
Lao PDR

Partnerships for Irrigation and Commercialisation of Smallholders Agriculture (PICSA)

Supervision Mission – Aide Memoire

Type of mission	Supervision
Project Name	Partnerships for Irrigation and Commercialisation of Smallholders Agriculture (PICSA)
Country	Lao PDR
Country Director	Mr. Ambrosio Barros
National Project Coordinator	Mr. Khansawanh Sisopha
Date of mission (month/year)	6-20 Dec 2022
Project Area:	19 Districts in 4 Northern Provinces of Houaphan, Xieng Khouang, Luang Prabang and Sayabouly
Days in the field	8 days
Field sites visited	Hoi Tham and Junsisana villages, Khoun District; Chomsy and Na Oun Villages, Kham district, Xiengkhuang Province, Ham Tay and Nameuang villages, Sam Nue District; Sop Hao, Hatsan and Phian meuang villages, Sopbao District, Huaphan Province
Mission composition	Soulivanh Pattivong, IFAD Country Programme Officer, Team Leader Mark Biriukov, IFAD Senior Regional Financial Management Officer Eva Hendrika Jordans, Water User Group Organization and Irrigation Management Specialist Emmanuel Jouve, Agriculture Specialist Vu Minh Hien, M&E and Social Inclusion Specialist Chu Tuan Dat, Procurement Specialist Victoria Chiartano, IFAD Staff on IFAD award travel / KM Specialist Mr. Claudio Di Benedetto, Advisor to the Associate Vice President / Partnership Specialist

A. Mission Objectives and Key Conclusions

Background and main objective of the mission

1. IFAD and the Government of Lao PDR (GoL) jointly conducted a Supervision Mission (SM) for the Partnerships for Irrigation and Commercialisation of Smallholders Agriculture (PICSA), from 6 to 20 Dec 2022.
2. PICSA became effective on 29th November 2019 with an expected completion date of 31st December 2025. Total project costs are about US\$ 30 million equivalent, of which an IFAD loan will fund approximately US\$ 13 million, GoL approx. US\$ 2.1 million, beneficiaries US\$ 5 million equivalent, in cash or in kind, and private sector will contribute about US\$ 1.5 million. Additional loan financing of US\$ 8 million transferred from the NSLCP-RFSP project was approved by IFAD Executive Board in October 2020.
3. PICSA is implemented by the Ministry of Agriculture and Forestry (MAF) through its Department of Irrigation (DoI). Implementation of the project is decentralised through Provincial Project Implementation Teams (PPIT) in four target Provinces (Xieng Khuang, Huaphanh, Xayabouly and Luang Prabang) and District Project Implementation Teams (DPIT) in 19 Districts.
4. PICSA forms part of a national programme with the Sustainable Rural Infrastructure and Watershed Management Sector Project (SRIWMSP, ADB/EU-funded) and Lao PDR Emission Reductions Program through Implementation of Governance, Forest Landscapes and Livelihoods Programme (ERP, BMZ/GCF-funded and implemented by GiZ). PICSA and SRIWMSP are implemented through a single PGT in DoI. ERP is implemented through MAF's Department of Forestry.
5. The key objectives of the mission were to: (1) review arrangements made and performance of the project to ensure that preparatory processes are on track for 2022 field investments; (2) review the status of implementation of agreed actions made during last ISM 2022; (3) provide technical assistance to the project team on identified issues.
6. The mission interacted with project stakeholders at central level (MAF, ADB, GiZ, etc.) and line agencies at sub-national levels (agriculture and forestry, public works and transport, public health, education, Lao Women Union, etc.), as well as district authorities. The team interacted with production groups committees and members, water users' groups and conducted spot visits to locations selected for physical investments (farmers groups production and infrastructure investments, irrigation schemes and access tracks).
7. Mr. Bounkham SIDAVONG, Director General (DG) of the Department of Irrigation (DoI) of the Ministry of Agriculture and Forestry (MAF) chaired the Kick-off Meeting on 6th Dec 2022 and the Wrap-up Meeting held on 20th Dec 2022 were chaired by Mr. Bounkham SIDAVONG, DG, DOI/MAF and Mr. Ambrosio Barros, IFAD Country Director for Lao PDR. The mission expresses its appreciation to the Government of Lao PDR, led by MAF and other related Ministries and Departments, the PGT and all stakeholders who participated in the mission for their cooperation and support.

Key mission agreements and Conclusions

8. **Assessment of overall progress since the last supervision mission:** Overall, the mission noted a very good implementation progress. The majority of Agreed Actions from the March 2022 implementation support mission have been implemented or are in progress. The project has delivered most of the expected outputs as per the AWPB 2022. Significant progress has been made over the past eight months in terms of capacity building across the three components, implementation capacities at district level have been visibly strengthened and the first FGIF and AEIF grants have been disbursed. Progress includes amongst others:

- 210 groups received training in group formation and crop production practices;
- 70 Farmer Group Investment Fund (FGIF) infrastructure and production grant proposal approved and funds disbursed to farmer Production groups;
- 28 Rural Enterprises were supported through Agro-Enterprise Investment Facility Fund, and contracts signed between farmer groups and commercial buyers.

- Nutrition lessons and technical training on home gardening and animal raising and garden grants were delivered to 805 women in 54 villages across 9 districts and 54 School gardens were supported.

9. Key constraints affecting delivery of project outputs and outcomes are detailed below, including key strategic agreements.

10. **Targeting and outreach:** In the Farmer Groups in the selected 210 villages (batch 1 and 2) poor households comprise only 7% of the members as PICSA villages selected along 63 ADB SRIWSP schemes that are relatively better off with few poor households. PICSA PDR, PIM and FGIF grant manual all indicate the importance of prioritisation of poor households. Several actions were discussed and agreed upon to increase the number of poor households included in the APGs, including prioritising poor households for access to second round production grants and selection of poor villages in batch 3.

11. **Access tracks:** The proposed long list of access tracks subprojects (for a combined length of 500 km, 26 km for each of the 19 target districts) is to be reviewed and reduced to 200-250 km in AWPB 2023. Priority should be given to subprojects with low environmental and social risks. The subprojects should be implemented by village authorities with assistance from PGT, DPIT and District Public Works and Transportation Office for survey, design and supervision / technical guidance.

12. **Additional need for specific technical TA:** The mission reviewed current technical implementation capacity, both in terms of technical skills and capacity to adequately and timely support activities in 210 villages in 2023. Based on this review, the mission recommends adding specific technical TA. This includes 4 OFWM Field facilitators - 1 per province (sc. 1.2), 2 additional Business Development Assistants full time at PGT (sc. 2.2) and 1 short term TAs with a civil engineering profile (sc. 2.3).

13. **Actual expenditure and Disbursement:** The actual expenditure on the IFAD loan is 4,45M USD up to December 2022, and 96% of the current AWPB. Disbursement ratio is 31,2% including the initial advance and 21,2% without initial advance. Disbursement is as a result rated moderately unsatisfactory.

14. **Increase in prices:** PICSA was designed four years ago. Over the past years prices have increased significantly: in some instances prices have gone up by 50%, for example for fertilizer. Increases are the effect of COVID-19, the war in Ukraine and supply chain bottlenecks. FGIF contracts were amended to counter this price increase. As a result, AWPB 2023 requires allocation of additional financing for Matching grants due to LAK depreciation. On the other hand, the falling value of the LAK against USD — 33 percent since March this year (and 52% since 2019) means that the project can buy more local goods and services against the USD.

Component 1 (Intensified agricultural development) is assessed as satisfactory (5/6): Significant progress has been made in terms of capacity building, implementation capacities at district level have been visibly strengthened and grants have been disbursed to 70 villages.

15. **Output 1.1** – District Level staff and village authorities trained (completed 91% by end of November): Activities related to local development TA, training of district staff for review of VDPs and actual review of VDPs together with Village authorities were completed as per the plan.

16. **Output 1.2** – Water User Groups (WUG) trained (completed 66% by end of November): Continued coordination with SRIWSP between the O&M and water management specialists led to a joint work-plan on water user groups' development in the same target villages. PICSA will predominantly focus on strengthening existing groups of water users at APG level while at scheme level the overall WUG/WUA will be supported by ADB SRIWSP. SRIWSP will address and ensure compensation/mitigation of loss of land to extension of schemes/construction, resettlement and disruption of services due to construction works. Alignment of the methodologies and approaches of the two projects was ensured by the adoption of the PICSA O&M guidelines by SRIWIMSP.

17. Capacity building on O&M for PPITs and DPITs was done during the first half of the year. Training of Trainer was delivered to all PPITs focal points (16 people) and 139 districts focal points. Finally, an initial WUG training was delivered at village level. PICSA follows a need based approach; existing functioning Water user groups and WUAs need a different capacity building approach compared to areas where no functioning WUG exist. After initial training of the WUG committees, the WUG training approach will be participatory, scheme based and involve all members of the group,

Participatory Water Management (PWM) training exercises will be adopted in the training of the WUGs as outlined in the PWM manual prepared by PICSA.

18. Borehole testing: PGT will initiate activities in the area of borehole pumping tests, including water quality testing, and groundwater level monitoring. The mission supports the proposal by PGT to avail borehole testing equipment to Districts and train District staff on its use.

19. During the 3rd quarter PICSA engaged with the 70 target villages to identify existing WUGs and build linkages with the FGIF component (1.4). PICSA support to WUGs consists of the support to the WUGs related to the FGIF small-scale irrigation infrastructure grants: these small schemes are either linked to the ADB schemes or another source such as a river or groundwater.

20. Issue: (i) Strengthening and involvement of WUGs/FGs in OFWM are important in all phases of the irrigation scheme: from planning to construction to O&M. Now that the small infrastructure grant projects commence construction, PICSA is advised to start field-based participatory training of the Water User Groups, by engaging 4 OFWM Field facilitators (one in each Province). This team will be coordinated by PGT OFWM Specialist with guidance by WUG specialist. The field facilitators will work closely with focal points and members of PPIT and DPIT.

21. **Output 1.3 – Extension services provided** (completed 89% by end of November). Trainings and logistical support for extension services were provided as planned. FG reported having received training related to their production grant crop or livestock. Follow-up training will be provided once activities progress. The team is currently developing methodologies and material in line with the crop “clusters” that have emerged from the 70 proposals. All extension staff and FGAs are involved in the development of the manuals to ensure a full participatory approach and ownership of the extension material produced by PICSA. The irrigation and extension specialist resigned in August. PGT proposed not to replace this position.

22. **Output 1.4: Farmer Groups Investment Facility established** (completed 80% by end of November). All grants have been disbursed in Xieng Kouang, Xayaboury and Luang Prabang provinces. Grants will be disbursed in Houaphan by the end of December. With the 70 grants a total of more than 13 Billion LAK’s investment is being disbursed, resulting in an increase of cultivated area of over 1,000 Hectares estimated potential revenue from those additional productions of 18 billion LAK per cultivating season (70% ROI). The 70 Agricultural Production Grants support a diversity of production activities - vegetables, groundnut, sticky rice (chicken rice), garlic and onion as well as pig and goat meat production. All 70 groups also received grants for infrastructure projects – the majority for small scale irrigation facilities (different irrigation systems like gravity, electric pump, solar pump and small canal improvement, and the use of different sources of water). PGT was advised to categorise in the Excel database the production grants (into commodities) and infrastructure grants (in type of systems, and source of water: ADB/other water source) and to conduct further analysis on grant utilisation in support of further outcome assessments. The mission noted that paragraph 10 of the FGIF manual is implemented differently, and PGT; PGT will suggest a revision that reduces the complexity and is implementable.

23. During the needs assessment of the first batch of villages, it transpired that some villages have no issue with access to water. PGT decided to allow investment in other infrastructure in support of VC. For example in one village the grant will be used for a storage structure for drying and storing of tea. In the next batch of 140 villages it is expected that another 5 to 6 non-irrigation infrastructure investment proposals will be submitted.

24. Consultation meetings were regularly organized by PGT with DPITs in particular to improve the grant application forms and processes. A final improved version of the form is being used for the next round of grant application. Based on lessons learnt, it has also been decided to no longer complete all proposals in a District before sharing with the Province and central PGT for review, but share proposals once completed to speed up the process.

25. *Second batch of villages:* All new target villages (140 villages) have received training on the PICSA approach and on group formation. Groups have been formed and have started to develop grant applications, for disbursement in 2023. *Second round of production grants:* The second quarter of 2023 will be dedicated to the evaluation of the activities conducted by the first cohort of 70 villages and the preparation of their 2nd round of production grant application.

26. The mission noted and discussed with PGT a number of issues under output 1.4 and actions were agreed to address these in 2023.

27. Issue: (ii) **Selection of households** in 210 villages: on average 7% of APG members are from poor households (5% in ADB villages and 8% in PICSA villages) – Increase their participation in the second round of production grants. In order to increase participation of poor HHs, it was decided to expand PG membership with priority to be given to all poor households in the village, female headed households and also WUG members in schemes who did not yet benefit. See actions in the targeting section.

28. Issue (iii) **Quality screening of proposals**: Additional TA to ensure quality of grant proposals as proposed by previous mission could not be sourced. Therefore, the mission supports the PGT proposal to relocate the Provincial APG from Xiengkhuang province to Central PGT. PICSA also works closely with one DoI officer on technical screening of infrastructure proposals. PICSA is advised to request DoI to assign one more full-time technical staff member in order to increase capacity with a large number of proposals to be screened. Simultaneously, this will enable DoI to further build its capacity on small-scale infrastructure projects.

29. Issue (iv) **Procurement**. The Farmer groups receive support in the procurement process from DPIT, notably in requesting quotations and drawing up contracts. However, it is of utmost importance that the FGIF manual is followed and that DPIT and PGT ensure that the FGIF procurement remains under the responsibility of the farmers' groups with only guidance and supervision of the DPIT. The mission reiterates that DPIT should **not** do procurement on behalf of the farmer groups. APGs are able to start procurement such as requesting quotes from suppliers when their proposal is approved and do not have to wait for the funds to be disbursed. After fund disbursement they are able to sign contracts (see procurement section).

30. Issue (v): **APG Business development**: Overall, the implementation of FGIF has picked up pace and is progressing well after initial delays. It should however be realised that FGIF is just a first step that kick-starts the business development of APGs. APGs need to continue these activities in next seasons and years by saving proceeds from their harvest and possibly access to finance or establishing productive alliances with agri-businesses. This should be a medium-term process for investment by group members in production and post-harvest in conjunction with other VC actors (equipment / input suppliers, buyers, service providers, financial institutions, other development projects). Follow-up coaching and monitoring of the groups will be required to ensure sustainability of the activities.

31. Issue (vi) **Capacity building grants and Model and Young farmers' grants**: In 2023 PGT plans to start with capacity building grants and Model and Young farmers' grants to support model farmers to establish relevant, scalable production units using adapted technology and Good Agricultural Practices for demonstration and exchange of knowledge with connected farmer groups. PICSA is advised to design between 5 and 10 agripreneur models for Lead farmers investment and roll out the Model and Young Farmers grants for starter kits through APG bank accounts and coordinate with DAFO for certification of lead farmers under the Village technician certification schemes. For this activity there is a special focus on young, female, next-generation farmers from poor households and ethnic groups.

Component 2 (Value chains developed) is assessed as moderately satisfactory (4/6). The project made significant progress in engaging with the private sector and successfully conducted business matching events (MSPs) in each target district. The agro-enterprises have prepared their investment plan and are ready to implement the first round of matching grants under the Agro Enterprise Investment Facility

32. **Output 2.1 – Multi-Stakeholder Platforms (MSPs) established**; Multi-Stakeholder Platforms (MSPs) established. The project established MSP in each district and three meetings between APG and Agro-Enterprises were conducted. These MSP resulted in business matching between production groups and buyers, formalised by buy/sale contracts.

33. The Department of Industry and Commerce was involved as MSP facilitator with coordination from the Agro-enterprise advisor. As this activity will be further scaled-up in 2023, it was agreed to strengthen the team by revising ToR of the Agro-investment adviser with additional management duties over a team of 2 additional Business Development Assistants to be recruited and mobilised full time at PGT.

34. The first round of MSP was conducted at district level and covered several commodities. For upcoming rounds of MSP, it is recommended to make them VC specific and to broaden the participation with input/ equipment suppliers, financial institutions and other development projects (including ERP) where relevant.

35. The project has developed a due diligence methodology to screen the AE eligibility to participate. To enhance crowding in the private sector in the MSP, it is agreed to support SME to upgrade their business registration and other requirements to be able to participate in the MSP and access the Agro-Enterprise Investment Facility.

36. **Output 2.2 – Agro-enterprise Investment Facility established.** A total of 128 agro-enterprises (AEs) have expressed interest to participate in the project and were included in the database. Among these, 28 AE have been selected and are currently preparing their grant/ investment proposal for matching grant. The applicants are now in the process of designing and preparing BOQ for facility improvement

37. The main issue is related to the ability of AE to match eligibility criteria and to match the project grant. In particular the AEIF Category III (grants from USD 15,000 to USD 50,000) requires a 70% contribution from AEs that may be beyond their financial capacity. It is therefore agreed the budget corresponding to the AEIF Cat III (USD 1.11 million) could be reallocated to support investments by clustered APG or registered AC in facilities for post-harvest operation (drying, sorting, shelling, etc.) and produce aggregation (collection points, cold storage, storage, etc).

38. Clustering of APG and formal registration of Producers' organisations. Based on the mapping of existing APG involved in similar specific VCs / commodity production, it is agreed to support them in clustering together and to register in Agricultural Cooperative (AC) or other formal status (farmers' enterprise) to engage with the private sector in VC, so that they are empowered and become self-reliant and continue to invest and to develop production and postharvest operations after project support ends. These formally registered Producers' Organisations (ACs or enterprises) will then be eligible for investment grants to develop their post-harvest and aggregation facilities to add value to their product and strengthen their positioning in the target VC. Following examples of AC business development by IFAD project in Afghanistan, Mongolia and Cambodia, a first pilot of this APG clustering process can be carried out in 2023 and validated at MTR for further scaling up.

39. **Output 2.3 – Access improved.** The project has allocated a quota of 26 km of access tracks for upgrading in each of the 19 target districts for a combined length around 500 km. Although this approach does not follow the agreed approach which was to identify need for access track rehabilitation through MSP, the project has made progress in engaging with target villages, beneficiaries and District Public Works and Transportation Office (DPWTO) to establish a long list of subprojects. These sub projects have been screened for social and environmental risks as per the Environmental, Social and Climate Management Plan (ESCMP).

40. This current approach has resulted in the identification of a long list of subprojects, some of the alignments are less than a kilometre long. During field visits, the mission has observed that some of the selected alignments present low environmental risk (gentle slopes, limited risks of erosion) and low social risks (no or limited impact on private land, strong consensus at village level). In some other cases, the identified tracks presented issues around access rights to the track, large number of private landowners impacted by the broadened track width, high risk of erosion in sections with steep slopes, etc. Therefore, it is agreed to put the detailed survey and design on hold and to review the long list of proposed subprojects to select in priority the alignments with low environmental and social risks. The combined length to be selected for investment in 2023 is expected to be between 200 km (MTR target) and 250 km maximum. The corresponding budget is included in the AWPB 2023.

41. Given the scattered and small-scale nature of the identified village to production area access tracks, it is agreed that village authorities will be in charge of the implementation, rather than going through procurement of private contractors. The village authorities will receive support from DPTWO for survey and design, mobilising machinery (tractors, excavators, dump trucks, etc.) and procuring construction material (gravel, cement, concrete pipes, etc.).

42. To ensure the quality of the selection process and implementation of this activity, it is agreed to recruit 1 TA with a civil engineering profile to conduct the review of the proposed investment and assist DPWTO in survey, design and work supervision. The Rural Development Expert and ESSM will provide overall coordination and ensure compliance with SECAP requirements for screening and risk management and mitigation measures.

Component 3 Improved nutritional practices: is assessed as satisfactory (5/6)

43. PICSA was designed as a nutrition sensitive project. The nutrition interventions include increased dietary intake and improved quality of diet for nutritionally vulnerable groups and school-

based nutrition activities in two target provinces (Xayabouly and Luangprabang) while nutrition interventions under SWRIMSP in Xiengkhouang and Houphan provinces with funding support from European Union (EU), have been still under arrangements for implementation.

44. During 2022, all planned activities were implemented in partnership with convergence agencies (agriculture, health, education, LWU, etc.): (1) all IEC materials developed on nutrition, Teachers' Facilitators Handbooks, Food Processing Handbooks, Nutrition Posters; (2) nutrition TOT trainings held for 47 PNC and DNC members (33 women); (3) TOT trainings also held to 331 Village Nutrition Committee members (148 women); (4) nutrition lessons delivered to 805 women in 54 villages across 9 districts of the two provinces; (5) technical trainings on home gardening and animal raising and garden grants (1 million kips / HH) provided to 805 households, namely the women of reproductive age between 15-49 years old; (6) school cooking utensils and related materials for land preparation, fencing and school garden provided to 54 primary schools out of 100 schools as planned (53%) in 9 districts; (7) small water supply systems have been under construction and installation in 54 primary schools; (8) Knowledge Attitude and Practice (KAP) Report finalised and findings of the Report presented to all PNCs and NCS in 9 target districts; (9) School Cooking Demonstration Sessions held for women of reproductive age and primary pupils in 54 villages; (10) interactive technical trainings and awareness on nutrition and agriculture farming held in 54 schools/villages, using 12 Videos and 1,000-day Video of the completed IFAD funded project, called SSSJ, attended by primary school pupils and women of reproductive age; and (11) nutrition events also organised in 5 districts of 9 districts with full attendance of PNC, DNC and local communities and the events will be organised in all remained districts by late Dec 2022.

45. Even after sharing KAP Report findings with PNC and DNC, it is crucial to continue to have active multi-sectoral engagement of the convergence agencies in communicating SBCC messages to the project target groups at school and community levels on nutrition education, as well as SBCC interventions, agriculture farming, health care, consumption of 10 food groups (also including local foods-including forest foods with high nutritional value), etc., through regular nutrition events/day, etc. Also, with grant investment at household level, it is key for the supported HHs to get technical support from DPIT on the use of grant, with also HHs visits and systematic exchanges among the supported women on home gardening and animal raising. Moreover, it is key to provide more refreshed TOT training to PNC and DNC on their roles, nutrition sensitive agriculture, communication, methodologies related nutrition activities in the target area, partnership, reporting and coordination mechanisms. District Technical Monthly Meeting and other Coordination Meetings are key events with full attendance of key members of the PNC and DNC PPIT, to be updated on achievements and challenges and then joint planning could be also drafted for collective exercises with timely updates.

46. To maximise synergies and complementary with ERP, which does not have a nutrition component, PICSA should continue to discuss with ERP to prioritise ERP target villages for Component 3 interventions. Also, PNC and DNC with support of PICSA, should continue to map nutrition interventions in both provinces for synergy and complementarity of nutrition interventions.

Targeting and Outreach

47. In the Farmer Groups in the selected 210 villages (batch 1 and 2) poor households comprise only 7% of the members. Both PIM (para 12) and FGIF grant manual indicate the importance of prioritisation of poor households. Grant Manual (para 36): "Group formation is self-selective to ensure practical and demand-driven group formation – however, the participation of poor, economically active, and female-headed households are strongly promoted." In terms of improving PICSA targeting of poor households and ensuring reaching of PICSA's development objective, main SM mission suggestions are the following:

48. **Outreach target:** Add a target in the updated *PIM > Targeting Strategy/Targeting-social inclusion plan* and monitor and report it in the M&E system and progress reporting. The target will be set based on the updated poverty data of all target districts to be provided by the project + midterm CI survey report to be ready by MTR in 2023.

49. **Geographic targeting:** Within the 1st and 2nd batch villages (210) there are 63 villages that benefit from irrigation schemes covered by SRWIMSP, ADB. These villages are relatively better off with few poor households. Project to include all remaining poor HHs in the villages as additional group members to existing groups already formed for 1st and 2nd batches of villages (210). PICSA to support groups of poor HHs with no access to land, etc., in terms of IGAs, off-farm activities, etc., to improve their living conditions (i.e. poultry keeping, mushroom farming).

50. In the 3rd batch of villages, there will be 18 remaining ADB villages. The remaining villages selection needs therefore to be based on poverty data focusing on geographic areas with high concentrations of poor people or with high poverty rates.

SECAP requirements.

51. The project is implementing activities in line with the approved ESCMP. However, risk screening and inclusion of management and mitigation measures can be further improved in all areas of interventions.

52. **Groundwater monitoring.** The project has taken the initiative to monitor groundwater level to ensure that the boreholes implemented by the APG, especially when equipped with a solar pump, do not negatively affect groundwater resources. The On-farm Water Management Specialist will be in charge of training and support to DAFO in measuring drawdown and extraction of groundwater in boreholes, and to monitor groundwater levels with equipment provided by the project.

53. Social and Environmental risks assessment and mitigation: the project is to ensure compliance with SECAP for upgrading access tracks, including social, environmental and climate risk assessment and mitigation measures in implementation and O&M, in line with the ESCMP.

54. **Grievance redress Mechanism (GRM):** The project is to ensure that the established Grievance Redress Mechanism is activated and that all stakeholders are aware about the GRM process and know how to access it. Disseminate information on the GRM and raise awareness at local level. The project is to monitor and report on the number of grievances and how they have been addressed.

Gender and Social Inclusion

55. To date of this mission, the project has reached 4,564 HHs in 210 villages, of which 11% are female headed HHs, slightly lower than the estimated target of 15%. This includes 24,252 beneficiaries (52% of female, 32% of youth and 23% of ethnic groups); this is 13% compared to the end target of the project 191,880 beneficiaries (50% female, 25% of youth, and 40% of ethnic groups). The 3rd batch of villages needs to reach more female headed HHs and ethnic communities to meet the target.

56. Gender action plan (GAP) was finalized in May 2022 and presents the activities and progress against the target updated up to November 2022. The GAP includes 36 activities of mainstreaming gender and youth: 3 are achieved, 28 are on track, and 5 are not yet done. In several activities, the achievement varies across provinces. For instance, MSPs female members accounted for 43% against the target of 35%, in which Houaphanh achieved the lowest ratio of 11% and Luang Phrabang achieved the highest ratio of 62% (GAP monitoring result). The female staff of district staff trained in project implementation and management procedures also appeared with 27% against the target of 35% (GAP monitoring result), in which Houaphanh has 1 female staff over 23 staff in water management training (presentation of Houaphan province in the mission). Although this is partly explained by the fact that the water management and irrigation staff are male-dominated occupations, there is a significant gap among the provinces. Hence, the project's social inclusion focal points should monitor the progress across provinces to share good practices from each other, as well as to increase the target group in the next round of implementation in the under-target activities.

57. Since the last supervision mission in November 2021, the gender and social analysis of PICSA target groups and the development of a broader Targeting Action Plan (TAP) based on GAP were not completed. The gender consultant has started women focus group discussions to provide more information for the target group of gender and social analysis. The project expects to: (i) finalise the gender and social analysis of the targeted area based on the available village profile, baseline survey, KAP survey, field supervision mission's information, among others; (ii) broaden out the GAP into TAP to include poor households, youth and ethnic groups mainstreaming activities with no extra budget implication; (iii) ensure the M&E collects disaggregated data on targeted groups to monitor the progress of social inclusion; (iv) assess the progress of target groups' participation to project activities across provinces and districts during the implementation and the outputs and outcomes attained.

Project management is rated as satisfactory (5/6).

58. The project management has deployed significant efforts in implementation of the previous SM recommendations: (i) 5 additional staff recruited at PGT and all are on board; (ii) acceleration of the planned activities with detailed quarterly work-plan of PGT developed to support PPIT and DPIT; (iii)

coordination meetings at central, provincial and district levels (monthly, quarterly, etc.) held on a regular basis to update project status, challenges and identify joint solutions; (iv) continuous refresher trainings and technical support provided to PPIT and DPIT on planning of project activities, procurement, financial management, implementation system, M&E, etc.; (iv) systematic staff performance assessment conducted to assess capacity and performance of PGT, PPIT and DPIT; (v) Project Human Resource Re-structure shared with proposed transfer of some staff from Xiengkhouang PPIT to central GPT and also proposed increased salary of some staff as per staff performance assessment and increased costs of living. This was discussed and suggested to share it with IFAD through NOTUS for review and NOL.

59. With a large number of implementing and supporting agencies of PPIT and DPIT (PAFOs, DAFOs, DPWT, POIC, DOIC, DOES, DOHs, LWU, etc.), it is key that PGT, PPIT and DPIT pay more attention to coordinate district level work effectively, namely the support to APG in group planning for investment and providing clear information on the upcoming steps and modalities, etc.. There has been a long process in supporting APG formation, procurement, investment and linking the supported groups with agri-enterprises. Also, even with all technical manuals, there is uneven understanding of PDIT and DPIT on procurement and financial management processes; therefore refresher training and guidance are critical. Moreover, coordination among implementing agencies and convergence agencies are to be strengthened in planning project activities, implementation support with regular information and key updates through technical monthly meeting and coordination meetings.

60. To strengthen critical collaboration and coordination among district implementing agencies, it is crucial to organise regular coordination meetings and share monthly and quarterly work-plans, with clear deliverables and timely information sharing/reporting, with the aim of better coordination and communication between the numerous project stakeholders, committees and components. Of particular importance is the efficient management and work planning of project advisors, Cluster facilitators, DAFOs, District assigned staff, who are critical in the delivery of key project instruments including WUGs, APGs, FGIF, etc.

61. Despite technical introduction and training held, the staff especially at the decentralized levels have significant capacity gaps for planning/investment mechanism, nutrition-technical contents and financial management. Refresher training on key project concepts, linkages between three project components, steps and process, etc., as indicated in key technical manuals and guidelines, are needed to all key advisors, PPIT, DPIT and local implementing agencies. A full-day Monthly Technical Meeting with full participation of district implementing agencies and PGT key TAs as needed, and Coordination Meetings are key events for all implementing agencies to be updated on project status, challenges and identify joint solutions.

62. Consultations have been held among technical teams of PICSA, SRIWMSP and ERP and representatives of the three projects participate in the joint SRIWMSP-PICSA PSC meetings for regular update and information sharing. Coordination between PICSA and SRIWMSP has improved considerably. Responsibility for continued coordination of SRIWMSP and PICSA remains with the joint PGT responsibility for both projects. However, PICSA and ERP work in some same villages (22) and the mission noted that activities in these villages are not yet coordinated. This may lead to possibly including the same beneficiaries, duplication of efforts and the risk of confusion (e.g. inconsistent approaches to matching grants). With ERP entering full implementation mode effective dialogue and collaboration will need to be ensured at all levels.

63. PICSA has also initiated discussions with Lao Farmer Network (LFN) to support project implementation, namely building capacity of the APGs in PICSA villages related to group business plan support, linking the AGPs with Farmers Groups under LFN, with regular interactions and information sharing among the farmers.

64. An exit strategy is not yet prepared by the project. The mission recommends the project to urgently develop the exit strategy and send it to IFAD for review and no-objection by April 2023. The exit strategy will need to address the institutionalisation and financing of three project components. The mission shared an example of a well-drafted Exit Strategy with the PGT.

M&E and KM

65. The project has a well-established and well-functioning M&E system in place, with assigned full-time staff at PGT, PPIT and PDIT. The system allows monitoring of project implementation and measuring the results. Since the last support mission in March-April 2022, the system has (i) supported provinces and districts monthly and quarterly meetings on activities planning, budgeting, following up and reporting; (ii) development of the Project Implementation Monitoring and Evaluation System

(PIMES) for all PPITs and DPITs; (iii) provided refresher training and support to PPIT and DPIT on project management and M&E; (iv) supported project documentation and designed a reporting system for central PGT missions at PPIT and DPIT level, based on agreed actions like done in IFAD Aide Memoire (AM) (finding the issue and providing recommendation for addressing this); and development of reporting system to link with ProMIS of MAF.

66. As the requirements on the outreach and geographic targeting of PICSA project, the mission recommends that M&E system disaggregates data on target indicators (poor households, gender, youth, ethnic) by ADB/GIZ/IFAD villages. Also data collection needs to allow for comparisons between district, village profile and targeted beneficiaries.

67. The M&E system has been partly translated the main column titles in English and is expected to have all titles in both English and Lao. The system needs to be double-checked with some inaccurately reported and confused data.

68. Baseline survey was conducted during Sept 2021 and the report was submitted in February 2022. The sample was composed of 1,500 households from 60 villages out of the total 353 project target villages. The survey aimed to collect data to enable tracking the indicators in the project logical framework. The LogFrame needs to be updated with baseline data (poverty rate, crop intensity, etc.).

69. It is reported by the M&E officer that the technical capacity of the district staff is limited in terms of analysing the data. To strengthen the efficiency of the system when more activities are being implemented, the project should plan to conduct a needs assessment and provide further technical training. Also, the project needs to expand the platform to collect, evaluate and disseminate qualitative data on the feedback of beneficiaries and stakeholders on the received project services, similar to the system used by KM activities.

70. M&E and KM systems are in place to allow knowledge sharing and coordination to produce and use data and information. 95 tablets were provided for M&E/KM staff at all levels to improve efficiency. KM has implemented and maintained various activities to different stakeholders, type of products, channels, etc. It is suggested that the activities are also reported as the categories in the template shared by IFAD for easy tracking.

Financial management

71. By the date of the end of Supervision Mission, the overall disbursement ratio of the Project reached 31,2% including initial advance and 21,2% without initial advance. At the mid of the project life this ratio is rated as moderately unsatisfactorily. The project is also recommended to follow the latest Revision to LTB (July 2022) regarding the disbursement process in ICP, e.g. WAs should be supported by quarterly IFRs. The SOEs are maintained for internal use only and there no need to send them to IFAD through the ICP system, this also should ensure the quicker process of the WAs. With changes of the ICP Users, it is suggested to update the Users, with formal communication to IFAD.

72. Counterpart funds consisting of Government contributions achieved 91% and beneficiary input that remains at low level of 7% only, however, it is worth to note the beneficiary contributions are mostly related to matching grant activities, whose financing started in December 2022 only and correspondent contributions will start in 2023. In overall, the counterpart funds are rated as satisfactory but beneficiary contribution monitoring system should be properly developed and borrowing of successful AFN project experience on this matter would be encouraged.

73. Quality of financial management, budgeting, internal control and financial reporting of the Project are assessed as satisfactory.

74. External audit was of an acceptable quality but due to audit report delivery delay in 2022 (was provided with 11 days late), this area was rated as moderately unsatisfactory. The Project needs to develop the FM Action Plan to address the audit findings for the period of 2021 and provide it to IFAD.

75. Legal covenants as per the Financing Agreement have been mostly properly followed by the Project and this area is assessed as satisfactory.

Procurement

76. By December 2022, the implementation of the PP is 58.6% of the planned value, in which 46.3% of goods contracts, 60.8% of works contracts, and 100% of consultancy contracts were procured. The Project currently reviews and approves grant proposals of farmer groups district by district, so it caused significant delays as some villages in the district are slower than others. The mission

recommended that proposals be reviewed and approved village by village so that the procurement process can follow up to accelerate the progress.

77. To make it clear the mission emphasised that for procurements to be implemented by farmer groups, the groups shall follow the FGIF Guideline, i.e. direct purchase can be used for the procurement of single or bundled goods or services with an estimated cost equal to or less than LAK 15,000,000; for higher estimate cost, the simple national shopping procedure with at least three quotations from independent suppliers should be obtained. Procurement by AIF recipients shall follow the AIF Guideline, i.e. direct purchase can be used for the procurement of single or bundled goods or services with an estimated cost equal to or less than USD 3,000; for the higher estimated cost, the simple national shopping procedure with at least three quotations from independent suppliers should be obtained. Other procurements in the Project are subject to the Project Procurement Manual.

78. Post-review of some contracts and spot checks of procurement carried out by farmer groups in the visited districts revealed some shortcomings. Although they are not common and happened in a few cases, it is worth pointing them out so that they will not be repeated. A procured contract was not included in the approved PP. A bidder was rejected because of not submitting its business licence and tax clearance certificate. Price negotiation was found in a procurement of agricultural inputs. Bid prices were not recorded in a bid opening minute. Bids were opened 1 day after the bid closing date. Self-certification at the bidding stage and contract stage and the annexe with additional provisions were not found in procurement carried out by farmer groups. In general, the procurement process was well documented and followed procedures in the guidelines.

79. Currently, DPITs play an intensive role in supporting farmer groups in the advertisement, RFQ preparation, bid evaluation, drafting contracts, etc. Farmer groups need to be more autonomous and DPITs should only play a facilitating role in the procurement process.

80. By December 2022, the Project has entered into the ICP-CMT system 155 contracts, which were the same as in the last mission in March 2022. The total value is USD 2,195,902 which is far below the implementation. The Project sent notice to unsuccessful bidders who participated in the tender and the publication of contract award notices has not been done.

81. IFAD and the Government of Lao PDR hereby endorse the findings of the Supervision Mission.

Ambrosio Barros
Country Director, IFAD

Bounkham SIDAVONG
Director General
Department of Irrigation
Ministry of Agriculture and Forestry

Date:

Date:

Agreed Actions

	Component 1	Responsibility	Deadline	Status
1	OFWM: Field-based training Participatory Water Management (PWM) (1.2) Start PWM field training of WUGs by engaging 4 OFWM Field facilitators (one in each Province) to be coordinated by OFWM Specialist. Field facilitators conduct TOT of the districts and provincial staff and positions to be reviewed after a year	PGT, OFWM Specialist	Feb./ 2023	Agreed
2	FGIF: Screening of infrastructure grant proposals (1.4) Assign additional staff for technical screening, including transfer of APG Advisor from XKG to central PGT and assign one more DoI staff, with screening team to be coordinated by OFWM Specialist	PGT, OFWM Specialist	Jan /2023	Agreed
3	FGIF: Procurement (1.4) Follow FGIF manual and ensure that the FGIF procurement remains under the responsibility of the farmers' groups with guidance and supervision of the DPIT. DPIT should not do procurement on behalf of the farmer groups	PGT, DPIT	Continuo us	Agreed
4	APG Business development (1.4) Support APG to develop their production and post-harvest business for the second round of FGIF and beyond. Link the groups to MSP and develop business plans for individual or clustered APGs (component 2)	PGT, DPIT	continuo us	Agreed
5	Model and Young Farmers grants (1.4) Design between 5 and 10 agripreneur models for Lead farmers investment and roll out the Model and Young Farmers grants for starter kits through APG bank accounts. Coordinate with DAFO for certification of lead farmers under the Village technician certification schemes	PGT, DPIT	May 2023	Agreed
	Component 2	Responsibility	Deadline	Status
6	SME and MSPs Continue to support SMEs to comply with requirements and due diligence for eligibility to AEIF grants and continue involving SME in Multi Stakeholder Platforms organised along specific VC	PGT	Continuo us	Agreed
7	AEIF grants – reallocate Cat. III to AC development Reallocate the unused funds in AEIF Category III (USD 15,000 to 50,000) to APG clustering and AC development and investment.	PGT	Dec 2023	Agreed
8	Clustering of APG and pilot AC development Based on the mapping of APG involved in similar specific VCs / commodity production and support them in clustering together and register in Agricultural Cooperative of other formal status (farmers' enterprise) to engage with the private sector in VC, so that they are empowered and become self-reliant and continue to invest and to develop production and postharvest operations after project support ends	PGT, DPIT	continuo us	Agreed
9	Business development support to SMEs Revise ToR of the Agro-investment adviser with additional management duties over a team of 2 additional Business Development Assistants to be recruited and mobilised full time at PGT	PGT	Jan 2023	Agreed
10	Recruitment of civil engineers Recruit 1 TA with a civil engineering profile at PGT to conduct the review of the proposed investment and assist District Public Work and Transportation Offices (DPWTO) in survey, design and work supervision	PGT, DPIT, DPWTO	Jan 2023	Agreed
11	Review of access tracks investment Based on the Environmental and social risk screening reports, conduct a rapid field assessment of the long list of access tracks identified for upgrading in 2023 and select only the sites that present low risks and high benefits using criteria in the SM report. <u>Survey and Design activities are on hold</u> until the review and selection of eligible investments is completed and approved	PGT, DPIT, DPWTO	Mar / Apr 2023	Agreed

12	Upgrading of Village to production area tracks by village Based on the review of the long list of identified access tracks, reduce the quantitative target to between 202 km (MTR target) and a maximum of 250 km in 2023 Upgrading of selected Village to production areas to be implemented directly by village authorities with technical support from DPWTO and the four recruited PGT civil engineers.	PGT	Oct - Dec 2022	Agreed
Component 3		Responsibility	Deadline	Status
13	Mapping of Nutrition Interventions and Component 3 Planning Map on-going nutrition projects / activities and nutrition needs in Xayabouly and Luangprabang Districts	PPIT, DPIT, PGT	April 2023	Agreed
14	Prioritise ERP target villages for Nutrition Interventions Target villages of ERP should be considered as high priority for nutrition interventions of PICSA Component 3	PGT, PPIT, DPIT	March 2023	Agreed
Targeting and outreach		Responsibility	Deadline	Status
15	Project to provide the updated poverty data of all target districts	PGT, M&E	Jan. 2023	Agreed
16	Project to start the midline CI survey to have the report ready by 2023 MTR	PGT, M&E	Sept 2023	Agreed
17	Outreach: Project to set a revised poverty target at MTR based on updated poverty data of all target districts and midline survey, include in PIM and report on progress.	PGT, M&E	Nov 2023	Agreed
18	Geographic targeting: project to include all remaining poor HHs in the villages as additional group members to existing group already formed for 1 st and 2 nd batches of villages (210). Support groups of poor HHs with no access to land, etc., in terms of IGAs, off-farm activities, etc., to improve their living conditions (i.e. poultry keeping, mushroom farming). Also prioritise female HH heads and WUG members.	PGT, PPIT, DPIT	April 2023	Agreed
19	Geographic targeting: project to select villages of batch 3 (143) based on poverty data focusing on geographic areas with high concentrations of poor people or with high poverty rates and submit the list with IFAD by April 2023 for review and approval	PGT, M&E, PPIT, DPIT	April 2023	Agreed
20	MTR: Assess Development Objective (% of households below poverty line) Mid-term and End targets based on midline survey results and revise as needed	PGT, M&E, IFAD	Nov 2023	Agreed
Gender		Responsibility	Deadline	Status
21	Identify low achievement of gender engagement/participation in some activities and propose solutions to improve	PGT	Continuous	Agreed
22	Finalize the analysis of gender perspectives based on the database of M&E, baseline survey, KAP survey, information from the supervision mission, and others	Gender specialist/PGT	Feb/2023	Agreed
23	Finalize the conversion from GAP to TAP by including youth and ethnic groups, besides poor and gender targeting	Gender specialist/PGT	Feb/2023	Agreed
M&E and KM		Responsibility	Deadline	Status
24	Update LogFrame with baseline data	M&E Officer, PGT	Jan/2023	
25	Provide further capacity training for M&E staff at district and province levels	M&E Officer, PGT / IFAD	April/2023	Agreed
26	Create a platform to collect, evaluate and disseminate qualitative data on the feedback of beneficiaries and stakeholders	M&E Officer, PGT / IFAD	March	Agreed
SECAP		Responsibility	Deadline	Status
27	Social and Environmental risks assessment and mitigation Ensure compliance with SECAP for upgrading access tracks, including social, environmental and climate risk assessment and mitigation measures in implementation and O&M	PGT	continuous	Agreed
28	Grievance redress Mechanism Establish and activate a Grievance Redress Mechanism, ensure that all stakeholders are aware about the GRM process and know how to access it. Disseminate information on the GRM and raise awareness at local level. Monitor on number of grievance and how they have been addressed	PGT	Immediate	Agreed

	Project Management	Responsibility	Deadline	Status
29	Work planning / detailed activity plan of all advisors as per approved AWPB Detailed activity plan of each TA at PGT, PPIT, DPIT and cluster facilitators, developed to coordinate and support district level work effectively	PGT, PPIT and DPIT	On-going	agreed
30	Monthly work-plans, with clear deliverables and timely information sharing / reporting Develop monthly work-plans of PPIT and DPIT, with clear deliverables and timely information sharing / reporting after each monthly meeting, with the aim of better coordination	PGT, PPIT and DPIT	On-going	agreed
31	Monthly Technical Meetings Full-day Monthly Meeting attended by all key implementing agencies and PGT TAs (M&E, Finance, etc., as needed) to be updated on physical and financial achievements, challenges and joint solutions identified. Also, the meeting should include next month planning and also refresher Trainings and introduction on selected themes – financial management, M&E, procurement, etc.,	PGT, PPIT and DPIT	Monthly	agreed
32	Strengthen coordination with ERP on key issues Initiate technical coordination including (1) coordinated selection of group members; (2) selection of priority value chains; (3) coordination of private sector engagement. Conduct quarterly coordination meetings	PGT, ERP	Quarterly	Agreed
33	Prepare a First Draft Exit Strategy Prepare a first draft exit strategy for three components	PGT	April 2023	Agreed
	Financial management	Responsibility	Deadline	Status
34	AWPB 2023 update AWPB 2023 requires allocation of additional financing for Matching grants due to LAK depreciation on Comp 1 (for Groups) and also on Comp 2 (28 Agro-enterprise companies contract for about 300K for matching grants to be added), final draft AWPB 2023 should be provided to IFAD review and NOL	PGT	Dec 2022	Agreed
35	PIM to be amended on Beneficiary contribution assessment methodology PIM would require amending to reflect the methodology for assessing of Beneficiary contributions (can be borrowed from AFN project) and to be re estimated in the reporting if needed	PGT	March 2023	Agreed
36	WA process update Submission of all WAs should be supported by the correspondent quarterly IFR not by SOE within 30 days after the reporting quarter (as per the Revised LTB dated July 2022 which was shared)	PGT	Permanent ly	Agreed
37	Financial statements deadline update Unaudited Annual Financial Statements with Notes for 2022 should be prepared by the project (not by auditors) and submitted to IFAD within 3 months following the reporting year	PGT	March 2023	Agreed
38	ICP Signatories / Users update ICP Signatures /Users should be updated with formal communication to IFAD	MOF, MAF, PGT	Dec 2022	Agreed
39	FM Action plan to be developed There were many findings regarding Project's Internal control issues / advances / insufficient supporting documents and finance staff capacity in applying accounting software in the audit for period of 2021. Project management needs to develop and present the FM Action Plan on follow up of External Audit. It also should include the condition the IFAD FO or representative should be invited by the Project for Entry and Exit meetings with auditors for providing clarifications regarding the audit scope and IFAD policies to avoid situation with redoing of audit reports Recommendations 2021 to IFAD as per the Auditor's Management Letter	PGT	January 2023	Agreed
40	External audit arrangements for 2022 Project needs to ensure the timely procurement of external services as well as timely providing of external audit report for 2022 to IFAD			Agreed

	Procurement	Responsibility	Deadline	Status
41	Enter and update contract data, including contract data of procurement under grants	PGT	Monthly	Agreed
42	Add self-certification forms and the annex with additional provisions on Preventing Fraud and Corruption in its Activities and Operations and Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse for procurement under grants	PGT	March 2023	Agreed
43	Publish procurement notices and contract award notices on the Project website	PGT	March 2023	Agreed