Ministry of Agriculture and Forestry of Lao PDR

Partnerships for Irrigation and Commercialisation of Smallholder Agriculture (PICSA)

Department of Irrigation

Ministry of Agriculture and Forestry

Vientiane Capital, Lao PDR

Guideline for

Agro-Enterprise Investment Facility (AEIF)

Abbreviations

AIF	Agro-Enterprise Investment Facility
DAFO	District Agricultural and Forestry Office
DAFO	District Agriculture and Forestry Office
DFGIT	District Farmer Group Investment Team
DOIC	District Office of Industry and Commerce
DOPI	District Office of Planning and Investment
DSEDC	District Socio-Economic Development Committee
FGIF	Farmer Group Investment Facility
GAP	Good Agricultural Practices
IFAD	International Fund for Agricultural Development
LNCCI	Lao National Chamber of Commerce and Industry
MSP	Multi-Stakeholder Platform
NPMU	National Project Management Unit
PADT	Provincial Agro-Enterprise Development Team
PAFO	Provincial Agriculture and Forestry Office
PGT	National Project Governance Team
PICSA	Partnerships for Irrigation and Commercialisation of Smallholder Agriculture
POIC	Provincial Office of Industry and Commerce
PPIT	Provincial Project Implementation Team
PPIU	Provincial Project Implementation Unit
SMEs	Small and Medium Enterprises
SSC	SME Support Centre
USD	United States Dollar

FOREWORD

This manual describes the procedures for the preparation, application, approval, and implementation of investments under the PICSA Project's Agro-Enterprise Investment Facility (hereinafter referred to as the AIF manual). It draws heavily on IFAD's Manuals developed for IFAD funded programmes in Vietnam and Laos. The PICSA approach is modelled and adapted according to lessons learnt and experience from implementation in Vietnam and Laos.[1]

The AIF manual includes the information on all major aspects of the AIF process:

I. Objectives;
II. Target groups and eligibility of the applicants;
III. Norms and Forms of AIF grants;
IV. Eligible and ineligible investment expenditures
V. Beneficiary contributions;
VI. AIF Management and Support, with the description of the respective responsibilities of relevant stakeholders;
VII. AIF Application Process;
VIII. Announcements, information distribution, and identification of candidates for the AIF grants;
IX. Description of the application process and formats to be used;
X. Technical evaluation of the grant applications and selection of the grant recipients;
XI. Implementation, financial and monitoring procedures.

The annexes contain all formats to be used during the process.

This AIF manual is designed to be used as a guideline for the PICSA National Project Governance Team (PGT), Provincial Project Implementation Team (PPIT) and Agro-Enterprise Development Teams (PADT), participating provincial and district offices, designated entrusted support agents as well as to guide applicants and grant recipients. At the beginning stage, the PGT and AIF Advisor have to define clear roles of PAFO, DAFO, POIC and DOIC in advance to implement the AIF in before or during supervision/ monitoring of contract implementation. This is to endure smooth collaboration with during AIF implementation.

After an initial implementation period of app. one year, the AIF, its procedures, and regulations will be reviewed, and this manual will be revised to further improve AIF implementation and outcomes for farmers in PICSA target areas.

In Laos, experiences from two projects using the agro-business grant approach have been used for further adaptation: the 'Agriculture for Nutrition' (AFN) project and the 'Southern Laos Food and Nutrition Security and Market Linkages Programme' (FNML).

I. Objectives

The Agro-Enterprise Investment Facility (hereinafter referred to as the AIF): The AIF is one of two matching investment support and mechanisms within the PICSA Project with the overall aim of stimulating productive and profitable investments in commercialising smallholder agriculture to enhance farming household incomes, food security, and nutrition in the project's target area[2].

AIF Objectives: The AIF has the specific objectives:

- To make selected rural value chains more effective in providing market access and business services by giving technical and financial support to strategic investments of agricultural and rural enterprises with relevant linkages to project target groups and communities;
- To stabilize and increase the incomes of farming households, in particular poor and smallholder households, through strengthening relationships between farmers and private enterprises that will ensure better and dependable market access and improved access to private business services.

II. Target Group and Eligibility

Target Group and Eligible Applicants: Application for AIF grants are open to all enterprises with sole, corporate or cooperative proprietorship, formally registered with either Provincial or District Office of Industry and Commerce (POIC or DOIC), with relevance to the value chains promoted locally under the Multi-Stakeholder Platforms (MSP) or to activities supported by the Farmer Group Investment Facility (FGIF) (Output 1.4). While formal-registered enterprises are highly prioritised, the AIF also considers the informal ones as well. This includes but not restricted to both formal and informal wholesale traders, processing entities, input providers, registered farmers' organisations, farm equipment repair and maintenance shops, farmers offering contractor or other services to other farmers and farmers producing inputs to other farmers' production systems e.g. seed multiplication, seedlings, and fingerlings. Note that these traders, providers and farmers mentioned here must have skills or ideas that contribute to agricultural commercial products and valued chains.

The requirements for applicants are as follows:

- Applicants must currently undertake or plan to undertake, commercial activities related to their application within the PICSA target area.
- Applicants must have an investment idea related to project activities under 1.4 (Farmer Group Investment Facility) or 2.1 (Multi-Stakeholder Platforms).

As mentioned in PIM (p. 33), this AIF has a special focus on promoting a new generation of you rural entrepreneurs, female applicants and young start-up entrepreneurs have preferential status. Government officials and their family members are not excluded from applying, but their relations must be made transparent so that collusion can be precluded. Note that the selected FGIF young/female model farmer(s) may not apply for AIF during the six-month grant of the FGIF; but can apply it after completing the six months as the young/female model farmer.

Ineligible applicants: The following cases are considered ineligible as AIF grant applicants:

(i) enterprises that have had assets seized or liquidated, or that are at risk of seizure or liquidation, or under legal proceedings;

[2] The other investment mechanism is the Farmer Group Investment Facility that supports group-based investments in small-scale road and irrigation infrastructure and agricultural production.

(ii) enterprises that have been convicted or are presently under prosecution for serious legal violations such as fraud, graft, and corruption in a court of law;

(iii) enterprises that have committed serious violations of the Lao government's enterprise regulations such as failing to pay appropriate taxes and duties; or enterprises that have not followed the required administrative procedures in operating their businesses, for example, related to purchasing and trading agricultural commodities.

AIF priorities: AIF funds must preferably be invested in activities to develop defined pro-poor and climate-resilient value chains and market systems that will provide opportunities and/or improved services for farming households in the PICSA Project area, as identified during village consultations (1.1) and Multi-Stakeholder Platform (2.1) events.

The PICSA Project may focus its calls for applications on specific commodities around which eligible applicants may submit their investment applications. Grants based on existing value chain analyses and farmer groups' investment plans developed under the PICSA Project are treated preferentially. However, applications may also feature other agricultural commodities where there is evidence of viable opportunities to develop value chains and market systems for the benefit of farming households in PICSA target areas.

Enterprise investments: Supported investments must fulfil the following criteria:

- Have a positive impact on connected farmer households, in term of increased or stabilized income;
- Be profitable for the enterprise;
- Do not have negative side-effects on the environment, climate, women, or vulnerable groups.

Priority investments for the enterprise include:

- Investment in capacity building of the enterprise, as training fees, counselling, incl. transport costs and daily subsistence allowances acc. to project rates;
- Investments for office equipment, IT hardware, and software for improved management;
- Investments for the purchase or modification of equipment that increases the enterprise's productivity improves product quality, or is required to meet specific market product standards;
- Investments in warehouses, drying and cooling facilities to reduce post-harvest losses, processing units, packaging and grading equipment, equipment for goods transportation and marketing, etc.;
- Working capital for provision of technical services, negotiating fair contracts or agreements with farmers or farmer groups that may, for example, cover provision of technical advice; provision of seeds, fertilizer, fingerlings, livestock for breeding, and other inputs for demonstration purposes; provision of production or processing equipment;
- Vehicles used for transport of goods or for providing services;
- Investments in testing or demonstrating new technologies and technical advancements with farmers.

Private sector investments must demonstrate that they will benefit farming households in the project areas, for example, by:

- Expanding the overall demand for commodities produced by farming households;
- Opening new quality-differentiated markets for commodities;
- Providing quality information, inputs, and advisory services that support farm production;
- Purchasing products attaining specific quality standards from farmers at premium prices;
- Activities to expand markets or develop new markets and customers, marketing activities;
- Promoting quality standards, business development services, brand-name development, etc.;
- Investments in the reduction of environmental damages; use of renewable energy; energy- or water-saving technologies;
- Investment into the production of agricultural inputs to other farms;
- Production units for demonstration purposes.

AIF grant applications must provide estimates of the numbers of farming households that will directly benefit from the investment or the signed contract between farming households and the enterprise. The following are examples of benefiting farming households that can be considered when making this calculation:

- The households selling agricultural products to the AIF grant recipients (providing a list of households from which products have been purchased, lists of households included in farming contracts/supply agreements, or lists of households included in out-sourcing agreements or processing contracts, etc.).
- The households provided with extension or advisory services, participating in training (with details on the nature, duration, and frequency of support), demonstrations, or farmer-to-farmer extension.
- The household provides inputs for their agricultural production (listing households purchasing seed, fertilizer, fingerlings, breeding livestock, etc.).
- The households participating in value-adding activities and intermediary linkages related to production and processing of agricultural commodities (e.g. post-harvest processing, collective supply/marketing, collective production/procurement of agricultural inputs, etc.).

Contracts or agreements between farmer groups or individual farmers/households and the enterprise should accompany the grant applications. During investment execution, grant recipients must provide an updated list of households that are directly benefiting from the investment.

III. Norms and Forms of grants

The AIF provides two complementary categories of grants that are fully integrated within the application process:

Grants for Capacity Building: The facility provides capacity building grants up to USD 560[3] per applicant for capacity development measures. An initial grant of up to USD 560 is to be used for the preparation of the investment and the development of the investment grant application. The investment grant application itself can contain a top-up capacity-building grant to be used for coaching and technical support during investment implementation up to a total of USD 560.

Investment Grants: The share and size of the investment grant depend on the size of the financial investment, with the rationale that small enterprises, planning for small investments, have larger constraints to access funds than larger enterprises with more capital-intensive investments. For larger investments, it is expected that a larger share of investment costs is covered by either own equity or by formal credit. Linking rural enterprises to banks and relevant microfinance institutions is an integral part of the SSC courses; the formats used for financial statements and business plans are pre-approved by major retail banks.

Financial[4] investments up to USD 2,500 (Category I) are 100% grant financed; financial investments up to USD 15,000 (Category II) attract 100% grant for the first USD 2,500 and 50% grant for the expenditures from USD 2,501 and up to 15,000; investments over USD 15,000 (Category III) attract 100% grant for the first USD 2,500, 50% grant for the expenditures from USD 2,501 and up to 15,000 and 25% for expenditures from USD 15,001 and up to USD 50,000. The highest grant amount for eligible investment expenditures thus is USD 12,500 for financial investments of USD 50,000 or more.

IV. Eligible and ineligible grant expenditure

Eligible expenses for AIF grant support are as follows:

- Capacity-building measures (under the capacity development grant), like training participation and use of consultancy services, including marketing support, business planning, engineering and construction services, support for the development of AIF application;
- Non-consumable capital items such as production facilities and equipment, machinery, tools, transport equipment, office equipment, etc.;
- Consumables: start-up inputs needed to bring production up to full scale, until first income can be used to pay for further consumables needed;
- Use of Business Development Services (BDS), like
    - Designing and testing agricultural services;
    - External technical training for workers or farmers linked to the enterprise;
    - Application and processing fees for formal credit;
    - Insurance for assets purchased using the AIF grant.

The following expenditures are not eligible for co-financing under the AIF grant:

- Expenditure occurring before the grant contract is signed;
- Expenditure on items not listed in the procurement plan[5];
- Expenditure exceeding the total grant amount specified in the grant agreement;
- Trade credit is given to customers;

[3] This amount is based on 30% contribution from the applicant and 70% from the facility with an estimated max. Amount of training fee of USD 800.

[4] *i.e.* the part of the investment, that needs to be purchased.

[5] The approved investment and procurement plan can be subject to change, but any change or amendment must be confirmed, see under Implementation, financial and monitoring procedures.

- Expenditure incurred after an eventual cancellation of the grant (for example, if the grant is cancelled due to recipients failing to implement or violating provisions of the grant agreement and this AIF manual).

V. Contributions from the grant applicants

The grant applicants must contribute the remaining value of the investment not covered by the grant, either in cash, in-kind, or by complementary sourcing of credit. In cash and in-kind contributions must be used for the investment described in the grant application.

VI. AIF management and Support

AIF grants are processed by two principal units: (i) the PICSA Provincial Agro-Enterprise Development Teams (PADT) and (ii) the District Socio-economic Development Committees (DSEDC).

Provincial Agro-Enterprise Development Team (PADT): Each PICSA target province features a Provincial Agro-Enterprise Development Team (PADT) consisting of one staff of the Provincial Office for Industry and Commerce (POIC) and an Agro-Enterprise Facility Advisor hired by the Project[6]. In relation to the AIF, the PADT has the following responsibilities:

- To provide information on the AIF grant mechanism and application process widely within project provinces and districts (with assistance of partners, provincial and district administrations, and with special focus on Multi-Stakeholder Platforms facilitated at district level) and prepare formal calls for applications;
- Via Multi-Stakeholder Platform organized and facilitated by the PADT in project target districts, to identify potential candidates for AIF support and encourage them to apply;
- To conduct an initial screening of candidates and select candidates with good potential to reach the objectives of the AIF;
- To ensure that applicants are coached well through the investment process, either by PADT itself or by assigned external support agents, in formulating and planning their investments, identifying their needs for capacity building and developing their tailor-made capacity-building plan, in preparing the application documents and, upon approval, in advising on procurement, procurement documentation, execution of the investment and writing and submitting the final investment report;
- Before submission of applications to the DSEDC, to ensure each application is complete and is in accordance with requirements detailed in the call for applications;
- To appraise all income applications and provide them with a score acc. to predefined criteria, and a recommendation to the DSEDC, whether to positively consider, to consider with reservation or to reject the application;
- To support and advise the District Socio-Economic Development Committees (DSEDC) in their task of approving grant applications;
- To prepare a summary of approved AIF applications for IFAD ‘no objection’;
- To co-sign the grant agreements with the DSEDC chairman and grant recipients;
- To manage and coordinate the AIF grant administration, and to undertake monitoring and evaluation of AIF investment implementation and associated finances;

[6] ToR are provided under Annex 04 of the PIM

- To ensure grant recipients are receiving appropriate technical support;
- To assist grant recipients in establishing a good working and mutually beneficial contractual relationships with farming households and farmer groups that are the expected beneficiaries of each AIF grant, and to monitor the associated benefits and outcomes.

District Socio-economic Development Committees (DSEDC): The District Socio-economic Development Committees (DSEDC) are existing bodies that are part of the district government with the task to ensure coordination within the government and with external non-government partners. The DSEDC consists of high-ranking representatives of the districts' line agencies, and convene regularly and according to demand. DSEDC meetings conveyed for the purpose of reviewing and approving AIF grant applications should be composed of representatives from the District Governor's Office (DGO), the District Office for Planning and Investment (DOPI), the District Agriculture and Forestry Office (DAFO), and the District Office for Industry and Commerce (DOIC) and facilitated by the Provincial Agro-Enterprise Development Teams. The District Farmer Group Investment Teams, relevant representatives from the private sector (banks, traders) and the AIF applicants should attend the meetings as guests.

The DSEDC is responsible for carefully evaluating each grant application, based on the recommendation of the PADT. Upon discussion and voting, the DSEDC either fully approves, approves on conditions, or rejects the applications.

Technical support to the AIF grantees is to be mobilized from various sources, most prominently from SME Support Centre(s) (SSC) under the Lao National Chamber of Commerce and Industry (LNCCI) and individual private sector business consultants to offer Business Development Support services, more specifically business planning and financial management training and coaching.

SME Support Centres (SSC): The project will work closely with the Project 'SME Access to Finance' implemented by the Ministry of Industry and Commerce (Department of SME Promotion), financed by World Bank with technical assistance from the International Labour Organisation (ILO)[7]. This project is presently preparing provincial SME Support Centres (SSC) under the Lao National Chamber of Commerce and Industry (LNCCI) to offer Business Development Support services, more specifically business planning and financial management training and coaching. Training courses can be organised locally for groups of applicants and tailor-made to the groups' specific demands.

Consultants: When necessary, external business management consultants or other professionals with relevant expertise should be involved in the investment process for:

- assisting applicants develop and complete the documentation required for AIF applications;
- providing individual counselling and advisory services.

PICSA Provincial Project Accountant: The project's Provincial Accountant is responsible for ensuring, that the AIF Grant Agreements are in line with project regulations, for reporting AIF finances, and for financial monitoring and audit of the co-financing contracts.

The signed Grant Agreement has to be sent to PPIT and PGT for approval and processing. In addition, the **IFAD Regional Office** will provide the final approval of each grant application (via 'no objection') before a grant agreement is signed and the first transfer of funds is made. For

[7] Capacity Building for Small and Medium Enterprises (SMEs) and Other Stakeholders

any AIF grant application belonging to Category III, the evaluation report and supporting documents shall be submitted to PGT and to IFAD via NOTUS for prior review and no objection.

VII. AIF application process

Summary of basic steps in the AIF grant application and award process: The following table describes the basic steps in the AIF grant application and award process. The expected duration for each step will depend on the number of applications received. In cases where very few applications are forthcoming, then the call for applications may stay open and applications will be screened and evaluated every quarter.

STEPS	DESCRIPTION	MAX. EXPECTED DURATION (days)
Step 1	**Information and call for applications** *PADT periodically communicates the AIF grant objectives, procedures, and any prioritized commodities/ themes for each call.*	Continuously
Step 2	**Initial screening of investment ideas and application for a capacity development grant** *PADT conducts the initial screening of interested candidates concerning eligibility and the potential of applicants.* *Selected candidates apply for the first tranche of the capacity development grant (max. USD 560).*	Within 30 days after the first contact
Step 3	**Capacity Development, investment planning, AIF application preparation, and submission** *With PADT and external support and capacity building as required, selected candidates plan and prepare for the investments, and develop their applications and submit to PADT on behalf of DSEDC, before the advertised submission deadline.*	Within 180 days after screening
Step 4	**Review and Approval** *PADT checks completeness and correctness of applications evaluates the applications including business plans, financial analysis, and benefits to PICSA Project farming households, and provides scores and recommendations to the DSEDC.* *DSEDC reviews applications and either approves with or without conditions or rejects applications.*	Quarterly, or upon demand

	For applications accepted without conditions, a grant contract is signed but not yet final approved.	
Step 5	**Contract negotiations and agreement** *PADT and Project Accountant and applicant draft co-financing contract (the Grant Agreement) with adjustments and additional details.* *It is then signed by the chairman of the approving DSEDC and the grant applicant.*	Within 30 days upon approval
Step 6	**IFAD No Objection as final approval** *The evaluation report with supporting documents, and Grant Agreement are sent to PGT and IFAD Regional Office for Non-objection as final approval.*	IFAD to respond within 30 days

Step 1: Information and call for applications

Communicating the AIF program: The project communicates information related to AIF investment opportunities through project's partners and activities, via local informal and formal networking at the district level, and project implementation partners, e.g. DAFO, Lao Youth, Lao Women's Union, agricultural colleges and local LNCCI branches. PADT will periodically announce calls for applications under the AIF grant program. The calls for applications under the AIF grant program shall be advertised on the provincial television broadcasting and/or district radio broadcasting. Additional advertisement of calls for application via other relevant public media and websites are encouraged.

Identification of potential investment partners: After calling for applications, the PADT together with related staff (District Farmer Group Investment Teams [DFGIT], Agricultural Offices [DAFO], and Offices for Industry and Commerce [DOIC] resp. Trade and Commerce at provincial and district level) will hold informal meetings to discuss investment ideas and grant conditions with interested farmers, enterprise owners, cooperatives and companies to explain the AIF grant program and the application process and forms. Staff will do a preliminary process of identification of potential investment partners with an assessment of their needs for assistance.

Step 2: Initial screening of investment ideas and application for a capacity development grant.

Screening of potential AIF candidates: Interested candidates' investment ideas are screened by PADT using the following criteria:

- The potential of the planned investment to meet AIF objectives;
- The scope of potential benefit to the value chain in general and PICSA target farmers in particular;
- The likeliness for the investment to be successful, by taking into consideration the framework conditions and the specific capacity situation of the enterprise incl. financial situation, education, experience, reliability, and business ethics of the owner and management;
- Their ability to provide the required contribution levels.

Screening may eliminate applications for the following reasons:

- Grant applicants do not meet the eligibility criteria specified in the call for applications;
- Investment ideas do not address the prioritized commodities, value chains, or investment areas if specified in the call for applications;
- The duration of the investment is longer than specified in the call for applications;
- The personal characteristics of the candidate – e.g. education, experience, and character – are assessed to be insufficient to carry out the investment with good success;
- It cannot be expected that the candidate will be able or willing to raise his/her contribution.

The selected candidates are encouraged and supported to apply for the initial capacity development grant for improvement of their management skills, investment planning, and AIF application development. The application format (Annex 1) contains a capacity development plan. The size of the initial capacity development grant is calculated by lump-sum assessment of incurring costs[8].

Participation at preparatory courses and coaching events in Business Planning, Accounting, Business Management, and AIF application writing arranged by LNCCI-SSC are obligatory for enterprises planning for investments over USD 2,500. The initial grant has a ceiling of USD 560. It needs to be approved by DSEDC, and upon the signature of the Capacity Development Grant Agreement by the grantee and the head of DSEDC on behalf of NPMU, the full amount is payable directly to the bank account of the applicant. Documentation of the completed grant-financed measures (certificates, receipts) is a pre-condition for submission of the investment application. Unused funds are either returned to the project account or deducted from the investment grant.

Step 3: Capacity development, investment planning, AIF application preparation, and submission

Support to potential applicants during application preparation: For interested candidates, who have passed the initial screening, PADT and partners will organize any necessary support to ensure the submission of timely applications of high quality, e.g. for (i) further development of the investment idea, (ii) ensuring a thorough business and investment planning process, (iii) initial linking to farmers and other relevant business partners and (iv) the development of the AIF application documents. PADT can mobilise short-term consultants, e.g. LNCCI-SSC affiliates, or appoint and train government staff to act as entrusted support agents.

PADT or the entrusted support agents certify with their signature on the application form, that all information given through the process has been checked and verified to the best of their knowledge.

Responsibilities for investment application submission: The preparation and submission of investment applications is the responsibility of the applicants. Applicants must be owners, legal representatives, or authorized persons of the enterprises and should also be the contact points for all issues related to the investment.

Documents to accompany the grant applications: The grant applicants must submit the following documents as part of their investment applications:

- The AIF investment grant application form incl. business and investment plans (*please refer to the forms provided in Annex 2)*

[8] Cost table needs to be developed during inception. Payments for capacity development grant are reimbursable based on the signed Capacity Development Grant Agreement, applicant's invoices and supporting documents (receipts, certificates, etc.)

- Documentation for completed capacity-building measures financed by the initial capacity development grant (course certificates, receipts, statements);
- Evidence for applicant contributions as stipulated in the investment plan:
  - Evidence for the availability of the enterprise's own financial contribution either as a bank guarantee or other reliable evidence;
- Signed contracts or agreements between:
  - The enterprise and farmer groups, farming households, or cooperatives,
  - The enterprise and other business partners essential for the implementation of the investment (e.g. banks for credit, providers of specialized inputs, downstream trade partners).
- Copies of their current business registration certificates, if available. Cooperatives need evidence of their current registration.
- Financial reports of the previous year (PADT or the support agent may assist in completing such reports when applicants are unable to provide them).

Application deadline and location:

- Applicants will prepare and submit their applications before the deadline indicated in the call for applications. Applications made after the deadline may not be assessed, or only be taken under consideration under the next batch. So, the application is encouraged to submit their application to PADT as soon as possible, before the deadline.
- Applications (with scanned copies of accompanying documents) can be emailed to the PADT where the internet is accessible, otherwise, the post or carrier to the PADT is preferred.
- Alternatively, they can be submitted to the nearest district or provincial project coordination office that will forward their applications to the PADT.

Upon **receipt** of the investment application, PADT will confirm receipt and assign a registration number to the application, which is used for reference during project time.

Step 4: Review and Approval

Review, scoring, and recommendations: PADT prepares the applications for approval by the District Socio-Economic Development Committee (DSEDC). Submitted applications are analysed and evaluated by PADT against a defined set of criteria (*please refer to Annex 3*), with sub-scores and resulting in one total score. The PADT from project may, from time to time, revise the criteria and their weightings, add, revise or omit criteria based on the prioritized commodities/thematic areas. PADT also prepares comments on its assessment of expected outcome, assumptions, risks, and robustness of the investment plan.

Grant approval meetings: Copies of the application format with PADT's comments are forwarded to DSEDC at least 10 days before the planned approval meeting for review and preparation. Upon request, DSEDC has full access to all parts of the application documents.

Grant approval meetings of the DSEDC are convened quarterly or after demand with the participation of PADT and relevant agencies: Governor's Office, DAFO, DOIC, DOPI, and, as guests, the applicants, FGIT, and private sector representatives (traders, financial institutes). At the meeting, the DSEDC discusses and appraises the applications based on PADT's comments and further discussions and questioning during the meeting. In case the total grant sum applied for is larger than the amount available, applications are prioritized, and qualified applications, which are not financed due to budget limitations, can be considered for the next round of grants. Rejected applications can be revised and re-submitted in other calls for applications.

Step 5: Contract negotiations and Grant Agreement

After approval, PADT with the support of the Project Accountant then works with grant recipients to develop co-financing contracts (Grant Agreements) (*Annex 4 provides the template to be used for grant agreements*). The parties (PADT and the grant recipient) must reach an agreement on, among others:

- budget items and cost estimates;
- investment implementation plan and schedules;
- disbursement schedules linked to the completion of measurable outputs/results;
- supervision and monitoring roles and responsibilities;
- reporting requirements;
- any other issues of concern to either party; and,
- provisions for investment termination and remedial solutions.

Minor adjustments can be made to the budget, to action plans and timelines, and to clarify all necessary issues. In case of larger adjustments, an updated application must be re-submitted to DSEDC.

After agreement on the above issues is reached, the contract will be drafted (*Annex 4 provides the template to be used for grant agreements*) and signed. Documents developed for the grant application are integral parts of the contracts. The co-financing contract (the Grant Agreement) is signed by the Chairman of the DSEDC on behalf of the local government, and the grant applicant (the legal/authorized representative of the enterprise owners or cooperative). Note that the Grant Agreement is not yet a final approval (until the step 6).

The co-financing contract should be agreed upon and signed within 30 days after approval. However, grant applicants may request a delay to the commencement of the negotiations and signing of the co-financing contract, providing valid reasons or adequate justification.

Copies of the signed co-financing contract (Grant Agreement) will be provided to the PGT, the grant recipient, the relevant PPIU and DAFO, and the relevant District Socio-Economic Development Committee (DSEDC) (5 copies in total).

Step 6: IFAD No Objection for Final Approval

Within 15 working days after the signature of the Grant Agreement, PADT sends them to the PPIU, PGT for their review and forwarding to the IFAD Regional Office. For any AIF grant application belonging to Category III (with amount between USD 15,000 and USD 50,000), the evaluation report and supporting documents shall be submitted to PGT and to IFAD via NOTUS for prior review and no objection.

After PPIU and PGT have reviewed the approved applications and determined which applications can be supported under the current round/year budget, the final recommended Grant Agreements are sent to the IFAD Regional Office for final approval. IFAD will review each Grant Agreement and associated evaluation results and scores. In each case, IFAD will:

i. Give its ‘no objection’ for the application, or

ii. Request further information or analysis before making a decision, or

iii. Request a modification to the application or specific conditions (to be negotiated by the PGT with the applicant), or

iv. Recommend that the application not be supported (providing its justification).

IFAD will forward its decision within 10 business-working days after receiving Grant Agreements, scores, and recommendations from the NPMU.

VIII. Investment Implementation

Support for investment execution: As mentioned above, the AIF is managed and supported by 1) PADT consisting of POIC and AIF Advisor, 2) DSEDC (DGO, DOPI, DAFO, DoIC and DFGIT), 3) SSC from LNCCI, 4) hiring consultant and 5) PICSA Provincial Accountant. PADT will play leading roles with supports from the rest, and their roles on implementation and reporting, etc. should be clearly defined by PGT. The PADT and entrusted support agents supervise the grantee during the whole investment process on at least a monthly basis to ensure that:

- The enterprise receives technical and managerial support according to its needs;
- The investment is fulfilling all conditions stipulated in the Grant Agreement, especially that:
    - Procurement is done according to procedures described below;
    - The enterprise and possibly other parties deliver their part of the required inputs.

In case of delays or other constraints influencing the process or result of the investment negatively, grant recipients are requested to send honest reports of the encountered problems, and the associated reasons. In such cases, the PADT will conduct an objective review and will provide timely implementation support. In some cases, however, decisions may need to be made to halt the provision of the remaining grant funds or to revoke previous grant payments.

Financial and procurement processes: Upon Non-objection from IFAD, the total grant amount is transferred to the grantees' bank account within 30 days.

The grant recipients are fully responsible for using resources in accordance with the implementation plan and the Grant Agreement.

Procurement steps to be followed by grant recipients and to be supervised by PADT and Project Accountant are as follows:

- The grant recipients define goods, works, and services that need to be procured/contracted based on the investment timeline and in accordance with their application and contract and the attached detailed procurement plan. The procurement plan as a part of the application and contract should include (i) description of procurement packages (related items can be combined into packages); (ii) technical/quality specifications; (iii) estimated cost, (iv) procurement method (Shopping/Request for Quotation, Direct Purchase, etc.); and (v) the time schedule for procurement. Items listed in the procurement plan should match the budget items and the estimated budget.
- In general, procurement will use a shopping procedure with at least three quotations from independent suppliers.
- 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.
- In special cases when only one supplier is available in the area, the grant recipient can request PADT and the District Project Accountant to use Direct Purchase for procurement

valued at over USD 3,000. The District Project Accountant must be able to certify that the prices of direct purchase are consistent with market prices in the area.

- The grant recipients proceed with purchase order/contract after quotation(s) have been evaluated and preferred bidder has been selected.
- The grant recipients collect all receipts and invoices for the final investment report.

The NPMU and PPIU have overall responsibility to ensure payments are planned and paid in compliance with the co-financing contract, accounting, and auditing regimes. With regards to procurement, the NPMU, PPIU, delegated provincial and/or district staff have the right, at any time to check all items (goods, works, or services) procured for the investment with regards to quantity, quality, and payments made, as per the co-financing contract.

Temporary halt and grant cancellation: On recommendation by either PADT, the District Project Accountant, or any other party involved in the Project, NPMU has the right to halt or terminate the grant at any time if:

- Grant recipient does not comply with provisions of the co-financing contract;
- Grant recipient uses any of the grant funds for ineligible expenditure;
- Grant recipient is seriously delayed in investment implementation (to the point where there is doubt whether the investment can reach its objectives);
- Grant recipient cannot present the required statements of expenditure, copies of receipts and invoices that are needed to accompany his/her expenditure report;
- Grant recipient fails to provide their in-kind and in-cash contributions as agreed in the co-financing contract;
- Grant recipient does keep false accounting figures in his/her financial documents;
- Grant recipient provides misleading documents or information;
- The grant is used not in accordance with provisions provided in the co-financing contracts and approved grant applications;
- Grant recipient wishes to terminate the investment.

Force majeure: Neither the grant recipients nor the PICSA Project will be responsible to the other for delay or failure in performance of any of the obligations imposed by the co-financing contracts (Grant Agreement), when such failure is caused by unintentional fire, flood, explosion, lightning, storm, earthquake, land subsidence, government order or instruction, civil commotion, riot, war, strike, or rebellion which are beyond control and without the fault or negligence of either of the grant recipients or the PICSA Project.

Cancelled grants. If the grant is cancelled, all funds received by the grant recipient which remain unused must be returned to the project account. All goods (equipment, materials and tools, etc.) procured using grant funds must also be returned to the project. In cases where the grant funds are deliberately misused or used in a misleading way, the grant recipients will face administrative and/or legal proceedings where the project will seek reimbursement of all grant funds disbursed.

Accounting, reporting, and auditing: PADT and District Project Accountant provide instructions to the grant recipients (and hands-on support, if required) to assist them in drafting statements of expenditure (see Annex 5 for template).

Statements of expenditure must be submitted to the District Project Accountant along with copies of invoices, receipts, etc. for its records. Beneficiaries must also provide documentary evidence of their agreed in-cash and in-kind contributions to the investment.

After the investment is carried out and all expenditures are made, the grant recipients must prepare investment completion reports, using the format provided in Annex 6. The reports must fully reflect activities, resources, and expenditure related to the granted investment. The grant recipients must submit their final report as soon as possible, at the latest 60 days after investment completion.

AIF grant expenses may be audited as part of the project's overall financial audit. When this occurs, the grant recipients must fully cooperate and make available all accounts, records, receipts, and other requested documents related to the AIF grant requested by the auditors. Grant recipients will be required to return all grant funds spend inappropriately if this is determined.

Goods, equipment ownership: Any residual grant funds must be returned to the project account; unexpended grant funds can result from not executed purchases or purchases made to a lower price than expected.

All goods procured for investment using grant funds (including machines, equipment, materials, etc.) remain the property of the PICSA Project until approval of the completion report by PADT and the District Project Accountant and signing off by NPMU. The recipients are responsible for the maintenance of all assets procured under the contract. If required, and specified in the co-financing contract, the grant recipients must purchase insurance for their assets.

In cases where the grant is terminated by the NPMU due to contract violation, the NPMU will reclaim all procured machines, equipment, and tools, etc. These will be sold and the revenue from the sale will be returned to the project account for re-allocation to future investment.

Investment evaluation: One year after investment completion, PADT organises an evaluative appraisal of the supported investments involving the grant recipient, including a concise progress report since the completion of the investment, a simple benefit calculation resulting in an annual Rate of Return to the investment[9], comments regarding challenges encountered and recommendations given to the enterprise.

[9] Logframe main indicator

ANNEXES

Annexes attached to the AIF manual will be revised, supplemented, and amended during the process of project implementation with close facilitation by the Agro-Enterprise Advisor. The following are currently attached:

Annex 1: Application for Capacity Building Grant, Capacity Building Plan, and Grant Agreement

Annex 2: AIF Investment Grant application template.

Annex 2.1: Financial Analysis of the AIF project – excel template.

Annex 2.2: Required Financial Statements by the enterprise

Annex 2.3: Contract Farming Agreement Template.

- Appendix A to contract: Contract Agreement between Enterprise /Buyer and Farmers
- Appendix B to contract: Grades and Quality Requirements

Annex 3: Scoring evaluation of AIF Applications.

Annex 4: AIF Investment Grant Agreement template.

Annex 5: Statement of expenditure template.

Annex 6: Investment completion report template.

Annex 1: Application for Capacity Building Grant, and Agreement

Lao People's Democratic Republic
Peace, Independence, Democracy, Unity, Prosperity

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

Application for Capacity Building Grant

1. Details of Applicant

Name of Applicant: ……

Position of Applicant: ……

Name of Enterprise: ……

Address of Enterprise: ………………………………………………………………………………………………………

Contact Details: ……

2. Short Description of the Enterprise:

Information and details in this section are related to

- Description of the product/service produced/traded/processed by the enterprise/Applicant
- Area covered
- Sourcing and sales mechanisms
- Annual turn-over
- No of staff
- Etc.

Overall, the information provided should explain what activities and how the enterprise runs the business.

3. Short Description of the Planned Investment to be supported by PICSA-AIF:

Information and details in this section are related to:

- Name of the investment/project (after capacity building)
- Main investment items
- Purpose of the investment
- Planned market linkages
- The expected total amount of financial investment

The information should briefly explain why the applicant needs the capacity building grant for his/her investment, and how this capacity building(s) can improve the applicant’s investment

4. Capacity building plan and grant calculation

No.	Name of Capacity Building measure	Provider	Planned date/time	Name of person(s) attending	Lump-sum[10]	Remarks
1						
2						
3						
4						
5						
6						
Total						

5. Duration and cost of capacity building plan:

Capacity building duration, approximately: ………………. (months).

Expected starting time: ……….......... (month/year); Expected ending time: …………(month/year)

The total cost of the bapacity building: ………………………Kip.

Requested 70% of total cost from AIF amount: ……………………..Kip.

In-cash 30% of total cost contributed by the applicant : .…………………………..Kip.

If any, in-kind contributions by the applicant: ……………………………Kip.

6. Signature of Applicant

Name and Signature of Applicant: ……………………………………………………………………………………………

With Enterprise stamped and Date applied: ...../…../……..

[10] Acc. to project regulations and price information from providers

Lao People's Democratic Republic
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Partnerships for Irrigation and Commercialisation of Smallholder Agriculture (PICSA) Project

No: /DSEDC

AIF Capacity Building Grant Agreement

Pursuant to the Financing Agreement, IFAD Grant No ……… between the Government of Lao PDR and the International Fund for Agricultural Development dated ……………;

Today, day … month ….. 20… at ………………………………., we include:

PARTY A: NATIONAL PROJECT MANAGEMENT UNIT OF THE PICSA PROJECT (Grantor)

- Address: Department of Irrigation, Ministry of Agriculture and Forestry
  Chao-Anou Road, Chanthabouly District, Vientiane, Capital, Lao PDR
  Tel no: 856-21-264873
- Represented by Mr. Khansawanh Sisopha, National Project Coordinator.

PARTY B: [Name of grant recipient) on behalf of ……………………………(Name of Enterprise)

- Address: …………………………………………………………..
- Tel: ………………………
- Represented by Mr/Ms: …………………, Position: …………….

The two Parties hereby agree to sign this Grant Agreement with the terms and conditions as set forth below:

Party A finances Party B with the grant amount…………………… (in words); the grant implementation duration is: ………..months.

1. With the support of the International Fund for Agriculture Development (IFAD) and Government of Laos (GoL), the PICSA Project includes Output 2.2 'Agro-Enterprise Investment Facility', to support value chain development with the aim of boosting production in rural areas and increasing incomes of rural farmer households in project districts by technically and financially supporting selected enterprises in project districts. Initial Capacity Building Grants are given to preselected enterprises with the objective to improve their financial and operational management capacity and to ensure good quality of the planning and application process for the intended main investment.

2. This Agreement is a basis for Party A to provide a grant amount of LAK ………. (Amount in words:………) as co-financing for capacity building measures listed in the application.

3. The grant funds provided to the Recipient by the NPMU shall be used exclusively for the purposes specified in the application.

4. The application and the included capacity building plan are an integral part of this Agreement. However, when a discrepancy exists between the application documents and this Agreement, this Agreement shall take precedence. The Recipient must request the NPMU approval prior to implementing any substantive changes in the nature of grant-funded activities.

5. The grant is given on a lump-sum basis. No adjustments will be made, in case actual costs are higher or lower than the lump-sum. However, in the event grant funds are not used for these purposes within the grant period specified in this Agreement or within any approved extension of this time period, the remaining funds equivalent to the lump sums of the measures not carried out shall be returned to the project account.

6. The Recipient is responsible for the organisation and fully and timely payment of the supported measures, and has to forward documentation (course certificates, invoices, and receipts) to the Project Accountant 30 days after the end of this Agreement. Payments for capacity development grant are reimbursable based on the signed Capacity Development Grant Agreement, applicant's invoices and supporting documents (receipts, certificates, etc.)

7. The duration of this Agreement shall be from the valid date to the date …………………...

8. This agreement is to be effective after both parties will have signed it as below. For this purpose, the DSEDC of [name of district and province] is legally and officially assigned to sign this agreement on behalf of NPMU.

PARTY A

Signed by DSEDC on behalf of the NPMU

Named, and with the DSEDC stamped, date: ……../………./………..

PARTY B

(Signed by the grant recipient)

Name and with the enterprise stamped, date: ……../………./………..

Annex 2: AIF investment grant application template

This template shall be further modified during the participatory meeting with Provincial and District Project Team, facilitated by Agro-Enterprise Advisor.

Lao People's Democratic Republic
Peace, Independence, Democracy, Unity, Prosperity

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

AIF investment grant application

INVESTMENT TITLE: ……………………………………………………………………………………

For PADT only
Date of application submission: ……………………………………………………………….
Registration number: …………………………………………………………………

The Enterprise will provide with the below Investment Application Template, together with an Excel template for financial /economic analysis of the proposed investment.

The text in red is an explanation and detailed questions to help in the preparation of an investment application. The red text is to be deleted and replaced by enterprise descriptions as per the given headlines. It is meant for providing inspiration on, what information may be relevant to describe the enterprise and the investment. Not every question/point needs to be answered, and information should be brief and concise. The larger the investment, the more detailed the information should be.

INVESTMENT SUMMARY INFORMATION (1 page)

- AIF Investment Title:
- Product description: (one-two sentences)
- Name of Co-Investing Enterprise or Cooperative:
- Investment Location: [village, District and Province]
- Investment Duration: (months)
- Proposed Co-investment amount by AIF Fund: (LAK, %)
- Proposed in cash Contribution by the Enterprise: (LAK, %)
- Proposed in-kind contribution by the Enterprise: (Equivalent LAK, %)
- Total AIF Investment: (LAK)

- Expected Return on Investment at Enterprise Level: (%)
- Estimated Number of Supplier Households Involved: (non-poor, near-poor/poor HHs)
- Estimated Average Income Increase per Supplier HH: (LAK/year)

PART 1. OVERVIEW ON THE ENTERPRISE (max of 5 pages)

1.1 Name, address, and legal status

Name of the applicant of Enterprise: ....

Enterprise legal status: ....

Name of the Enterprise/Cooperative (or Business Owner): ………………………………………………………

Headquarters address: ……

Name of representative of Enterprise/Cooperative: ………………………………………………………………

Tel: ……………………………..……Email: ……………………………………………………………………………………

1.2 Product and production facility description

- Description of the product/service produced/traded/processed by the Enterprise
- Quality, monthly/yearly quantity produced or processed
- Current pricing of the product
- Annual turn-over
- Facilities (including land, buildings, machines, vehicles, etc.) currently owned and used by the enterprise
- Production capacity with the existing facility
- Value of the facilities
- Operation and maintenance cost of the facilities
- Existing volume of raw material used monthly/yearly
- Number and location of suppliers
- Etc.

1.3 Marketing and sales

Market Analysis

- Who are the current customers and where are the customers located?
- Which other producers sell to the same customers? (How much competition?)
- What is the difference between the product of the enterprise and its competitors?
- What is the difference between the price of the enterprise and its competitors?
- Have the markets for the product changed during the last years? (Quantity demanded? Changes to the type of product/quality that customers want?)
- How will (may) the product price and quality requirements change in the coming years?
- Any product certification used or likely in the future? (e.g. Organic, Fair Trade, ISO, 4C, Rainforest Alliance, GAP, GI)
- Etc.

Market Development Strategy

- How will the enterprise keep its customers and reach new customers?
- How can the enterprise increase the product price? Improved market locations?
- What are the product quality and volume requirements of existing and new markets? Any certification?
- What channels of the promotion will the enterprise use?
- What are the risks and opportunities in changing markets?
- Etc.

1.4 Human Resources

- Enterprise organization structure
- Management team
- Professional staff and other workers
- Working arrangements
- Etc.

1.5 Stage of Development and growth vision

- When did the enterprise commence producing/trading/processing this product;
- At what scale?
- How has the enterprise developed until now?
- What are enterprise objectives for the coming 5-10 years?
- What needs to be done to reach the objectives?
- How will the enterprise finance this?
- Etc.

PART 2. ENTERPRISE LEVEL AIF INVESTMENT (max 5 pages)

2.1 Description of Required AIF Asset Investment

- What investment is planned at the enterprise level? (House, machinery, vehicles, utility installations, trainings, etc.)
- What are the planned items? Describe each item and its purpose.

2.2 Targets of the Proposed AIF Investment

- How much is the increased volume of production or any?
- How will the product quality be improved?
- How will the enterprise increase its profitability as a result of the investment?
- Will the raw material intake capacity of the enterprise be increased? How much?

2.3 Description of Required Human Resources Development

- New management positions, professional staff, and/or workers required for installation and for the operation of the new investment.
- Tasks, duration, and salaries of each new position.
- Estimated amount of poor and near-poor people employed.
- Availability of labour for the foreseen expansion? Labour shortage risk?
- Technical skills required to install and operate the required new equipment. Required training for the management team, staff, and/or workers?
- Detailed list of required training activities, including schedule.

2.4 Investment cost and profitability at the enterprise level (Details in Annex 2.1-3)

- What is the total cost of the AIF investment at the enterprise level?
- What is the cost of each proposed item at the enterprise level?
- What is the annual increased profit of the enterprise through the AIF investment?
- What is the Return on Investment? (the financial internal rate of return for the enterprise resulting from the AIF investment)

2.4 Risk Identification and Management

- What are the existing and potential risks for the investment: Natural or weather risk? Agricultural technology risk? Financial risk? Market risk?
- Risk management strategy for each mentioned risk.

2.5 Permits, Land Allocation and Government Incentives

- Which official permits are needed for the current operation and for the planned investment?
- Does the investment require land for processing, warehouse, office space? Has such land been identified and purchased/allocated?
- Are there any government incentives or incentives from other projects such as subsidized loans, primary producer support, staff training, or other inputs available? How can government incentives be utilized?
- What experience the enterprise has in partnership with the public sector if any?

2.6 Environmental and Labour Standards

- Does the enterprise currently cause any environmental problems? Does it have any environmental risks? Any new environmental problems or risks are foreseen as a result of the planned investment? Any environmental issues are foreseen at the farm level? Environmental management plan
- Does the enterprise follow labour standards for its staff as per Lao labour laws and minimum wages? Requirements for improvement and action plan.

PART 3. FARM LEVEL AIF INVESTMENT (max 5 pages)

3.1 Raw material required for the AIF investment

- The required raw commodities for the production (description and current quantity per year)

- Quality and/or standards required for the raw material (or specifications)
- Period of raw material purchase (if not continuous)
- Cost of the raw material (cost per unit)
- As a result of the investment, how much more raw material will be procured during the coming years? The annual increase during 1-5 years?

3.2 Raw material producers

Location of source of raw material

- Where the raw material is currently procured from?
- Will there be new locations for raw material purchase?
- Will the enterprise make business with project-supported farmer groups?

Number of supplier households

- How many households currently sell raw material to the enterprise?
- What is the current average yield per ha of the procured raw material? (if it is a crop)
- Will the average yield per ha be improved as a result of the AIF? By how much?
- How much is the average area of production per household for the raw material?
- Explain the strategy to procure more raw material – More supplier households? How many more? Or increase in production from existing suppliers? Or both?
- After the investment, what will be the yearly supply requirements (1-5 yrs) from households required to produce the raw material? Indicate the annual numbers of households and/or the annual increase in supply from anyone household supplier.
- Can the enterprise procure raw materials from poor/near-poor households? How many poor/near-poor households are expected to be supported in the AIF project?

Contractual arrangements with suppliers

- Are the HHs currently organized into groups or villages or led by lead farmers?
- Who helps the groups in group management and with technical issues?
- Is the enterprise dealing with groups of HHs or with individual HHs?
- Does/will the enterprise have farming contracts with farmer groups to buy raw material? How can the local authorities support the contract farming arrangement?
- When are contracts usually signed (e.g. at the beginning of the season or for longer-term?)
- Is the price of raw material set in the contract? Please explain how
- Is the enterprise providing inputs to HHs to increase quality and quantity (providing inputs that are paid for by the reduced cost of purchase)? Providing loans? Or any other arrangement? Please explain
- Is the enterprise providing any technical advice for producers? Please explain how, when, frequency?
- Will the arrangements between the enterprise and producers (existing and new) change due to the AIF investment? Please provide details.

3.3 Development of supply chain

The capacity of the raw material producers

- Capacity of the existing producers to produce the required quality
- Capacity of the new producers to produce the required quality
- Potential to include poor households in the supply chain
- Do the existing and new raw material producers require improved inputs or technology?

Development and service needs for the raw material producers

- Is there any need for quality improvement/development for the raw material supply?
- Is there a need of training the existing/new raw material producers? How many producers?
- What are the total required training services, what is their cost, and what is the source of funding (own capital, loans, public resources, producer households pay for training, project funds)?
- Who will provide the training? Can the enterprise provide technical assistance to the farmer households? Any other potential TA providers?
- What will be the training approach/methodology?
- When will the training be provided?

3.4 Investment and profitability at the farm level (Details in Annex 2.1-3)

Average farm budget narrative

- Initial investment cost
- Depreciation on the initial investment (on required farm equipment, tools, machinery, etc.)
- Annual working capital requirement (liquidity necessary to cover running costs)
- Job creation at the farm level? (Will it only involve HH labour or will workers be required?)
- Revenues and gross income
- Return on investment for beneficiary households

Financing needs and sources for the producer households

- For both existing and new raw material producer HHs, what is the need for financing to commence, sustain and improve the production?
- What are the current and potential sources of financing to the HHs?
- How can the project and the enterprise help HHs access financing?

3.5 Production environment of the raw material producers

Services and inputs

- What technical services and input materials do the raw material producers require?
- Are these services/inputs available in satisfactory quantity and quality to the current producers?

- Will the services/inputs are available to the increased number of producers after the investment?
- How can the services/inputs be improved in collaboration with the enterprise?

Public infrastructure

- What is the condition of public infrastructure supporting the raw material producers? Roads, bridges, irrigation, electricity, water & sanitation?
- Is there any requirement for infrastructure construction/repair works to ensure the reliable supply of raw materials or the success of the investment?

PART 4. AIF INVESTMENT BUDGET AND WORK-PLAN (2-6 pages)

Budget (table with comprehensive information, need to use Excel for calculations)

- What is the cost of each proposed item in the overall AIF plan?
- What are the sources of funding for the investment, including enterprise capital, farmer capital, loan funds, AIF grant? Which are provided in cash and which in kind?

Work-plan (table with comprehensive information)

- Detailed work-plan to implement the investment including the schedule of activities and responsibilities
- Milestones for funds disbursement (what activities should be completed, what production milestones etc. should be reached before the next funds are requested?).

Procurement plan (table with comprehensive information)

- Items to be procured
- Specifics for quality, quantity, price estimation
- Foreseen timing of procurement
- Procurement method (usually: 3 quotations)

PART 5. SIGNATURE OF APPLICANT

Name and Signature of Applicant: ……………………………………………………………………………………………

With Enterprise stamped and date applied: ...../…../……..

Annex 2.1 FINANCIAL ANALYSIS OF THE AIF INVESTMENT *(submitted in the provided excel template)*

Financial analysis of the development impact at the household level (Excel template provided)

Household income with and without project:

(i) Initial investment cost and its depreciation,
(ii) Annual working capital requirement,
(iii) Revenues and gross income,
(iv) Return on Investment

Financial analysis of AIF viability at the enterprise level (Excel template provided)

- Price and quantity of products sold per annum or per season
- Detailed costs of the initial AIF investment and estimated annual depreciation value (depreciation = investment cost / estimated no of years of use)
- Cost of new employment at the enterprise level
- Detailed annual running costs for the investment including the purchase of raw material, electricity, water, fuels, transportation, maintenance costs, marketing costs, and other costs related to production, management, financing, etc.
- Cash flow analysis on a monthly or quarterly basis depending on operations.
- Incremental revenues and savings to the enterprise through the AIF investment
- Profitability of the AIF investment including ROI, NPV, and IRR analysis

Annex 2.2 REQUIRED FINANCIAL STATEMENTS BY THE ENTERPRISE *(submitted in the format per Lao PDR formal reporting requirements)*

a. Balance Sheet

b. Income Statement

c. Cash-Flow Statement

I declare that I am the person directly responsible for the information and commitments in this Application. I will contribute time and make all efforts for this investment to implement it effectively.

Name and Signature of Applicant: …………………………………………………………………………………………

With Enterprise stamped and Date applied: ...../…../……..

Supported in the elaboration of this application by …………………………………………………………………………

Name and Enterprise of supporting agent: ………………………………………………………………………………………

Signature of the supporting agent: …………………………………………………………………………………………………

Annex 2.3: Contract Farming Agreement Template

The below contract should be modified as necessary to meet the specific nature of each contract farming agreement. In general, it is recommended to have a separate agreement for each village or farmer group. Strikeout or modify any sections as required or add specific terms and conditions as necessary.

Lao People's Democratic Republic
Peace, Independence, Democracy, Unity, Prosperity

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

SIMPLE FARMER TO ENTERPRISE /BUYER CONTRACT FOR THE SUPPLY OF:

…………………………………………**Name of commodity** …………………………………

(Please insert **name of the commodity** to be supplied by the farmers)

1. General:

(1) Farmers of Village …… (name of the village)……, …..(name of district)….. (the Farmers)[11]

wish to grow ……………………(name of the commodity)……………………….. and

Enterprise /Buyer ………………(name of the buyer)………………

wishes to buy their products, process them, and/or market them.

Enterprise /Buyer name …………..

Represented by Mr/Ms...

Telephone number...

Enterprise registration license number................................... Date...............................

Farmers of (name of the village)

Represented by Mr/Ms...

Telephone number...

[11] The names of farmers in the village that are subject to this agreement should be listed in Appendix 1 to this agreement

(2) This contract specifies the terms and conditions under which the Farmers will produce (name of the commodity) and the Enterprise /Buyer will promote, purchase, process and market it.

2. The Enterprise /Buyer agrees:

(1) To measure and assess the suitability of the land area proposed by the Farmers for producing (name of the commodity)

(2) To provide high-quality (indicate whether seed/seedlings/breeders/chicks etc.) to the Farmers in good time for production, in the quantity required for the accepted area of land.

(3) To supply, on credit, the type and quantity of (indicate whether fertilizers, feed, vaccines, veterinary supplies required) for the accepted area of land.

(4) To advise the Farmers on all technical aspects of production.

(5) To buy all (name of the commodity) of acceptable quality produced by the Farmer, for a price agreed as follows: Please strike out or modify as required:

i. a fixed price of ……………………………….../kg agreed at the time of contract signing, or

ii. a minimum price of ……………………………../kg with additional payment based on prevailing market price ……………………….(describe how the price will be set), or

iii. a price to be set after the commodity is produced and ready to supply (describe how will be set) or

iv. Other forms of pricing.

Description of pricing (different prices for different quality grades should be in Appendix 2 of this contract):

(6) To pay each Farmer as described in paragraph 4 below.

3. The Farmers agree:

(1) To use the part of his/her farm that has been assessed and approved by the Enterprise /Buyer, for the purpose of producing the commodity for the duration of this agreement.

(2) To produce the commodity using inputs supplied by the Enterprise /Buyer on this land, on the dates, and following the procedures advised by the Enterprise /Buyer.

(3) To follow all technical recommendations made by the Enterprise /Buyer with regard to:

i. planting, irrigating, weeding, fertilizing, controlling pests and diseases, picking, sorting and packing, or

ii. breeding, raising, feeding, vaccinating, controlling pests and diseases, etc.

(4) To sell all production (or a nominated % or quantity) of acceptable quality produced on their farms to the Enterprise /Buyer, for the price and following the procedure outlined in paragraph 4 below.

(5) To become members of a Farmer Group to contribute to the maintenance of common facilities for irrigation, input distribution, sorting, packing, etc as agreed by the group.

4. Payment for (name of the commodity) **and production inputs shall be determined as follows:**

(1) The price at which each grade of (name of the commodity) will be bought is as agreed in paragraph 2 (5) above.

(2) The prices at which inputs (seeds/ seedlings, breeding stock, fertilizers, feed and agrochemicals, etc.) will be sold/credited will be as follows:

Please list all the inputs to be provided by the Enterprise /Buyer and their prices

Input description	Unit (eg kg)	Unit Price

(3) Payment for (name of the commodity) delivered/received each month, less the cost of inputs taken on credit, will be made

i. immediately upon acceptance, or

ii. before the (date) of the following (month), or

iii. another arrangement (describe)

(4) The interest rate charged for inputs taken by each farmer will be a simple rate of x% per month calculated using the prices listed in paragraph 4 (2) above.

5. Delivery

(1) It is the responsibility of the Farmers to communicate with the Enterprise /Buyer the date when the (name of the commodity) is available to be supplied.

(2) Select as applicable

(i) It is the responsibility of the Farmers to deliver the (name of the commodity) to the Enterprise /Buyer at the following location:

Address:

or

(ii) The Enterprise /Buyer will arrange transport to collect (name of the commodity) from the village once advised by the Farmers in the village that it is ready

6. Penalties and Bonuses:

(1) If the Farmer delivers (name of the commodity) which do not meet the agreed quality standards, the Enterprise /Buyer will reject them. The Farmer may re-submit after sorting, but the Enterprise /Buyer is under no obligation to accept (name of the commodity) which do not meet the agreed quality standards.

(2) If the Farmer fails to follow the procedures detailed in this agreement, he/she will be warned verbally and in writing. After three written warnings the Enterprise /Buyer has the right to terminate the agreement.

(3) If the Enterprise /Buyer fails to fulfill its commitments as detailed in paragraph 2 above, the Farmer has the right to claim compensation for the value of the lost production (if due to the fault of the Enterprise /Buyer), at rates agreed between the Enterprise /Buyer and the Farmers' Group.

(4) If the Farmer delivers (name of the commodity) which exceeds the required quality standards or the expected level of production, he/she shall be eligible for a bonus payment at a level agreed between the Enterprise /Buyer and the Farmers' Group.

7. Duration of the Agreement:

(1) This agreement will last for (describe duration, e.g. one growing season) from the date of signing to (date).

(2) If both parties are satisfied with the outcome of the agreement it may be renewed for a further season/period, but there is no obligation on either party to renew the agreement.

8. Dispute Settlement:

(1) Any dispute arising as a result of this agreement will be settled wherever possible by a discussion between the Enterprise /Buyer, the Village Authorities, the Farmers' Group, and the Farmer(s).

(2) Any dispute which cannot be settled by this process will be referred to an independent arbiter acceptable to all the parties involved.

9. Signatures:

All parties will certify to have read and understood the contents of this agreement and sign it of.

--(Representative of Farmer Group)

--(Enterprise /Buyer)

--(Witness)

--(Date)

Source: Adapted from Linking Farmers to Markets, An Operational Manual, FAIDA

Appendix A to contract: Contract Agreement between Enterprise /Buyer and Farmers from (name of the village)

The farmers with their names and signatures have agreed to provide their products of (name of the commodity) to the Enterprise /Buyer as state in the contract farming agreement.

	Name of household (husband and wife)	Wealth status	Signature
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Appendix B to contract: Grades and Quality Requirements of (name of the commodity)

1. Grade specifications:

(1) Grade 1	description	price/kg
(2) Grade 2	description	price/kg

(3) No other grades/qualities will be accepted

2. Quality Requirements: acceptable (name of the commodity) must be:-

(Remove requirements if not applicable and other specifications)

(1) free from pests, disease, wounds, scars, bruises;

(2) free from mud, stones, dust or other debris;

(3) not broken or damaged in any manner;

(4) not misshaped;

(6) fresh and not damaged by sunburn or other sources of heat (for fresh fruits and vegetables);

(7) naturally coloured, not tainted by disease, smoke, etc.;

(8) have a moisture content of not more than x% (for grains and pulses);

(9) be no more than x months of age (for poultry and livestock);

(10) be a minimum weight of x kilograms (for poultry and livestock).

Annex 3: Scoring evaluation of AIF Applications

Investment Registration Number: …………………………….. District Name: ………….………………..

Applicant and Entrepreneur Names:………………………………… ……………………………………………………………….

Investment Title: …………………………………………………………………...

Evaluation of Application according to each specific criterion:

No	Criteria	Score 1=poor; 2=OK, 3=good; 4=very good				Total points
		1	2	3	4	
Criterion 1	**Appropriate beneficiaries**					**……/24**
1.1	Coop/enterprise must be registered and have been operational for at least 6 months (small grant) or 12 months (large grant)					……/4
1.2	Coop/enterprise majority-owned by Lao nationals					……/4
1.3	Coop/enterprise operates or plans to operate in PICSA province					……/4
1.4	Has existing agreement/contract, or planned farming, supply, or marketing arrangement, with farmers in at least 1 project district.					……/4
1.5	Number of households to benefit from the investment					……/4
1.6	% households to benefit that are poor, near-poor or female-headed					……/4
Criterion 2	**Investment's output**					**……/16**
2.1	Level of value-added to the agricultural commodities purchased by the coop/ enterprise					……/4
2.2	Level on increased demand for HH output expected from the investment					……/4
2.3	Number of new/additional households contracted to sell their					……/4

	products					
2.4	Number of HHs provided training and TA from coop/enterprise					....../4
Criterion 3	**The capacity of Cooperative/ Enterprise**					**....../16**
3.1	% of the contribution of coop/enterprise of the total investment cost of the investment					....../4
3.2	Educational status, professional or management experience of the management of the coop/enterprise					....../4
3.3	Capacity and experience of coop/enterprise in linking to markets (established and new markets)					....../4
3.4	Coop/enterprise's vision and commitment of implementation of investment					....../4
Criterion 4	**Investment's profitability, risks, and sustainability**					**....../28**
4.1	Rate of profit from the investment for coop/enterprise					....../4
4.2	Coop/enterprise's operating capital and level of indebtedness					....../4
4.3	Level of financial benefits to farmers in project districts					....../4
4.4	The resilience of investment to climate change (tolerant to droughts, floods)					....../4
4.5	Investment applies simple techniques and technology					....../4
4.6	Investment does not require high investment cost when starting					....../4
4.7	Level risks associated with market volatility (1 = high risk, up to 4 =low risk)					....../4
Total points						**....../84**

Guidance for scoring each criterion:

Criterion 1*: *Appropriate beneficiaries

- Criterion 1.1: For cooperatives/enterprises, if they are registered and have operated for 6 months (small grant) or 12 months (large grant), they will be scored 2. Every additional 6 months will be scored one point higher.
- Criterion 1.2: For the cooperatives/enterprises fully Lao-owned will score 4, 75% Lao-owned will score 3, 50% Lao-owned will score 2.
- Criterion 1.3: Cooperatives/ enterprises that operate only in PICSA provinces and districts will score 4; if mainly operate in PICSA provinces and districts will score 3; if mainly operate in other provinces and districts (but operate in at least one PICSA province) will score 2; it does not yet operate in PICSA Province but plans to will score 1.
- Criterion 1.4: Score 1 if has a contract with farmers in 1 PICSA district but not in PICSA villages; score 2 if with farmers from 1 PICSA village; score 2 if with farmers from 2 PICSA villages; score 3 if with farmers from 3 PICSA villages; and score 4 if with farmers from 4 or more villages.
- Criterion 1.5: If the number of households to benefit from the investment match the present number then investment will be scored 1; if up to 25% higher will be scored 2; above 25% to 50% will be scored 3, and above 50% will be scored 4.
- Criterion 1.6: If the number of beneficiary households is 30% poor, near-poor, or female-headed, the investment will be scored 2; above 30% to 45% scored 3; above 45% scored 4.

Criterion 2: Investment's outputs

- Criterion 2.1: If the investment demonstrates that output products will add 1-10% to the value of the commodity it will be scored 1; from 11-20% scored 2; from 21-30% scored 3, and above 30% scored 4.
- Criterion 2.2: If the investment demonstrates that it will purchase up to 10% more output from HHs it will be scored 1; from 11-25% scored 2; from 25-50% scored 3, and above 50% scored 4.
- Criterion 2.3: If the investment demonstrates that more rural producers especially poor households will be able to sell their products will be scored as follows: 10% more HHs it will be scored 1; from 11-15% scored 2; from 16-20% scored 3; and above 21% scored 4.
- Criterion 2.4: If the investment demonstrates that rural producers especially the poor involved in the investment will receive training and technical assistance, it will be scored 2-4, depending on the level of training and support provided and the numbers of HHs that will receive it. If no training or technical support, it will be scored 1.

Criterion 3*: *Capacity of the Cooperative/ Enterprise

- Criterion 3.1: If the contribution of the cooperative/enterprise is from 51-55% of the total investment, it shall be scored 1; from 56-60%, scored 2; from 61-70% scored 3; and above 70% scored 4.

- Criterion 3.2: Depending on qualifications, professional education and years of experience in management etc. of owners/staff in the cooperative/enterprise the application will be scored from 1-4.

- Criterion 3.3: Depending on the experience of the cooperative/enterprise in marketing products, especially linking to local, national and international markets (both existing markets and promoting new markets) the application will be scored from 1-4.

- Criterion 3.4: If the Cooperative/enterprise demonstrates a clear vision and strong commitment to implement the investment, it will be scored highly. The score will be determined by the IAC, based on information presented in the application.

Criteria 4**: **Investment's profitability, risks and sustainability

- Criterion 4.1: If Cooperative/enterprise demonstrates a profit[12] over operating costs of less than 10% it will be scored 1; 10%-15% it will be scored 2; from 16% to 20% scored 3; above 20% scored 4 points *(based on the financial analysis provided as part of the application).*

- Criterion 4.2: If the investment demonstrates more than sufficient capital for annual operations and a low level of indebtedness relative to annual profit, it will be scored highly. The score will be determined by the IAC, based on information presented in the application.

- Criterion 4.3: If investment demonstrates an <u>increase</u> in HH profit[13] (compared with the situation before the investment) of less than 5% it will be score 1; 5-10% it will be scored 2; from 11% to 20% scored 3; above 20% scored 4 points *(based on the financial analysis provided as part of the application).*

- Criterion 4.4: If the investment clearly demonstrates its investments and activities are climate change (CC) resilient or can help CC adaptation (tolerance of drought, flood, and pest resistance, etc.) will be scored 4; if it has the potential to be resilient or adapt to CC it will score 2-3 points; unclear demonstration score 1.

- Criterion 4.5: If the investment demonstrates simple technology and techniques that are applied for the investment, it will be scored highly. The score will be determined by the IAC, based on information presented in the application.

- Criterion 4.6: If the investment demonstrates low investment costs relative to profit with a short payback period[14] for the investment, it will be scored highly. If the payback period is from 0-2 years it will be scored 4; more than 2 years up to 4 years score 3; more than 4 years up to 6 years score 2; more than 6 years score 1.

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[12] Profit is what remains after deducting the business's total expenses (or operating costs) from the business's total income. Divide the profit by the business's total expenses, and the result will be the rate, or percentage, of profit.

[13] The HH's profit is what remains after deducting the total operating costs of producing the commodity from the HH's total income from sales of the commodity. Divide the profit by the total operating costs, and the result will be the rate, or percentage, of profit.

[14] Payback period is the length of time required for an investment to recover its initial outlay in terms of profits.

- Criterion 4.7: If the investment demonstrates it has a low risk of failure due to market volatility (changes in market demand, or prices paid to the cooperative/enterprise by purchasers of its products), it will be scored highly. The score will be determined by the IAC, based on information presented in the application.

DECLARATION OF THE TECHNICAL REVIEW RESULT

Funding of this investment application is *(check the appropriate box below)*:

Points received	*Level of recommendation*	
From 0 to < 55 points	***Not recommended***	☐
From 55 to < 65 points	***Recommended with reservation***	☐
From 65 to < 75 points	***Recommended***	☐
75 points and above	***Strongly recommended***	☐

Annex 4: AIF Investment Grant Agreement template

Hereinafter, it is the grant agreement template. The content will be specified and detailed on the basis of principle and agreement between two parties through the agreement's articles.

Lao People's Democratic Republic
Peace, Independence, Democracy, Unity, Prosperity

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

PGT of PICSA Project, No: /NPMU

AIF INVESTMENT GRANT AGREEMENT

Pursuant to the Financing Agreement, IFAD Grant No ……… between the Government of Lao PDR and the International Fund for Agricultural Development dated ……………;

Today, day … month ….. 20… at ……………………………….., we include:

PARTY A: NATIONAL PROJECT GOVERNANCE TEAM OF THE PICSA PROJECT (Grantor)

- Address: Department of Irrigation, Ministry of Agriculture and Forestry
  Chao-Anou Road, Chanthabouly District, Vientiane, Capital, Lao PDR
  Tel no: 856-21-264873
- Represented by Mr. Khansawanh Sisopha, National Project Coordinator.

PARTY B: [Name of grant recipient) on behalf of ……………………………(Name of Enterprise)

- Address: …………………………………………………………..
- Tel: …………………….. Fax : …………………
- Represented by Mr/Ms: …………………,Title: …………….

The two Parties hereby agree to sign this contract with the terms and conditions as set forth below:

Party A finances Party B with the contract amount…………………… (in words); the contract implementation duration is: ………..months.

1. PURPOSE:

1.1. With the support of the International Fund for Agriculture Development (IFAD) and Government of Laos (GoL), the PICSA Project has established the Output 2.2 'Agro-Enterprise Investment Facility', to support value chain development with the aim of creating production activities in rural areas and increasing incomes of rural farmer households in project districts, especially the poor, and supporting the innovations benefiting the community carried out by cooperatives and enterprises in project areas.

1.2. This Agreement is a basis for Party A to provide a grant amount of LAK ………. *(Amount in words:………)* from the Output 2.2 as co-financing for investment among total project cost of LAK ……………………… *(Amount in words:…………………………………).*

1.3. The grant funds provided to the Recipient by the NPMU shall be used exclusively for the purposes specified in the application submitted by the recipient to the NPMU by Mr/Ms ....(Applicant's representative) based on the call for application issued……… (*date).*

1.4. When a discrepancy exists between the application documents and this Agreement, this Agreement shall take precedence. The Recipient must request the NPMU approval prior to implementing any substantive changes in the nature of grant-funded activities. In the event Grant funds are not used for these purposes within the grant period specified in this Agreement or within any approved extension of this time period, the funds shall be returned to NPMU.

1.5. Grant funds cannot be transmitted to other institutions or persons, as a sublease or a grant. Grant funds cannot be used to cover tax payments, expenses or other compensations for business partners without written permission by NPMU.

1.6. The duration of this Agreement shall be from the valid date to the date …………………...

2. RESPONSIBILITY

2.1. The Recipient is responsible for ensuring that the investment is administered in accordance with the terms of this Agreement and all applicable laws. The grant recipient agrees that the NPMU, project management and staff shall not be liable for any expenses, damages, law cases, compensation and legal accountabilities including incurred costs for hiring lawyers or dealing with law cases with the third party relating to activities undertaken by the Grant Recipient in the funded project. The tax consequences of this award on the grant recipient and the fulfilment of these are the responsibility of the Recipient.

2.2. NPMU agrees to send all relevant correspondence to the Principal Applicant, through contact details indicated on the first page of this agreement. NPMU reserves its right to terminate financing and reclaim its grant if there is a change in the Principal Applicant who is responsible for the investment. The decision of termination or continued support shall be based on research into the Grant Recipient's objectives and capacity under the new management.

3. PROCUREMENT

3.1. Procurement of goods and services shall be governed by the provisions of Annex attached (*Procurement Plan as part of the Grant Application)* to this Agreement. All Grant implementation-related procurement is fully under the responsibility of the Grant Recipients. The role of the NPMU is to review, supervise and guide the procurement carried out by the Grant Recipient, thereby ensuring that integrity, transparency, and accountability are maintained.

3.2. The Recipient shall ensure that all grant financed goods shall be insured, as necessary, against hazard incidents in the acquisition, transportation, and delivery thereof to the place of use or installation. The Recipient shall ensure that any facilities relevant to the activities are at all times operated and maintained in accordance with appropriate practices and that any repairs or renewals of such facilities are promptly made as needed.

3.3. The Recipient agrees that: (i) As part of investment application, the Grant Applicant identifies the goods, works and services to be procured and the procurement schedule based on implementation timing and targets; (ii) Commodities and services shall be procured in accordance with identified demands and schedule in the Application for Grant.; (iii) The NPMU and the Grant Recipient record the identified procurement needs and procurement schedule under the Grant Agreement; (iv) Grant Recipients procure goods and services, as planned in the Grant Agreement, following the Procurement Manual issued by the project; (v) Grant Recipients produce evidence of procurement and quotations, as per Grant Agreement, as part of the mid-term and final report to be submitted to the NPMU; (vi) The Project may conduct a random audit of AIF investment by an external auditor.

4. OWNERSHIP OF GOODS

4.1. The applicant will follow the stipulated use of goods during the implementation of the investment as agreed in the Grant Agreement.

4.2. All goods/services purchased with AIF funds remain the property of the Project during investment implementation; the NPMU only authorizes the Grant Recipient's business to become the owner of these goods/services upon approval of a completion report to be submitted not later than 60 days after completion of the investment.

4.3. The Grant Recipient commits to use the assets from grants, plus its own assets agreed as the Recipient's contribution, to meet its obligations under this Agreement. Failure to do so may result in the termination of NPMU financing and the reclamation of goods/assets purchased with grant proceeds. Measures for ensuring implementation of this Agreement and recovery of unspent grant funds and goods/assets will be in accordance with the Lao regulations in force.

4.4. The recipient is responsible for taking care of all investment property and providing the required maintenance of equipment to ensure it remains operational for the implementation of investment activities during the term of this Grant Agreement. In the case of NPMU's termination of the grant as a result of the violation of the Grant Agreement, or the termination of the investment by the grant recipient, the NPMU may take action to repossess the grant-funded goods and equipment.

4.5. The grant recipient shall carry out reporting obligations related to goods and equipment procured using grant funds and update such reports on a periodic basis. The recipient is responsible for these assets and, as necessary, the procurement of insurance for such assets in order to prevent risks of theft and damage due to fire, flooding, etc.

5. DISBURSEMENT OF GRANT

5.1. The grant disbursements will be made to an account in a commercial bank, registered and managed by the business entity. For each payment from the grant amount, the Grant Recipient will provide evidence that the money has been received and used according to the Agreement.

5.2. In case of payments to be transferred in tranches, the first tranche payment will be made to a maximum of 50% of the total value of the grant 30 days at the latest after approval and signing of the Grant Agreement by all parties. Further tranche payments will be advanced on the basis of (i) beneficiary submitted a request, together with (ii) documented evidence for the use of disbursed grant and beneficiary funds as per the Grant Agreement, and (iii) milestone progress report by the Grant Recipient and milestone monitoring report of the NPMU.

5.3. The in-cash beneficiary contribution needs to be disbursed during the implementation of the first milestone. The second tranche of the grant amount can only be requested after the full disbursement of the beneficiary in-cash contribution, following the agreed work plan, unless otherwise is agreed upon.

5.4. The grant recipient shall notify the NPMU in writing of any anticipated delays in achieving the agreed milestones and the reasons. The scheduled payments for the next tranche may be withheld or delayed in the event that the Grant Recipient's expenditure reports show a larger cash balance than anticipated. At any time during the grant period, the Grant Recipient may request the NPMU to revise the "Payment Schedule" to better reflect the current work plan and to better meet the Grant Recipient's cash flow needs, but this request should be justified accordingly.

6. ACCOUNTING, AUDITS AND FINANCIAL REPORTS

6.1. The NPMU will give technical guidance to Principal Applicants in preparing the statement of expenditure reports, upon which Principal Applicants can request the subsequent disbursement. The NPMU holds overall responsibility for ensuring timely disbursements, that the appropriate procurement procedures are observed, and that the necessary accounting and audit procedures are carried out as per the general requirements of the investment.

6.2. Grant Recipients must be fully aware of their financial obligations under the Grant Agreement and make appropriate provisions for meeting those requirements. The Grant Agreement requires that funds must be returned in the event of termination of the Grant Agreement and that any uncommitted funds upon completion be returned to the NPMU for reallocation.

6.3. The grant beneficiary will submit to the NPMU the statement of expenditure, accompanied with original supporting documents (i.e. invoices, receipts, written declarations, etc.). The originals must be filed by the NPMU and kept for as many years as specified in Lao legislation. The Grant Recipient shall provide documentary evidence of both grant and beneficiary cash contributions to the investment. The NPMU may withhold scheduled payments or require that grant activities be suspended if statements of expenditure reports are overdue or the documentary evidence on the use of grant funds is insufficient.

6.4. The Grant Recipient shall prepare an investment completion report at the end of the grant investment in the format provided in Annex 6 (in the AIF manual) reflecting the operations, resources and expenditures related to the investment. The Grant Recipient shall submit a copy of the said report as soon as available, but in any case not later than 60 days after the completion of the investment.

6.5. Grant expenditures will be audited, as deemed appropriate, within the overall NPMU financial audit process. The Grant Recipient will cooperate fully with the NPMU auditor and will make available to the auditor whatever records, documentation and other information requested by the auditor in connection with the audit of the grant funds. Business entities and Principal Applicants will be liable for repaying any grant funds found to have been misused and all steps will be taken for recovery according to the legislation in force.

6.6. Accounting books, financial statements and reports as well as other documents such as original invoices, receipts, etc.; and any reports relating to AIF support, including accounting books, financial statements and reports relating to contents mentioned above shall be kept by the Grant Recipient for a minimum of 5 years after submission of financial statements and progress reports (or in line with the requirements of Lao laws on financial statement retention). The Grant Recipient shall provide all reports, according to the requirements and schedules outlined in this Agreement, to the NPMU relating to the AIF-funded activities.

7. REPORTING, MONITORING AND EVALUATION

7.1 The Grant Recipient shall submit progress reports and final reports on the dates as stated in the "Reporting requirements". Such reports shall provide information on progress against project objectives and expected results. The Recipient shall report to the PGT all important information and developments, including both positive and negative results and impacts, related to project progress and performance.

7.2 The Grant Recipient shall notify the PGT of any delays with regards to reporting submission as required. At any time during the term of this Agreement, the Recipient can make an official request to the PGT concerning changes in the "Payment Schedule" and "Reporting Requirements" to reflect the current investment implementation schedule. Unless such notifications and requests are made to the NPMU, with appropriate justifications, the PGT may refuse to make subsequent grant payments or cancel payment against overdue report submission.

8. GRANT AGREEMENT COMPLETION

Upon receipt of final reports from the Recipient, the NPMU shall initiate procedures to bring the grant agreement and associated investment to completion. Completion procedures include obtaining and approving all required statements of expenditure and progress reports, ensuring that any unexpended grant funds are refunded to the NPMU and communication of completion through a completion letter from the NPMU to the Grant Recipient indicating the final assignment of ownership of all invested items to the Recipient. The approved value of completed AIF investments and the associated investment results indicate that all obligations have been satisfied.

9. SUSPENSION AND CANCELLATION

9.1. The NPMU holds the right to terminate the grant at any time, if: (i) the Recipient does not follow the provisions of the Grant Agreement; (ii) the Recipient has significant delays in the implementation of the investment and the NPMU believes that the investment cannot achieve its objectives; (iii) the Recipient fails to submit complete financial reports; (iv) the Recipient fails to submit copies of financial documents to complete the financial reporting; (v) the Recipient fails to maintain proper accounting and financial records; (vi) the Recipient provides false documents or information; (vii) the Grant is used to finance expenses not approved by the NPMU, or for conducting activities other than approved; or (viii) the Principal Applicant terminates her/his engagement in the investment.

9.2. In the case of a cancellation of the Grant, all unused funds received under the investment shall be returned to the NPMU's account. In the case of misuse of grant funds, the Principal Applicants will be liable for repaying any grant funds found to have been misused and all steps will be taken for recovery according to the legislation in force.

10. SETTLEMENT OF DISPUTES

10.1 The parties to this contract will use their best efforts to settle amicably any dispute, controversy, or claim to arise out of or relating to this Grant Agreement. Any dispute which cannot be settled by agreement of the parties hereto will be settled administratively according to Lao regulations in force or in the appropriate court of law.

11. LIMITATION AND CHANGES

11.1 It is expressly understood that the NPMU has no obligation to provide other or additional support to the Recipient for the purposes of this activity or any other purposes. Any changes, additions, or deletions to the terms and conditions stated in this Grant Agreement may be made in writing only and must be jointly approved by the NPMU and the Recipient.

12. FORCE MAJEURE

12.1 Neither the Recipient nor the NPMU will be responsible to the other for delay or failure in performance of any of the obligations imposed by this Agreement when such failure is occasioned by unintentional fire, flood, explosion, lightning, windstorm, earthquake, subsidence of soil, court order or government interference, civil commotion, riot, war, strikes and labour disturbances, beyond the reasonable control and without the fault or negligence of either of the Recipient or the NPMU.

13. CONTRACT VALIDITY

13.1 This contract is comprised of 13 Articles,…. pages and …. annexes

13.2 This contract is made in 4 (four) copies each with the same value; Party A shall maintain 3 copies and Party B 1 copy.

PARTY A	**PARTY B**
(Signed by DSEDC, named and stamped)	*(Signed, named and stamped)*

ANNEXES to the AIF Grant Agreement: (i) AIF Investment Grant Application, (ii) Financial Analysis including procurement plan, (iii) Financial Statements, (iv) Agreement with farmer groups

Annex 5: Statement of expenditure template

STATEMENT OF EXPENDITURE

The content of statement of expenditure template will be further modified by Agro-Enterprise Advisors.

(Enclosed with the investment completion report of the Principal Applicant)

Grant Recipient: ……………………………………………

Code of the investment: ……………………………………………

Reporting period: ……………………………..……………

No.	Expenditure categories approved	Project implementation expense (LAK)			Actual expense (LAK)			No. of payment invoice/date on the invoice	Remaining amount (LAK)			Note on remaining amount
		Total	Project	Recipient	Total	Project	Recipient	Total	Project	Recipient	Total	
I)	**Non-consumable materials (equipment and machines)**											
II)	**Business Development Service and Trainings**											
III)	**Consumable material (input)**											

No.	Expenditure categories approved	Project implementation expense (LAK)			Actual expense (LAK)			No. of payment invoice/date on the invoice	Remaining amount (LAK)			Note on remaining amount
		Total	Project	Recipient	Total	Project	Recipient	Total	Project	Recipient	Total	
C.	**Total expenses**											

Note: All original invoices are enclosed to this SOE.

…………………, day ….. month….. 201….

Grant recipient

(Signature and full name)

Annex 6: Investment Completion Report template

RECIPIENT'S FINAL COMPLETION REPORT

<table>
<tr><td>AIF Investment's title:</td><td colspan="3"></td></tr>
<tr><td>Code of the investment:</td><td colspan="3"></td></tr>
<tr><td>Reporting period:</td><td colspan="3">[dd/mm/yy – dd/mm/yy]</td></tr>
<tr><td rowspan="2">Total investment cost:</td><td rowspan="2">[as in the contract]
Total: LAK…….
Of which:
-Project: LAK….
- Grant Recipient: LAK…..</td><td>Total investment cost</td><td>Total: LAK…….
Of which:
-Project: LAK….
- Grant Recipient: LAK…..</td></tr>
<tr><td></td><td></td></tr>
<tr><td>Reached implementation plan outputs as per Grant Agreement:</td><td colspan="3"></td></tr>
<tr><td>Problems in the implementation and possible solutions:</td><td colspan="3"></td></tr>
<tr><td>Evaluation on the impact of the investment in terms of the capacity and income</td><td colspan="3"></td></tr>
<tr><td>Follow up activities</td><td colspan="3"></td></tr>
<tr><td>Request for transferring the ownership of the procured goods</td><td colspan="3"></td></tr>
</table>

…………………, day ….. month….. 201..

Grant recipient

(Signature and full name)