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Investing in rural people in the **Lao People's Democratic Republic**

In recent decades, the Lao People's Democratic Republic has experienced rapid economic growth and poverty reduction. Although the national poverty rate has declined steadily, almost one fifth of Lao people are still living on incomes below the 2019 national poverty rate of 9,364 kip (US\$1) per day (World Bank, 2020).

More than 60 per cent of the Lao people live in rural areas and depend on agriculture and natural resources for survival. Poverty and malnutrition are more prevalent in rural areas and among ethnic groups, who are concentrated in remote and mountainous areas adjacent to the north-eastern and eastern borders with Viet Nam. More than half of households are subsistence farmers with annual incomes below US\$300. While the country produces sufficient quantity and diversity of foods for adequate nutrition, many households are food-insecure due to poor connectivity, inefficient logistics and market failures. Smallholder farmers face a range of constraints to engaging in market-oriented production, including poor infrastructure and limited access to technical support and financing. Most use traditional farming methods and lack knowledge of new technologies and skills to improve yields. Productivity is also affected by declining soil fertility and lack of access to irrigation.

The geography of the Lao People's Democratic Republic lends itself to the development of high-value products and raw materials that can be sold for a profit in neighbouring countries. The country sees itself as a "land bridge",



providing the most direct overland transport routes between its seaboard neighbours. The government has made significant investments in improving and developing infrastructure to facilitate connections between rural areas and urban markets in order to play this role.

Eradicating rural poverty in the Lao People's Democratic Republic

Rural development remains central to the Lao government's development and poverty eradication efforts. The country's rural strategy includes a strong focus on modernizing agricultural production, creating value-added food and agricultural products and adopting climate-smart technologies. The strategy aims to reduce rural poverty, maintain food security and apply science-based management to natural resources.

Development of the agricultural and natural resources sector is aligned with the National Socio-Economic Development Plan and the Sustainable Development Goals, in addition to regional programmes, especially those of the Greater Mekong sub-region and the Economic Community of the Association of Southeast Asian Nations.

IFAD's strategy in the Lao People's Democratic Republic

IFAD began operations in the Lao People's Democratic Republic in 1978. Our strategy is to invest in rural people, empowering them to increase their food security, improve the nutrition of their families and increase their incomes. We help them build resilience, expand their businesses and take charge of their own development.

Together with government agencies and development partners, IFAD has identified areas where it has a comparative advantage and complements other donors' activities.

The IFAD results-based country strategic opportunities programme for the period 2018-2024 aims to support smallholders' increased livelihoods, resilience to natural shocks, and overall food security and nutrition. IFAD-supported investments will improve smallholders' access to financial services and markets, climate-smart agricultural technologies and better nutrition.

To date, 17 projects have been conducted in the country, at a total cost of US\$509 million, with IFAD financing amounting to US\$164.81 million. An estimated 329,775 households have benefited directly.



Ongoing operations

Strategic Support for Food Security and Nutrition project (SSFSN/AFN)

The Strategic Support for Food Security and Nutrition (SSFSN) project, also known as Agriculture for Nutrition (AFN), aimed to contribute to reducing extreme poverty and malnutrition in the poorest communities of the Lao People's Democratic Republic. Its objective was to achieve improved and diversified agricultural production and household nutrition to enhance life prospects.

The project ran from 2016 to 2022, with financial closure in June 2023. The total cost of the project was US\$40.2 million, which included a grant from the Global Agriculture and Food Security Program (GAFSP) of US\$33.8 million (of which US\$25.5 million was managed by IFAD).

The project focused on strengthening public services; establishing community-driven, agriculture-based nutrition interventions; and creating sustainable and inclusive market-driven partnerships.

The target area comprised 400 villages in 12 districts of four northern provinces (Houaphan, Oudomxai, Phongsaly and Xieng Khouang). The project aimed to reach 34,000 households within the target villages, where ethnic groups represent most of the population.

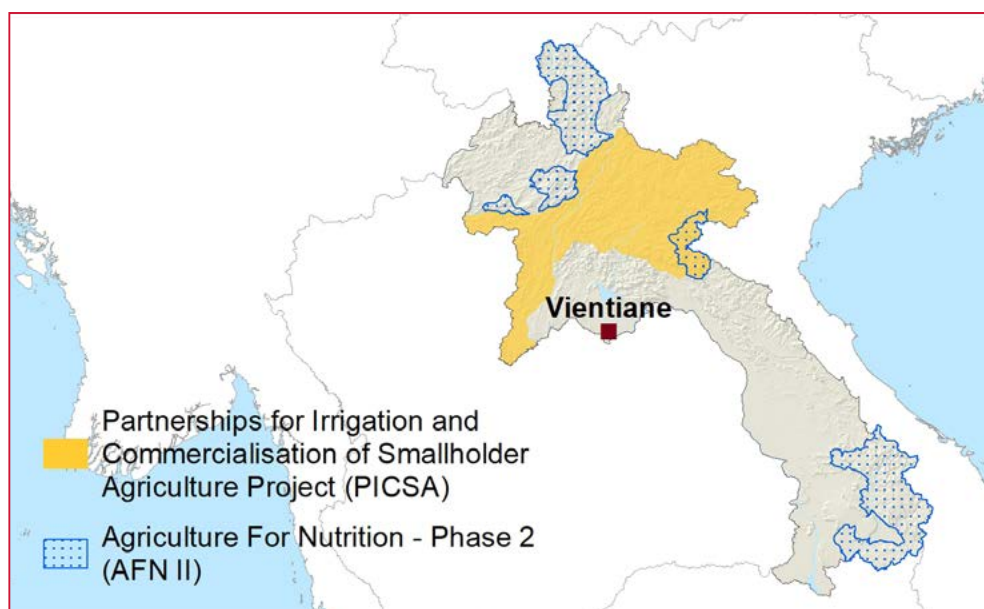
The Ministry of Agriculture and Forestry of the Lao People's Democratic Republic implemented the project through its Department of Planning and Finance.

Agriculture for Nutrition - Phase 2 (AFN II)

Phase two of Agriculture for Nutrition is designed to enable 28,000 vulnerable households living in the project area to improve their income by 20 per cent by 2030. It is also expected to contribute to improving their food and nutrition security and enhancing their climate resilience.

The project will cover a period of seven years, from 2023 to 2029. The total cost of the project is US\$48.30 million, of which IFAD is providing a loan of US\$13.23 million and managing US\$12 million of the GAFSP US\$20 million grant.

Agriculture for Nutrition II centres on: establishing community-driven, agriculture- and natural resources-based nutrition interventions; improving business partnerships and market access; and creating an enabling environment.



The project's target area comprises 500 villages in 20 districts of six provinces (Oudomxay, Phongsaly and Xieng Khouang in the north, and Saravane, Sekong and Attapeu in the south).

The second phase of Agriculture for Nutrition will also concentrate on including climate finance, building adaptive capacity and prioritizing indigenous peoples. In addition, it will focus on gender-transformative and nutrition-sensitive interventions.

The Ministry of Agriculture and Forestry will implement the project through its Department of Planning and Finance.

Partnerships for Irrigation and Commercialisation of Smallholder Agriculture Project (PICSA)

PICSA aims to contribute to enhanced livelihood and climate resilience in 19 districts of Huaphanh, Luangprabang, Xaybouly and Xiengkhuang provinces. It also aims to drive sustainable and inclusive socio-economic development. The project focuses on intensifying agricultural development; developing value chains; and improving nutritional practices.

PICSA is expected to reach 36,900 households in the target area, primarily smallholder farmers' households at risk of food insecurity and malnutrition.

The project covers a period of six years, from 2019 to 2025. The total project cost is US\$85.2 million, which includes an IFAD loan of US\$21 million.

PICSA is coordinated nationally in conjunction with the Sustainable Rural Infrastructure and Watershed Management Sector Project funded by the Asian Development Bank and the European Union, and the Emission Reduction Project funded by the German Ministry for Economic Cooperation and Development and the Green Climate Fund.

The Ministry of Agriculture and Forestry implements the project through its Department of Irrigation, with the collaboration of Provincial Project Implementation Teams.



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IFAD is an international financial institution and a United Nations specialized agency. Based in Rome – the United Nations food and agriculture hub – IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided more than US\$24 billion in grants and low-interest loans to fund projects in developing countries.

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