulative		
					2017-plan	Implementation in 2017	% of implementation		6 years-plan (Completion targets)	Accumulation	% of implementation
<b>Output 1.2.2: Forage development</b>	Annually 30 tons of forage seed produced by farm households, and delivered to households with forage demand	1 <sup>st</sup>	ton	12	6	0	n/a		30		n/a
	DAEC will train the TSCs on household-based forage seed production system	1 <sup>st</sup>	Pers.	not done	48	0	n/a		120		n/a
	TSCs train the enrolled farmer households and provide them with initial input materials	1 <sup>st</sup>	Pers.	not done	12	0	n/a				n/a
	TSCs organize forage trainings to livestock producer households	1 <sup>st</sup>	Hhs	not done	12	0	n/a				n/a
<b>Output 1.2.3: Technical Service Center (TSC)</b>	30 TSCs supported and deliver outcome-based contracts to project beneficiaries	1 <sup>st</sup>	number	not done	12	0	n/a		30		n/a
	• Training of farmer groups on agricultural best practices (based on PAR documents) in the Farmer Nutrition Schools	1 <sup>st</sup>	Pers.	not done	TBM	0	n/a				n/a
<b>Output 1.2.4: Farmer-to-farmer extension</b>	800 lead-farmers engaged to deliver extension service to at least 10,000 training participants	1 <sup>st</sup>	number	not done	TBM	0	n/a		800		n/a
		1 <sup>st</sup>	number	not done	TBM	0	n/a		10,000		n/a
<b>Component 2: Community-driven agriculture-based nutrition interventions established</b>											
<b>Nutrition-sensitive Planning</b>	300 participatory village investment plans show return on investment more than 8%;	2 <sup>nd</sup>	Invnt.Plan	0	61	0	n/a		300		n/a
	At least 21,000 households achieved a household dietary diversity score of at least 75% of HDDS of the top income tercile in their Kum-Ban (disaggregated by ethnicity)	2 <sup>nd</sup>	Hhs	not done	TBM	0	n/a		21,000		n/a
		2 <sup>nd</sup>	%	not done	TBM	0	n/a		75		n/a
Sub-component 2.1: District multi-sector planning	12 district multi-sectoral nutrition sensitive agriculture and rural development plans	1 <sup>st</sup>	number	0	12	0	0%		12		n/a
	women in project area of 15 – 49 year of age, consume at least 5 out of 10 defined food groups daily (disaggregated by gender and ethnicity).	1 <sup>st</sup>	Pers.	0	TBM	0	n/a	10,000	28,000		n/a
	<i>Lao-Tai (women)</i>	1 <sup>st</sup>	number	0	TBM	0	n/a				n/a
	<i>Lao-Tai (men)</i>	1 <sup>st</sup>	number	0	TBM	0	n/a				n/a
	<i>Mone-Kmair (women)</i>	1 <sup>st</sup>	number	0	TBM	0	n/a				n/a
	<i>Mone-Kmair (men)</i>	1 <sup>st</sup>	number	0	TBM	0	n/a				n/a
	<i>Tibet - China (women)</i>	1 <sup>st</sup>	number	0	TBM	0	n/a				n/a
	<i>Tibet - China (men)</i>	1 <sup>st</sup>	number	0	TBM	0	n/a				n/a
	<i>Hmong-Emean (women)</i>	1 <sup>st</sup>	number	0	TBM	0	n/a				n/a
	<i>Hmong-Emean (men)</i>	1 <sup>st</sup>	number	0	TBM	0	n/a				n/a



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Results Hierarchy	Name	Indicator level	Unit	Baseline	AWPB for PY1			Mid-term	Cumulative		
					2017-plan	Implementation in 2017	% of implementation		6 years-plan (Completion targets)	Accumulation	% of implementation
Sub-component 2.2: Village Development Planning	34,000 beneficiary households participate in VDP preparation (disaggregated by ethnicity of HH-head);	1 <sup>st</sup>	Pers.	0	3000	5197	173%	20,000	34,000		n/a
	<i>Lao-Tai (hh-head)</i>	1 <sup>st</sup>		0			n/a				n/a
	<i>Mone-Kmair (hh-head)</i>	1 <sup>st</sup>		0			n/a				n/a
	<i>Tibet - China (hh-head)</i>	1 <sup>st</sup>		0			n/a				n/a
	<i>Hmong-Emean (hh-head)</i>	1 <sup>st</sup>		0			n/a				n/a
	At least 400 capacity building for Village Administrations units	1 <sup>st</sup>	village	0	61	61	100%		400	61	15%
Sub-component 2.3: Farmer Nutrition Schools (FNSs)	At least 400 Farmer Nutrition Schools (FNSs) established	1 <sup>st</sup>	number	0	TBM	0	n/a		400		n/a
	At least 28,000 households' capacity built for improved nutrition	1 <sup>st</sup>	Hhs	0	TBM	0	n/a		28,000		n/a
	At least 12 TOTs to the DOH and LWU staff on SBCC and utilization from agriculture production	1 <sup>st</sup>	Pers.	0	TBM	0	n/a		12		n/a
	At least 100 benefiting households trained on improved agricultural technique and how to establish the farming system in practice	1 <sup>st</sup>	Hhs	0	TBM	0	n/a		100		n/a
	Village Facilitators appointed and trained	1 <sup>st</sup>	Pers.	0	183	61	33.3%		1,200		n/a
Sub-component 2.4: Home Garden and Farm Planning	At least 15 000 households have knowledge on business and production planning	1 <sup>st</sup>	Hhs	0	TBM	0	n/a		15,000		n/a
	Small garden investments that require up to USD 120 per household	1 <sup>st</sup>	Hhs	0	244	0	n/a				n/a
	Farmer group investments that require up to USD 400 per group member household and up to USD 6000 per group	1 <sup>st</sup>	Group	0	12	0	n/a		1,300		n/a
<b>Component 3:</b>											
Sustainable and inclusive market-driven partnership established	Market driven partnerships increase income of at least 10,000 participating farmers by at least 40% (disaggregated by gender);	2 <sup>nd</sup>	number	0	0	0	n/a		10,000		n/a
	<i>women</i>	2 <sup>nd</sup>	number		0	0	n/a				n/a
	<i>men</i>	2 <sup>nd</sup>	number		0	0	n/a				n/a
	10,000 farmers with new land use rights recorded (disaggregated by gender) in a	2 <sup>nd</sup>		0	120	0	n/a	4,000	10,000		n/a

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Results Hierarchy	Name	Indicator level	Unit	Baseline	AWPB for PY1			Mid-term	Cumulative		
					2017-plan	Implementation in 2017	% of implementation		6 years-plan (Completion targets)	Accumulation	% of implementation
	manner recognized by national or customary law.										
	women	2 <sup>nd</sup>	number	0	80	0	n/a				n/a
	men	2 <sup>nd</sup>	number	0	40	0	n/a				n/a
Sub-component 3.1: Strategic Investment Plans (SIP)	Key commodities identified and assessed	1 <sup>st</sup>	number	0	12	0	n/a				n/a
	At least 36 financing contracts signed and implemented as per SIPs	1 <sup>st</sup>	number	0	0	0	n/a		36		n/a
Sub-component 3.2: Village Agriculture Infrastructure Development	Invested in 400 villages' agriculture infrastructure per VDP priorities	1 <sup>st</sup>	village	0	0	0	n/a		400		n/a
	Village Implementation Teams and District Technical Units appointed and trained on infrastructure management	1 <sup>st</sup>	number	0	48	12	25%		400		n/a
	2,000 hectares of new irrigated land established; beneficiary households participate in VDP preparation (disaggregated by ethnicity of HH-head)	1 <sup>st</sup>	Ha	0	TBM	0	n/a	700	2,000		n/a
	Lao-Tai (hh-head)	1 <sup>st</sup>		0	TBM	0	n/a				n/a
	Mone-Kmair (hh-head)	1 <sup>st</sup>		0	TBM	0	n/a				n/a
	Tibet - China (hh-head)	1 <sup>st</sup>		0	TBM	0	n/a				n/a
	Hmong-Emean (hh-head)	1 <sup>st</sup>		0	TBM	0	n/a				n/a
Sub-component 3.3:Farmer Investments	At least 15000 women benefiting from garden grant	1 <sup>st</sup>	Pers.	0	244	0	n/a		15,000		n/a
	At least 1300 farmer groups established	1 <sup>st</sup>	Group	0	77	4	5.19%		1,300		n/a
	At least 560 of the groups access grant financing	1 <sup>st</sup>	Group	0	12	0	n/a		650		n/a
	Benefiting of household min. 10000	1 <sup>st</sup>	Hhs	0	TBM	0	n/a		10,000		n/a
	At least 30% are poor HHs	1 <sup>st</sup>	%	0	TBM	0	n/a		30		n/a
	At least 50% are women	1 <sup>st</sup>	%	0	TBM	0	n/a		50		n/a
Sub-component 3.4: Public Private Investment	At least 20 private or public-private agro-processing and quality control facilities installed;	1 <sup>st</sup>	number	0	0	0	n/a		20		n/a
	25 registered agricultural cooperatives or community-based agro-enterprises established with sound charters and business plans.	1 <sup>st</sup>	number	0	0	0	n/a		25		n/a

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Results Hierarchy	Name	Indicator level	Unit	Baseline	AWPB for PY1			Mid-term	Cumulative		
					2017-plan	Implementation in 2017	% of implementation		6 years-plan (Completion targets)	Accumulation	% of implementation
	At least 18 financed enterprise value chain investments >USD 50,000 in targeted commodity chains established.	1 <sup>st</sup>	number	0	0	0	n/a		18		n/a
	At least 1800 households in the value chain investments in targeted commodity chains established.	1 <sup>st</sup>	Hhs	0	0	0	n/a		1,800		n/a
<b>Component 4: Project Management and support</b>											
<b>Results</b>											
<b>Capacity of concerned local institutions strengthened to plan, manage, coordinate, implement and monitor poverty alleviation programmes in the project area.</b>	% of project staff having training assessment score good or very good (target 80%);	2 <sup>nd</sup>	%	0	TBM	0	n/a		80		n/a
	Number of AWPBs elaborated and updated every six months	2 <sup>nd</sup>	Plan	0	1	1	100%		12		n/a
	Provincial steering committees meeting organized	2 <sup>nd</sup>	number	0	4	4	100%		24		n/a
	At least 72 meeting of District Steering Committee organized.	2 <sup>nd</sup>	number	0	12	12	100%		72		n/a
<b>Outputs</b>											
<b>Output 4.1: Capacity of national, province and district level staff build; O&amp;M system of project offices and equipment established; Project self-analysis system established</b>	Number of staff trained by subject by gender	1 <sup>st</sup>	Pers.	0	106	72	67.9%				n/a
	Inventory updated annually;	1 <sup>st</sup>	number	0			n/a		6		n/a
	Quarterly and annual RIMS report elaborated;	1 <sup>st</sup>	number	0			n/a		6		n/a
	Annual beneficiary workshops held at district level;	1 <sup>st</sup>	number	0	12	0	n/a		6		n/a
	Project meetings (monthly, quarterly, semester, and annual / district & provincial & sector) organized;	1 <sup>st</sup>	number	0	72	6	83%				n/a

## **Appendix 4: Progress against Previous Mission Recommendations**

Not applicable for the first supervision mission.

## Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5A: Financial performance by financiers (28/02/2017)

Financiers	Approval (According to the Financing Agreement)	Disbursements	Per cent disbursed (%)
	USD	USD	
IFAD Grant (GAFSP)	24,000,000	1,382,596.00	6%
Government	5,420,000	202,462.61	4%
WFP (GAFSP)	6,000,000	48,819	1%
Beneficiaries	2,900,000		0%
Local Private Enterprises	500,000		0%
<b>Total</b>	<b>38,820,000</b>	<b>1,633,877.61</b>	<b>4%</b>

Table 5B: Financial performance by components (28/02/2017) in USD

Component	IFAD Grant			Government			WFP (GAFSP)			Beneficiaries			Local Private Enterprises			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
Component 1	3,246,000	185,007.13	6%	258,000						-			-			3,504,000	185,007	5%
Component 2	-			444,000			6,000,000	48,819	1%	-			-			6,444,000	48,819	1%
Component 3	16,132,000	134,684.79	1%	2,323,000						2,900,000			500,000			21,855,000	134,685	1%
Component 4	4,622,000	235,061.83	5%	2,395,000	202,462.61	8%				-			-			7,017,000	437,524	6%
<b>Total</b>	<b>24,000,000</b>	<b>554,753.75</b>	<b>2%</b>	<b>5,420,000</b>	<b>202,462.61</b>	<b>4%</b>	<b>6,000,000</b>	<b>48,819</b>	<b>1%</b>	<b>2,900,000</b>			<b>500,000</b>			<b>38,820,000</b>	<b>806,035</b>	<b>2%</b>

**Table 5C: IFAD grant disbursements by category (28/02/2017) in USD**

Category description	Initial allocation	Accumulated disbursement to 28/02/2017	Percent disbursement	Balance
I. Works	290,000		0%	290,000.00
II. Goods Services and Inputs	2,200,000		0%	2,200,000.00
III. Grants and Subsidies	12,500,000	1,526.86	0%	12,498,473.14
IV. Consultancies	3,830,000	418,159.18	11%	3,411,840.82
V. Operating costs	2,800,000	135,067.71	5%	2,664,932.29
Unallocated	2,380,000		0%	2,380,000.00
<b>Total</b>	<b>24,000,000</b>	<b>554,753.75</b>	<b>2%</b>	<b>23,445,246.25</b>

## Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenants	Target/ Action due date	Status	Remarks
Financing Agreement Section B.2	<b>Designated account.</b> There shall be a Designated Account in USD for the purpose of financing the IFAD financed project activities. The Designated Account shall be opened and maintained in the Bank of the Lao PDR or any other Bank acceptable to IFAD. Upon the Recipient's request, IFAD shall make one or more withdrawals from the Grants accounts on behalf of the Recipient and deposit such amount in the Designated Account. The Designated account shall be operated by the Ministry of Finance of the Recipient and shall be protected against set off, seizure or attachment on terms and conditions proposed by the Recipient and accepted by IFAD.		Complied	
Financing Agreement Section B.3	There shall be Project accounts at the National Project Coordination Office (NPCO) the District Agriculture and Forestry (DAFOs) of participating districts where project activities will be implemented and at the Department of Agricultural Extension and Cooperatives (DAEC). The Project accounts will be denominated in LAK and opened in commercial banks, acceptable to the Fund for project operations. The National Project Coordinator and DAEC Director at central level and Managers at district levels shall be authorized to operate their respective accounts.		Complied	
Financing Agreement. Section B.5	The Recipient shall provide counterpart financing for the Project in the amount of approximately USD 5.4 million. The Government contribution covers taxes, duties and some rural infrastructure, land use registration, salaries for technical and Project coordinators, and operating costs as specified in Schedule II of the Agreement.		Partially complied	The project as of March 2017 has not yet obtained tax exemption. For details see main report paragraph on Counterpart Financing.
Financing Agreement Section E.2.c	The National Project Coordinator, Financial Manager/Key Staff with qualifications acceptable to the Fund have been duly appointed.		Complied	

Section	Covenants	Target/ Action due date	Status	Remarks
Financing Agreement Section E.2.d	A computerized accounting system acceptable to the Fund shall have been procured.	30/04/2017	Not complied	The project to install a computerized accounting system according to international standards.
Financing Agreement Section E.2.e	A Project Implementation Manual (PIM) shall be drafted and shared with the Fund for its approval.		Complied	
Letter to the Recipient Section G.28	Summary interim Financial Reports (IFR) must be submitted to IFAD at half yearly intervals within 45 days after the period-end.	15/05/2016	Not complied	
General Conditions Section 9.01	The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the Project until the Financing Closing Date, and shall retain such accounts and records for at least ten (10) years thereafter.		Not complied	
General Conditions Section 7.11	The Borrower/Recipient or the Lead Project Agency shall insure key Project personnel against health and accident risks to the extent consistent with sound commercial practice or its customary practice in respect of its national civil service, whichever is appropriate.		Not complied	
General Conditions Section 11.01	The Financing and all Loan Service Payments shall be exempt from all Taxes, and all Loan Service Payments shall be made free and clear of Taxes.  (b) The Agreement shall be exempt from any Taxes on signature, delivery or registration.  (c) The use of any proceeds of the Financing to pay for Taxes is subject to the Fund's policy of requiring economy and efficiency in the use of its Financing. Therefore, if the Fund at any time determines that the amount of any such Tax is excessive, discriminatory or otherwise unreasonable, the Fund may, by notice to the Borrower/Recipient, reduce the percentages of Eligible Expenditures to be financed by the Financing which are specified in the Financing Agreement.		Not complied	For the expenses made before the tax exemption is effective, the project needs to show that the tax was efficiently tracked and compensated to IFAD.





## Appendix 7: Knowledge management: Learning and Innovation

### Learning: What has not worked so well? What have been the reasons?

For the Village Development Planning process, there are some risks emerging: (i) Next VDP cycle is in June-July to be followed by the first VDF investments by end of 2017. However, the required planning support is yet to be mobilized. The project investments of this year cannot be implemented unless a comprehensive VDP process is immediately established with all supporting documents and a capacity building plan; (ii) WFP has yet to finalize an agreement with PRF about provision of services to the VDP process. There are still open some questions regarding the possible extent of support by PRF and compatibility of PRF and AFN planning approaches. This institutional set-up and respective preparations need to be in place to commence the VDP cycle. (iii) Understanding and capacity regarding nutrition sensitive planning is limited among project partners and communities, due to delays in components 2.1 and 2.3.

Lesson learned is that for participatory planning/investment mechanisms it is critical to have strict timelines for delivery of local plans, to ensure timely release of investment funds.

### Learning: What has worked particularly well in this project during this period? What have been the reasons for this?

The AFN implementation structure has been started up in a timely manner: (i) MOUs have been signed between implementing partners and staff is at place at all levels of MAF coordination, (ii) WFP has recently contracted an International CTA at the national level and some National Specialists at the province and district levels. WFP-managed TA package for VDPs is being negotiated with Poverty Reduction Fund, (iii) Capacity building has been initiated for all units, (iv) First AWPBs were completed for all districts, provinces and at national level, (v) Through IFAD start-up support the Project Implementation Manual, Farmer Group Support Manual and Financial Management Manual were completed, approved, translated and disseminated; additional manuals are under preparation including Procurement Manual and VDP manual, (v) M&E tools are drafted for monitoring of project progress, and (vi) Support to MAF KM system PROMIS is initiated.

IFAD in the Southeast Asia Hub has a practice of start up support package, during which the PIM is drafted jointly, first AWPB is drafted with significant technical assistance and key technical areas of project implementation are agreed upon. This enables timely start up, approval of first WA and initiation of project activities.

### Innovation: Describe any interesting innovation noted during supervision

The concepts of Nutrition Sensitive Agriculture and Nutrition Sensitive Value Chains are new to the Ministry of Agriculture in Lao PDR. For this, during the mission, IFAD senior specialist gave technical support and clarifications as follows:

#### Nutrition-sensitive Agriculture

##### 1. Nutrition Basics

**Good nutrition** is an outcome as well as an essential input into social and economic development. Good nutrition increases learning and cognitive abilities as well as labour productivity, increasing household income as well as overall economic and agricultural growth. To really make a difference, a comprehensive approach that simultaneously tackles the causes of malnutrition is needed. Households must have good knowledge about food, care, and health as well as access to the right amounts and kinds of food and to good water, good sanitation, and good health care.

**Malnutrition** includes to all forms of physiological impairment: Undernutrition, Micronutrient deficiencies, over-nutrition and obesity.

**Chronic undernutrition (stunting)** is one form of growth failure. It occurs over time, unlike acute undernutrition. A child who is stunted or chronically undernourished often appears to be normally proportioned but is actually shorter than normal for his/her age.

Stunting starts before birth and is caused by poor maternal nutrition, poor feeding practices, poor food quality as well as frequent infections which can slow down growth.

Stunting is not reversible after a certain age. To have an impact on stunting levels, nutrition interventions need to be targeted to women during pregnancy and to children from birth to 23 months of age (1000 days).

## **2. Nutrition-sensitive agriculture**

Nutrition-sensitive agriculture takes nutrition outcomes into account in design and implementation of agriculture interventions to ensure that impacts on nutrition are positive and significant.

### **2.1 Steps to make a project more nutrition-sensitive**

a) Explicitly incorporate improved nutrition as an objective and indicator(s) of the project and identify specific actions that will make project components nutrition sensitive, e.g. promote crops with high nutritional value (e.g. millet instead of rice; orange fleshed variety of sweet potatoes)

b) Trace the steps from production to consumption needed for this intervention to improve nutrition – the impact pathway. For example, determine if a change in dietary habits is needed to encourage the consumption of orange fleshed sweet potatoes

c) Through policy dialogue and partnership, address opportunities that can affect the impact pathway and the effectiveness of the intervention, such as institutional environment, gender or environmental sustainability.

For example: determine how promotion of orange fleshed sweet potatoes affects women in terms of their time or income; how production affects the environment, or how climate change affects the crop; and what other actors need to be involved so that the activity improves nutrition.

### **2.1. Impact pathways**

Impact pathways reflect on the theory of change: What needs to happen to realize positive changes in nutrition? Just increasing productivity or income does not lead automatically to improved nutrition and nutritional outcomes. For example, using better income to buy processed food is most of the time leading to a lower nutrient quality. On the other end, higher income might allow to complement a monotonous and low quality diet with food of high nutrient value (e.g. vegetable, fruits, and animal sourced protein). In order to go to the right track a consumer needs to make an informed decision. This is the entry point for nutrition education and/or Behaviour Change Communication. Analysing impact pathways should always take barriers and hindering factors into consideration. For example, in an indebted community increased income from agriculture will be used to pay back debts and thereby not having any positive nutritional impact.

#### ***a) Own production pathway***

The impact on the nutrition situation of the targeted population is higher if the food promoted plays a substantial role in the diet or can replace food with less nutrient value. This represents the own production pathway.

#### ***b) Income pathway***

In this case, it is expected that higher income in combination with nutrition interventions such as nutrition education but also gender equality (allocation of the family budget and informed decision-making) lead to the purchase of food with high nutritional value. The determinants of food choices need to be identified and addressed in nutrition messaging and nutrition education – preferably through Behaviour Change Communication.

The income pathway is a very important pathway also for women's empowerment. Elements of the value chain offer opportunities for women including adolescent girls to get involved without increasing the workload tremendously.

#### ***c) Market pathway***

By leveraging the potential of markets for nutrition, Nutrition-sensitive Value Chains can catalyse improvements in the overall food environment. Acting on demand and supply can contribute to increased availability, affordability, food safety, nutritional quality and acceptability of foods in the marketplace. This pathway broadens the impact to the wider set of consumers that can benefit from a more nutritious food system.

### **3. Nutrition-sensitive value chains (NSVC)**

Given that food is not only produced, but also stored, processed, distributed and marketed, the value chain approach offers great potential to explain what happens between production and consumption, and identify potential entry points and pathways towards impact in nutrition.

The approach envisions engaging with different private sector actors along the value chain in order to shape the value chain towards a nutrition objective. The overall goal is to link nutrition problems in target populations to possible constraints in supply and demand of specific foods. Defining the interventions needed to shape the food value chains towards nutrition requires therefore:

1. Identifying the nutrition problem of the target population, as well as the commodities (types of foods) that can address the nutrition problem.
2. Undertake nutrition-sensitive value chain analysis: to identify the constraints in supply and/or demand of these commodities that are related to the nutrition problem.

#### ***Opportunities for smallholders in NSVC***

Nutritious foods:

- High demand – profitable market
- Comparative advantage of SHF: labour intensive crops
- Countercyclical crops/Intercropping: year-round availability of food
- Synergies with gender, climate change, etc.

#### **Design Steps:**

<b>STEPS</b>	<b>VALUE CHAINS</b>	<b>NUTRITION SENSITIVE VALUE CHAINS</b>
Objective	Income	Nutrition/Diets
Target group	Producers	Consumers
Commodity selection	<ul style="list-style-type: none"> <li>• Market potential</li> <li>• Poverty reduction potential</li> </ul>	<ul style="list-style-type: none"> <li>• Market potential</li> <li>• Poverty reduction potential</li> <li>• Nutrition improvement potential (nutritional gap analysis)</li> </ul>
VC analysis	Standard VC analysis (mapping of actors, margins, etc.)	NSVC Analysis: <ul style="list-style-type: none"> <li>• Nutrition value: food safety/nutrient loss</li> <li>• Barriers to consumption from target group</li> </ul>
Strategy/Interventions	Increase supply	<ul style="list-style-type: none"> <li>• Increase demand</li> <li>• Add nutritional value</li> </ul>