



Investing in rural people

Lao PDR

Agriculture for Nutrition Project (AFN)

Mid-Term Review Mission Aide Memoire

Mission Dates: 18th February – 4th March 2020
Document Date: 4th March
Asia and the Pacific Division
Programme Management Department

Background and Main Objectives of the Mission

1. The Agriculture for Nutrition (AFN) project is financed by Global Agriculture and Food Security Programme (GAFSP) and implemented by the Ministry of Agriculture and Forestry (MAF) through its Department of Planning and Finance (DoPF). The project became effective on 28 April 2016 and the planned completion date is 30 June 2022. The project addresses chronic malnutrition and food insecurity in Lao PDR upland areas, through support of the National Nutrition Strategy 2016-25 and Plan of Action 2016 – 20 (NNSPA), and through piloting new development approaches and technologies in this framework. The total cost for the project is USD 38.8 million, which consists of a GAFSP grant of USD 24 million to IFAD, a GAFSP grant of USD 6 million to World Food Programme (WFP), Government of Lao PDR (GoL) contribution of about USD 5.4 million and contributions from beneficiary groups and local private sector estimated as USD 3.3 million.

2. The AFN Goal is to “contribute to reduced extreme poverty and malnutrition in poorest communities”. The Development Objective is “improved and diversified agricultural production and household nutrition enhance life prospects”. The project is implemented in 400 villages of 12 districts in four Northern provinces: Oudomxai, Phongsaly, Xieng Khouang and Houaphan. The project is implemented through three technical components: (1) Strengthened public services; (2): Community-driven agriculture-based nutrition interventions; and (3) Sustainable and inclusive market-driven partnerships. The GAFSP grant to IFAD finances Components 1, 3 and project management costs, while the GAFSP grant to WFP finances Component 2.

3. IFAD, as the main supervising entity of implementation, conducted the AFN Mid Term Review Mission in partnership with the GoL (MAF, Ministry of Planning and Investment (MPI) and the Provincial and District relevant line agencies of the AFN targeted provinces and districts) and WFP from 17th February to 4th March 2020. The objectives of the mission were to (1) assess project performance and the extent to which project objectives have been or will be fulfilled; (2) assess the operational aspects of the project such as project management and implementation of activities, financial management and disbursement arrangements and monitoring and evaluation (M&E); and, (3) where necessary, to agree corrective actions needed for the project to achieve its planned results.

4. The mission conducted field visits in two target Districts (Khua and Mai) of Phongsaly Province from 19th to 26th February 2020, discussing with project beneficiaries, village authorities, agriculture sector entrepreneurs and implementation agency staff and inspecting project outputs. Key project staff from all target Provinces participated in field activities which included presentations and discussions on the first day and a feedback and review workshop on the final day, both in Khua District centre.

5. In Vientiane, the mission held a meeting for introduction and guidance with H.E. Dr. Parisak Pravongviengkham, Deputy Minister of MAF. The mission held meetings with representatives of MAF DoPF, Department of Technical Extension and Agriculture Processing (DTEAP), National Agriculture and Forestry Research Institute (NAFRI), WFP, Food and Agriculture Organisation (FAO) and Ministry of Health (MoH). The Mission Aide Memoire was discussed at a pre-wrap up meeting on 3rd March 2020 and was presented at the formal wrap-up, chaired by H.E. Deputy Minister, on 4th March 2020.

6. The mission would like to express its appreciation to the GoL, MAF, MPI and other related ministries and departments, NPCO and all stakeholders met at national, provincial and district levels, as well as the beneficiaries met for their cooperation and hospitality extended to the mission.

Key Conclusions

7. Overall progress of project implementation is rated as Moderately Satisfactory (4).

8. Implementation progress during 2019 was impressive. Preparation of 29 sustainable livelihood technologies based on Participatory Action Research (PAR) was completed and upgrading of 14 Technical Service Centres (TSC) is nearly complete. Village plans have been prepared in 400 target villages. Farmer

Nutrition Schools (FNS) have been established in all 400 villages and 305 Village Nutrition Centres constructed, with almost all pregnant women and mothers of children under two years old participating in nutrition education. Priority infrastructure has been identified in all villages and 370 sub-projects completed, with 94 under construction or planning. Agriculture Production Group (APG) formation has reached 710 groups with grants disbursed to 362 groups. Garden grants have been disbursed to 6,843 FNS trainees. Formation of Public-Private-Community Partnerships (PPCP) has proceeded more slowly, with two grants approved and a further five entrepreneur partners in process of preparing grant proposals.

9. Despite this rapid progress, sequencing of activities and coordination between components has been inadequate. Investments in TSC and in preparation of the PAR packages has not yet resulted in significant transfer of knowledge to farmers, while the key farmer-to-farmer extension strategy remains in draft. District and Village planning activities have not resulted in integrated, nutrition-sensitive plans nor in convergence with non-agriculture elements of the NNSPA. Capacity for farmer group management and coordination is weak. The APG grants have largely been disbursed before dissemination of the PAR technologies so farmers rely on familiar techniques. The 12 Strategic Investment Plans (SIP) prepared do not match the needs or interests of the PPCP entrepreneurs.

10. Implementation of the current AWPB 2020, including commitments carried over from 2019, may result in full disbursement of the GAFSP grant to IFAD by mid-2021, leading to early closure of the project. If this occurs, the project will not fully achieve its objective and planned outcomes.

11. Consequently, activities and expenditures planned during the remaining project period should be reviewed and revised to maximise direct impacts in the target villages, building upon the already substantial achievements. This should include broadening and deepening of the nutrition education activities, dissemination of the most promising PAR technologies through on-farm demonstrations and farmer-to-farmer learning, coordination between farmer training activities of TSC, District Agriculture and Forestry Office (DAFO) and PPCP entrepreneurs and, if possible, reallocation of funds so that poorer farmers can receive additional grants to finance replication of demonstration activities.

12. **Financial Management** has improved, with reduced inconsistencies in categorisation of expenditures. However, the mission noted excessive expenditures on activities such as planning meetings and ceremonies, which in some cases were incorrectly described. These expenditures should be reduced to a minimum, through review of the AWPB and by enhancing the controls at the DAFO and PAFO.

13. **Disbursement** rate in 2019 was highly satisfactory. Overall, the project has reached 64% of planned expenditures (USD 15.3 million), with a further USD 5 million committed. For the Grant funding through IFAD, USD 17.8 million out of USD 24 million has been disbursed to the project.

14. **Procurement:** The project should update the procurement plan for 2020 to be consistent with agreed revisions to the AWPB after the MTR and submit to IFAD for review and no objection. The Mission reminded the project that all bidders and contractors/service providers/suppliers are required to sign self-certification forms for compliance with IFAD policies on anticorruption, sexual harassment, sexual exploitation and abuse.

Key Agreements

15. The revised Project Logical Framework (logframe) agreed by the Project and the Mission and annexed to this Aide Memoire will be adopted. This revised logframe retains Goal, Objective and most Outcome level indicators (though in some cases definition of indicators and methods of measurement are refined) but reflects realistically achievable output targets by the end of the project.

16. The Project will revise and re-submit the AWPB 2020, together with an indicative AWPB for 2021 and winding up expenses in Q1 2022, showing how remaining funds will be used to achieve the physical output targets indicated in the revised logframe.

17. The unallocated category will be re-allocated to expenditure categories required to finance the rest of the project. The required reallocation is indicated in an Annex to the Mission Aide Memoire.

18. The Project will review the draft Exit Strategy in the light of the Mission recommendations and with a focus on ensuring sustainability of the FNS and APG. The revised Exit Strategy will be submitted to IFAD for No Objection by end April 2020.

Implementation Progress

19. **Component 1 (Strengthened Public Services):** Execution has consistently fallen short of AWPB targets. The component is intended to establish a tiered Project planning, supervision, monitoring, knowledge management and learning system within MAF, but there is limited evidence of systematic progress other than development of a multi-project MIS system, called ProMIS, which is almost complete. The ProMIS indicator set should be shared with development partners for comment, ProMIS should be capable of tracking outputs at village level.

20. The project has developed and documented 29 sustainable livelihood technologies identified through participatory action research (PAR) and has improved capacity of 14 Technical Service Centres (TSC), however these activities have not yet resulted in improved services in most target villages. The project has established forage plots using planting materials produced on TSC.

21. In the remaining period the project should focus on bringing the PAR models to farmers. The Farmer-to-farmer strategy should be finalised as a matter of urgency. All project-supported farmers should have the opportunity to participate in on-farm demonstrations of at least one home-consumption / garden crop, one small livestock technology and one cash crop, appropriate to local needs and farmer interests. So far as is possible with the resources available, the project should endeavour to strengthen the management capacity of farmer groups, within available resources. There is a need to establish a sustainable supply chain for forage planting materials.

22. **Component 2 (Community-driven agriculture-based nutrition interventions):** The District Nutrition Committees (DNC) have not yet succeeded in ensuring Multi-Sector convergence of the NNSPA implementation at the district level. Reasons include weak leadership of DNC, lack of DNC members' awareness of their role in nutrition and how this links with their sectoral priorities, especially for non-health sectors, absence of common nutrition targets for the districts, limited experience of working collaboratively. The Mission considers this activity as critical to the project design logic and to supporting nutrition-sensitive village planning.

23. **Village Infrastructure Plans (VIP)** have been prepared in 400 target villages but this activity falls short of the project intention to mainstream nutrition into cross-sectoral Village Development Plans (VDP). The project has conducted a limited pilot of **land use planning (LUP)**, however the Mission agreed that this activity should be discontinued as support for LUP will be available from other forthcoming projects.

24. **Farmer nutrition schools (FNS)** have been established in all 400 villages with 305 village nutrition centres constructed, 1,213 village facilitators trained and 20,133 participants. Of these, 18,025 are women and 11,911, who are pregnant women and mothers of children under two years, have applied for Garden Grants. Participation in successive rounds of FNS training is declining and there is a need to broaden the approach to maintain interest. The FNS educational materials are standardised rather than adapted to the food culture of the different ethnic groups and do not build on existing local knowledge. The four modules of the training mainly covered production and included limited content on post-harvest preservation or food processing techniques

25. The project should further strengthen nutrition coordination and planning by strengthening the capacity of the DNC to implement existing convergence plans. Capacity building should focus on functional competencies such as leadership, advocacy, partnerships, planning, coordination, basic nutrition knowledge and awareness etc. DNC should conduct annual monitoring and learning meetings with

Provincial Nutrition Committees (PNC) for monitoring and knowledge sharing. The project should support compilation of simple, nutrition-sensitive village plans. The mission agrees to discontinue the activity of land use planning and titling as, due to the complexity and time-consuming nature of this activity, it will not be possible to achieve scale with the project resources

26. The project will broaden participation in FNS activities to include all women of childbearing age and should ensure nutrition awareness reaches the whole village population. Nutrition educational materials should be updated to materials to ensure (i) relevance to the wider audience (ii) building on the rich local knowledge and cultural practices that promote nutrition (iii) expand the scope based on learners needs e.g. on post-harvest handling and food processing. There should be a stronger focus on local food varieties for sustainability.

27. **Component 3 (Sustainable and inclusive market-driven partnerships):** Twelve **Strategic Investment Plans (SIP)** have been prepared for commercial commodities but it is not clear that these SIPs are used as an informed framework for commercial and climate change adapted investments in village infrastructure, APG activities and PPCP investments. Rather than prepare additional SIP the project should document and strengthen use of those most likely to be effectively used under the PPCP activities, such as cardamom and poultry.

28. **Village agriculture infrastructure investments** include farm roads, irrigation, water supplies, cattle fencing, fish-ponds and other agriculture related investments, with 370 schemes complete, 69 under construction and a further 25 planned for 2020. Operation and maintenance committees and user fee collections have been established. The mission noted the low technical quality of roads, reflecting budget constraints, but, in terrain which is very challenging for road building, cost-cutting results in environmental damage and poor sustainability. Irrigation schemes are likely to provide adequate returns on investment, but the benefits are shared by few farmers at relatively high cost per beneficiary.

29. Cost-Effectiveness of Infrastructure should be ensured by eliminating schemes with excessive cost per beneficiary or high unit costs (cost-per-hectare for irrigation, cost-per-kilometre for roads). Construction supervision should be strengthened. Sub-projects must comply with the environmental standards in the village infrastructure guidelines. Where the budget is insufficient for technical and environmental sustainability, road schemes should be cancelled.

30. Of a target of 15,000 garden grants to FNS participant women, 11,911 grants have been requested and 6,843 grants disbursed so far. This programme is considered a success. However, choice of activities is not always linked to nutritional needs. There is some evidence of improved diet from the midline survey, but more monitoring data is needed to track improved nutrition.

31. To date 710 **APG** have been formed with participation of 11,508 households. APG grants have been disbursed to 362 groups, benefitting 5,783 households, of which 1,766 are poor. Progress is somewhat slow in comparison to the project target of 1,300 APG and 650 grants. To be effective, APG need stronger facilitation and integrated in production, post-harvest, group administration, business skills development and market connections, and group M&E. The project has promoted a narrow range of single-commodity interventions and the effectiveness of these for improved nutrition and livelihoods is not fully visible.

32. The choice of Garden Grant activities should be better linked to nutrition, with an increased emphasis on post-harvest and food processing. The final number of APG formed should be 800, with all APG to receive grants. Improve quality and performance of APG through: (i) ensuring the group size of less than 20 members, (ii) continuous/refresher training on group management and use of funds. M&E should be strengthened to demonstrate nutrition and livelihoods impacts of the grant activities.

33. Development of **Public-Private-Community Partnerships (PPCP)** has proceeded slowly and cannot reach the original target of 20 PPCP. Seven enterprises have been identified, with two grants approved and five in process. The Mission agreed that no further PPCP will be initiated beyond these seven.

34. Project staff and line agencies lack expertise needed to assess proposals and there are few skilled business advisers suitable to support the PPCP enterprises to formulate business plans and proposals. There are few formally registered enterprises and these lack management, planning and accounting capacity to meet PPCP requirements. Risk and benefit sharing with farmers are not well understood or defined.

35. PPCP implementation should be accelerated through (i) intensive hands-on technical support to enterprises for proposal development and financial and procurement management of the co-investments; (ii) translation of proposals for IFAD review; and (iii) once enterprises have fulfilled all necessary conditions the grant transfer should be transferred without delay.

36. Also under this sub-component the project planned to support establishment of 25 registered agriculture cooperatives or community-based agro-enterprises. No progress has been made on this activity and the Mission concurs with the project that the activity should be dropped.

37. **Targeting:** The AFN target group consists of all households in 400 villages which were selected as the poorest in the target district. Of these 72% are members of non-Lao/Tai ethnic groups. Villages keep lists of poor households but these are not always available. All poor households and all women who are pregnant or have children under two years receive direct support. The project interventions respond well to the basic needs of the poor. With 80% of the plan target achieved, woman headed households make up only 2%. No target was set for rural youth in the project logframe. The project has not prioritised woman headed households, or youth, However, Poor households constitute at least 30% of APG composition, while poor and non-poor women have equal access to Garden Grants.

38. **Gender:** The project has expanded the agency and decision making especially for pregnant women and mothers of under 2 children participating in the FNS activities and garden grants and has improved access to knowledge that aids in decision making especially on nutrition. Activities financed by garden grants are generating profit and accumulation of assets. Women are getting more help from their husbands, therefore experiencing reduced workload especially during pregnancy. The project is applying targets to ensure women participation in the decision-making bodies. This same agency needs to be strengthened for the APG as well which are still male dominated. Gender balance in APG membership (target 50%) is calculated taking into account husband and wife in each household, regardless that it appears to be primarily the men who are active in APG. The mission recommends the integration of gender awareness and empowerment training in the basic training for APGs.

39. The Mission recommends that the ToR of the Nutrition Specialist should be broadened to a Social Inclusion Focal Point who will take care of all core mainstreaming activities including targeting, gender and nutrition.

40. **Project Management:** The project management team is reactive in addressing the management issues raised from the province and district level. Coordination between provincial, district, and central agencies is maintained by WhatsApp Group and semi-annual/quarterly meeting. The project steering committee has met regularly. The capacity to envisage the technical problem or identify shortfalls of project investment is still limited. The coordination with other intervention to bring synergy on food and nutrition programme has been a challenge at provincial, district and village level.

41. **Monitoring and Evaluation:** The M&E system has some shortcomings with reporting limited to outputs level. The management team make some use of the information for reporting, planning and decision making. Data is collected on district level then aggregated at central level. The contribution of the M&E system to improve project performance has not yet been significant. There is no MIS in place. No system is available to guide farmer investment decisions on increasing production or adopting improved technology. It is too late to develop a sophisticated project MIS so the project should focus on improving monitoring using the existing spreadsheet formats. The revised logframe agreed with the Mission should be translated and used to direct and monitor activities. Data required for logframe indicators should be collected systematically. At household level, a recording book should be introduced to monitor profitability

of investments. The project should track the number of youth participating in project activities, using GoL definitions.

42. The **sustainability** of the project's approaches is uneven across components: (i) development of PAR models is at risk of not continuing with the same vigour and focus beyond project completion; (ii) the ProMIS may be further delayed and there are insufficient guarantees on its uptake after the project completion; (iii) the district multi-sector convergence planning needs to be strengthened and institutionalised and to begin to impact on the mobilisation of additional resources; (iv) development of value chain finance remains in its infancy and show challenges for government to uptake after project completion; (v) replication and expansion of the home garden, FNS, APG, and PPCP approaches would benefit from a fuller hand-over of responsibilities from the project to the concerned entities, along with hands-on support and capacity building.

43. An **exit strategy** has been developed by AFN and includes entries with respect to institutional arrangements, legal aspects, ownership and post-project funding. The exit strategy should be revised with a focus on ensuring that successful project approaches contributing to nutrition sensitive and poverty reduction are continued to be developed, maintained, expanded and replicated beyond the withdrawal of external funding and the demobilisation of the Project teams. The revised exit strategy is to be submitted to IFAD for No Objection.

Financial Management and Procurement

44. The performance of the project for Financial Management (FM) has improved gradually. At the NPCO level, the project has moved from a manual accounting environment to a more automated one. Also, in the last two years, the project has progressed in complying with the IPSAS Cash basis of accounting for the preparation of their Financial Statements (FS).

45. The accounting of the project is carried out in an off the shelf accounting software (PAS - Project Accounting Software). This software was previously procured by the IFAD funded project SSSJ, for which the accounting remained manual until its closure due to the limitations of the software. In AFN, its use was possible thanks to early intervention and guidance to the vendor for the customization of some features. Yet, the software still has a low potential for scalability due to its technological limitations.

46. The inconsistencies in the categorization of expenditures reported in the last supervision mission were reduced notably. The mission one more time clarified and provided support for the correct categorization of the expenditures. From now on, it is expected that the project uses a clearer description to reflect the nature of the expenditure.

47. In line with this, the mission also observed excessive payments made for activities such as planning meetings or ceremonies (handovers, openings, etc.). These expenses are normally for DSA and other operational expenses such as fuel. Furthermore, the mission observed that some of these expenditures have an incorrect description, misleading the nature of the expenditure and its categorization, which in most cases has been applied to Category 4 instead of Category 5. In views of a reduced budget for the remaining period of implementation, the mission recommends shortening these types of expenditures to the minimum. This could be done by reviewing the AWPBs and by enhancing the controls at the DAFO and PAFO levels. Otherwise, such type of expenditures could be declared ineligible due to the requirements of efficiency and economy that the project should be applying.

48. The project has shifted positively its performance of **disbursement** since the last supervision mission, passing from an unsatisfactory rating to a highly satisfactory.

49. The project entered into force on 28 April 2016. The first disbursement was done on 2 September 2016, and the latest one was registered on 20 February 2020. The project is on the third year of implementation and the disbursement rate stands at 74.36% for the Grant N° 2000001548. So far USD 17.8 million out of USD 24 million was disbursed to the project.

50. The actual expenditure of the project stands at 64% (USD 15.3 million), with commitments of USD 5 million, carried over from 2019, and the foreseen for 2020.

51. The project was the first in Lao PDR to go live in the IFAD Client Portal. The submission of Withdrawal Applications (WAs) has been done through ICP since December 2019. Despite this achievement, the mission observed that the process of approval at the Ministry of Finance has been excessively slow. The approval of the WA 27 took one month. This affected the operations of the project at the end of 2019. The mission recommends making full use of the four users with the approver role at the Ministry of Finance to expedite the approval process.

52. The **quality and timeliness of the external audit** of the project ranged from "Moderately Satisfactory" in 2016 and 2017 to "Satisfactory" in 2018.

53. The mission followed up with the project the audit observations raised in the audit report of 2018 and the ones from previous periods. The observations were related to long outstanding advances, registration of employees in the Social Security Organization (SSO), inconsistencies in the calculation of the Personal Income Tax in some Districts, and other minor internal controls in the bookkeeping of the project.

54. The audit report 2018 observes that the total price (CIF and taxes) for procurement of 42 motorbikes and 21 cars was high in comparison to the reference market value. The project explained that the difference is mainly because of a different "basic price" used in the calculations for import duties and VAT. The dealers can use a "reference price" instead of the price of the "invoice" of importation. Instead, for ODA funded projects, that are under duty and taxes exemption regime, this calculation is made over the price reflected in the "invoice" of importation. The mission noticed that even with this base of calculation, the total cost (CIF) is still lower than the price in the domestic market.

55. The Mission reminded the project that the audits are subject to public disclosure. Hence, the project is encouraged to follow the guidance provided during the revision of the audit report of 2018 to ensure that there is not an exemption paragraph in this regard.

56. The audit for the two initial periods was performed by Ernst & Young Lao Co. Ltd (EY). The same company is expected to perform the audits of 2019 and 2020. For its final audit, the project will need to conduct again a competitive selection process without the participation of EY.

57. **Counterpart funds:** According to the Financing Agreement, the counterpart financing of the project is approximately USD 5.4 million. The Government contribution covers taxes, duties, support for rural infrastructure, land use registration and salaries for technical and Project Coordinators. The counterpart financing as of 31 December 2019 stands as follows:

Financier	Budget	Actual				Total	%
		2016	2017	2018	2019		
IFAD grant	24,000,000	294,596	1,234,534	5,469,012	8,347,856	15,345,998	63.94%
WFP	6,000,000	44,409	570,906	1,230,442	1,063,243	2,909,000	48.48%
Government	5,420,000	109,054	539,776	1,384,045	471,908	2,504,783	46.21%
Beneficiaries	2,900,000			118,565	435,822	554,387	19.12%
Local Private Enterprises	500,000						
Total	38,820,000	448,059	2,345,216	8,202,063	10,318,829	21,314,168	54.91%

58. The previous supervision mission observed that the project considered the salaries of Steering Committee members as part of GoL contribution. This issue was solved.

59. In respect of the counterpart financing under Category 3 for Village Infrastructure Projects (VIPs). The share set at the design of the project was of 70% IFAD, 15% GoL and 15% Beneficiaries.

60. The previous mission observed that the project was recording 15% of the GoL's share corresponding to taxes, surveys and design, project management, supervisions, etc. without any backup

information or tracking system, implying that the IFAD contribution was exceeding 70%. The project formally issued an instruction to help districts to prepare GoL contribution supporting documents.

61. The contribution of beneficiaries is provided in-kind and consists of labour and materials. Designs and estimated costs are prepared by Technical staff at DAFOs or the District Public Work and Transport Office (for irrigation, road) or the District Health Office (for water supply). The DAFOs and PAFOs set the costs through a Project Unit Cost Database which provides for an average rate for building materials and unskilled and skilled labour per district. The contributions of Local Enterprises for the PPCPs has not yet started. However, the ones in the pipeline amount approx. 508,494 USD. This figure is still an estimate and may vary depending on the negotiation of the proposals.

62. **Procurement Plan.** The procurement plan for 2019 was approved in December 2018 and revised twice with IFAD's no objection to reflect changes during implementation. A draft procurement plan for 2020 using IFAD's template was submitted late to IFAD for prior reviews on 05 Feb 2020. Late preparation and finalization of the procurement plan will have negative impact on implementation progress for planned activities. There are still a number of shortcomings in the draft procurement plan for 2020 such as inconsistencies with the AWPB and prior/post review requirements, missing information on time schedules, etc. that require modifications and/or corrections. Following revisions of the AWPB for 2020 in line with the MTR agreed actions, the draft procurement plan for 2020 need to be updated and submitted to IFAD for review and no objection.

63. **Procurement process and procedures.** Procurement activities were carried out in general in compliance with IFAD project procurement guidelines and national procurement regulations. However, there are significant delays in implementation of the 2019 AWPB/PP for a number of activities. By the end of 2019, four out of 12 district agriculture extension advisers and five out of 10 district M&E officers are not yet recruited by DAFOs; upgrading 10 out of 12 TSC facilities and construction of a TSC office building in Xam Tai district, planned in 2019, are not yet completed.

64. Village implementation teams (VIT) have very limited experience and lack of facilities (computer, printer, etc.) for undertaking procurement and contract management of VDF infrastructure works. Request for quotations, quotation evaluation reports and contract documents were prepared with intensive support from DAFO staff. VIT members participated in procurement evaluation committee.

65. Water supply and irrigation schemes are constructed by community through force account. Construction material for water supply and irrigation schemes were purchased through shopping. Construction firms are selected through shopping or local competitive bidding for construction of VDF roads. Random post reviews of procurement and contract documents at DAFOs and villages for VDF infrastructure subprojects show that procurement activities were carried out in compliance with IFAD project procurement guidelines and AFN manual for VDF infrastructure implementation.

66. **Contract administration and management.** Several goods contracts (vehicles, motorcycles, IT equipment, agricultural machines, etc.) were purchased by NPCO with tax and import duty exemptions. Current procedures for reviews and clearance of contract documents at concerned ministries are time-consuming and cause delays in implementation of goods contracts. For instance, the contract for purchasing agricultural machines for TSCs with 60 days for contract implementation was signed on 09 September 2019. However, by the end of February 2019, purchased goods are still not delivered due to lengthy procedures for clearance of import duty exemptions.

67. Contract registers are prepared by NPCO procurement staff. However, the contract registers were not updated regularly with recently signed contracts.

68. According to IFAD policies on anticorruption, sexual harassment, sexual exploitation and abuse, all bidders and contractors/service providers/suppliers are required to sign self-certification forms as a part of bids and contract documents. This requirement was introduced at the IFAD procurement

training workshop in Beijing in December 2019 and AFN must be compliant for procurement activities and contracts from January 2020.

69. **Procurement filing system.** Procurement and contract documents are filed in separate files for each contract and accessible for the mission. However, space for storing procurement documents at NPCO is rather cramped for adding new files.

Agreed Actions

Actions	Responsibility	Deadline	Status
Component 1			
<p>Share ProMIS Indicator Set The PROMIS indicator set should be shared with IFAD and other development partners of MAF for comment and early alignment with future project design. PROMIS to track outputs at village level.</p>	MAF	03/2020	Agreed
<p>Prioritise Roll-Out of Selected PAR Models Select a limited number of PAR models of highest value to APG farmers, develop visual learning materials, print and distribute for use</p>	NPCO/NAFRI	03/2020	Agreed
<p>TSC to Focus on Direct Services to Farmers No further demonstration activities or expansion of fodder seed production on TSC sites. The current set of 14 TSC should support the F2F extension strategy through high-quality on-farm demonstrations which will be learning opportunities for DAFO as well as farmers.</p>	TSC	Ongoing	Agreed
<p>Sustainable Supply of Forage Planting Materials Review sustainability of forage planting material supply chain and propose actions to ensure supply post-project</p>	NPCODTAEP	06/ 2020	Agreed
<p>Finalise F2F Strategy The farmer-to-farmer extension strategy should be finalised and disseminated as a matter of urgency. The strategy should cover both technical training (production and post-harvest) and capacity development for group administration, business skills and market connections, and group monitoring and evaluation</p>	NPCO/DTEAP	03/ 2020	Agreed
<p>On-Farm Demonstrations All APG and FNS farmers to have opportunity to participate in (1) demonstration of garden crop activity; (2) demonstration of livestock activity; and (3) demonstration of cash crop activity. Demonstrations to make use of PAR learning materials where appropriate to needs.</p>	DAFO and TSC	Ongoing	Agreed
<p>Strengthen APG Capacity Provide facilitation and training to strengthen APG capacity including group administration, business skills and market connections, and group monitoring and evaluation</p>	DAFO	Ongoing	Agreed
Component 2			
<p>Improve coordination of District Nutrition Committee Provide coaching and facilitation support to build a collaborative working culture of the DNC while implementing their existing convergence plans, supported by the district leadership</p>	NPCO/WFP	Ongoing	Agreed
<p>Develop capacity of District Nutrition Committee</p>	NPCO/WFP	06/2020	Agreed

Develop the capacity of the DNC on functional competencies such as leadership, advocacy, partnerships, planning, coordination, basic nutrition knowledge and awareness etc			
Annual Progress Monitoring Meeting Convene annual progress monitoring and knowledge sharing and learning meetings between the DNC and PNC. Farmers should also be invited to share their experiences	NPCO/WFP	12/2020	Agreed
Improved Nutrition Sensitive Village Development Plans Technical support to compile annual village development plans for funded activities and develop capacity of the chief and other local committees to monitor and ensure coordination at implementation	NPCO/WFP	06/2020	Agreed
Broaden Participation in FNS Open up the training to include all women of reproductive age, adolescent girls and care givers such as grandmothers and fathers. Also ensure awareness raising reaches whole population of village.	NPCO/WFP	Ongoing	Agreed
Update IEC Materials Update the IEC materials to ensure (i) relevance to the wider audience (ii) building on the rich local knowledge and cultural practices that promote nutrition (iii) expand the scope based on learners needs e.g. on post-harvest handling and food processing	NPCO/WFP	06/2020	Agreed
Focus on Locally Available Foods Prioritise diversity of production and locally available foods that are adapted to the environment in home garden activities for greater sustainability and scalability	NPCO/WFP	Ongoing	Agreed
Support Additional Garden Grants Component 2 funds will be used to support additional Garden Grants to FNS participants to enable them to replicate demonstrations of nutrition-relevant production technologies, post-harvest, food processing etc.	NPCO/WFP	Ongoing	Agreed
Component 3			
Broaden scope of home garden grant and link to planning The scope of eligible activities under the home garden grants should be expanded e.g. to include post-harvest processing. Choice of activities should be better linked to nutrition planning at District and village level.	NPCO, DAFO, WFP	Ongoing	Agreed
Poverty focus and targeting of APGs Ensure poverty reduction and targeting through: (i) assessing the quality of the existing APG investment models, (ii) modifying or ceasing investing in models that do not have sufficient poverty reduction impact and/or do not reach-out vulnerable groups, (iii) expanding successful models, and (iv) including new on farm models that show high potential.	NPCO/PAFOs/DAFOs	Ongoing	Agreed
Quantity and quality of APG Reduce number of APG formed to 800, with all APG to receive grants. Improve quality and performance of APG through: (i) ensuring the group size of less than 20 members, (ii) continuous/refresher training on group management, and use of fund; and (iii)	NPCO/ DAFOs	Ongoing	Agreed

strengthening M&E to ensure vertical and horizontal flow of information as well as results and impacts.			
<p>PPCP Acceleration</p> <p>Accelerate PPCP implementation and disbursement by:</p> <p>(i) Deliver intensive hands-on technical support to enterprises/farms for full-fledged proposal development, and financial and procurement management of the co-investments;</p> <p>(ii) Translate the submitted PPCP proposals into English and submit to IFAD for review;</p> <p>(iii) Transfer the payment to enterprises/farms if they have fulfilled all their commitments as per proposal and procurement plan;</p> <p>No further PPCP to be initiated.</p>	NPCO	12/2020	Agreed
<p>Ensure Cost-Effectiveness of Infrastructure</p> <p>Appraise VDF infrastructure proposals for investment approval to ensure effectiveness and efficiency of investment (including cost per hectare and cost per benefiting household for irrigation, cost per kilometer for access road, cost per people for water supply).</p>	DAFO/PAFO/NPCO	Ongoing	Agreed
<p>Strengthen Quality of Infrastructure Construction</p> <p>Supervise VDF infrastructure construction to ensure construction quality in line with designs and technical specifications.</p>	DAFO/PAFO/Project Engineers	Ongoing	Agreed
<p>Compliance with Environmental Standards</p> <p>Ensure compliance with environmental standards, particularly for road design and construction. Where budget for road is insufficient for costs of environmental compliance, sub-project should be cancelled</p>	DAFO/PAFO/Project Engineers	Ongoing	Agreed
<p>Cancel Agriculture Cooperatives activity</p> <p>With no progress on this activity up to MTR, the activity should be formally dropped from the project</p>	NPCO	03/2020	Agreed
Targeting and Gender			
<p>Targeting</p> <p>Upgrade the ToR of the Nutrition Specialist to a Social Inclusion Focal Point who will take care all core mainstreaming activities including targeting, gender and nutrition.</p>	NPCO	03/ 2020	Agreed
<p>Gender Training for APG</p> <p>Incorporate a training on nutrition and gender empowerment into the training of APG members</p>	NPCO/WFP	NPCO/WFP	Agreed
Project Management			
<p>Strengthen Component 1 Performance</p> <p>Review AWPB 2020 allocation for Component 1 to ensure it is achievable and fully aligned with project logframe targets. Management to then focus on ensuring full implementation in coordination with Components 2 and 3.</p>	NPCO/NAFRI/DTEAC	Ongoing	Agreed
Monitoring and Evaluation			
<p>Project logframe</p> <p>Translate the revised logframe into local language and use it to steer the activity.</p>	NPCO	03/ 2020	Agreed
<p>Revised Project logframe</p> <p>Translate the revised logframe agreed with the Mission into local language and use it to steer the activity.</p>	NPCO	03/ 2020	Agreed
<p>Update project logframe</p>	NPCO, WFP	Ongoing	Agreed

Collect all information to report against all indicators in the revised project logframe.			
Track Youth Participation In future monitoring activities the project should track and record participation of youth in project activities (GoL definition of youth to be applied).			
HH Diary Introduce recording book at the HH level to track the profitability after adoption of specific technology	NPCO/DAFO/WFP	06/ 2020	Agreed
Sustainability and Exit Strategy			
Sustainability of FNS Address the sustainability of the FNS at the policy level especially the National Nutrition Committee and the Sector Working Group on Agriculture and Rural Development.	NPCO/WFP	06 / 2020	Agreed
Revise Exit Strategy and Submit for NOL Review the draft Exit Strategy in the light of the Mission recommendations and with a focus on ensuring sustainability of the FNS and APG.	NPCO / WFP	06/2020	Agreed
Financial Management			
Description of Expenditures Follow the guidance provided for the description of expenditures	NPCO	Ongoing	Agreed
Efficient Use of Operational Costs Reduce excessive payments made for activities such as planning meetings or ceremonies (handovers, openings, etc.)	NPCO	03/2020	Agreed
Withdrawal Applications Speed up the approval of WAs submitted by the project in the IFAD Client portal	Ministry of Finance	Ongoing	Agreed
Procurement			
Update Procurement Plan Update and submit the procurement plan for 2020 (using IFAD's template) in consistence with revisions of the AWPB after the MTR for IFAD review and no objection.	NPCO	03/2020	Agreed
Self-Certification with IFAD Policy Compliance Sign self-certification forms as a part of bids and contract documents in compliance with IFAD policies on anticorruption, sexual harassment, sexual exploitation and abuse.	Bidders; Consultants/ Suppliers/ Contractors	Ongoing	Agreed

Technical Annex: Project Implementation Progress By Component

Component 1: Strengthened Public Services.

1. Execution of Component 1 has consistently fallen short of AWPB targets. Despite significant progress in some activities, impacts of the component have not yet reached a significant scale in the target villages.
2. The defined output of the component is “Build government staff capacities and procedures and technical packages to support and converge community implementation of selected National Nutrition Strategy interventions” through (1) establishing a tiered Project planning, supervision, monitoring, knowledge management and learning system within MAF; and (2) building service provider (DTAEP, TSCs and NAFRI) capacities to develop and deliver sustainable climate-adapted and nutrition-sensitive agriculture and natural resource management technologies and training programmes and monitor their impact.
3. There is limited evidence of systematic achievement under Activity 1 although an MIS system for MAF (ProMIS) is under development and expected to be ready for implementation in 2020.
4. Activity 2 is fact consists of four inter-related sub-activities for building extension capacity and delivering services to farmers: (1) development of the PAR technology packages; (2) development of forage production in target villages; (3) capacity development of TSC, with an initial target of 30 TSC with sustainable business plans and outcome-based contracts to deliver services to target farmers; and (4) farmer-to-farmer learning based on lead farmers, farmer field schools and an integrated range of capacity building measures for farmers and farmer groups.
5. Twenty-nine (29) technology guidelines for farmer training have been developed by NAFRI and DTEAP based on the PAR. Final printed manuals have not yet been distributed and additional visual materials (posters and leaflets) have not been prepared, but training of APG groups has been consistent with these “PAR models”. Some village-level demonstrations plots have been established and farmer field schools conducted, but these activities have reached only a minority of target villages.
6. Fourteen TSC have been supported, mainly with construction or repair of buildings, training of TSC based staff and establishment of different demonstration models at the TSC. Equipment (motorcycles and hand tractors) for TSC are in procurement. A number of “outcome based contracts” have been prepared and at least one has been signed with an APG group, but these contracts do not appear to create any meaningful accountability of the TSC as service providers to the farmers or to offer a route to financial sustainability of the TSC; the one examined by the mission was in the format of a development project agreement rather than a contract and it seems unlikely that the APG members would understand its meaning or purpose. TSC have very limited staff capacity and seem to focus primarily on input supplies (seedlings, fingerlings etc) and on-site demonstrations, with outreach limited to immediately neighbouring villages. Consequently, it is hard to discern any benefit to the project target group from the TSC investments so far.
7. Progress has been made on the forage sub-activity with 34 tonnes of forage seed and root-stock planting material produced and distributed to farmers. Cattle production is of minor importance in the field visit Districts but the mission observed some evidence of success including farmers requesting support to further expand an established forage plot. Seed production has been established on 209ha in 41 villages with 67 households participating as seed producers, as well as on TSC sites. However, it seems unlikely that the project will succeed in establishing a sustainable supply chain for forage seed and planting material.
8. In the context of the target villages, farmer-to-farmer extension appears the most promising strategy but remains the least developed, with the strategy document still in draft form. Some progress has been made in identifying and training lead farmers (349, 55 women) and 84 Farmer Field Schools have been conducted with 816 participants. Unfortunately, these activities have not yet been implemented in the

villages visited by the mission. A comprehensive farmer-to-farmer strategy requires capacity development of farmer and group management skills, marketing etc as well as technical training. Very little of this has been done so far. APG grant disbursement has proceeded ahead of effective extension training, when the sequence should have been training then grant.

9. In the remaining period the project should focus on bringing the PAR models to farmers. The Farmer-to-farmer strategy should be finalised as a matter of urgency. The project should aim to provide all project-supported farmers with on-farm demonstrations of at least one home-consumption / garden crop, one small livestock technology and one cash crop, appropriate to local needs and farmer interests. Depending on resources and logistical feasibility, this may require locating demonstrations where farmers from a group of neighbouring villages can participate. If money can be re-allocated, poor farmers should receive grants to replicate the demonstration activities. So far as is possible with the resources available, the project should endeavour to strengthen the management capacity of farmer groups, within available resources.

10. Component 2: Community-driven agriculture-based nutrition interventions

11. **District level multi-sectoral convergence planning:** The district level multi-sectoral convergence planning was aimed to facilitate planning for “nutrition investments” and service delivery between various sectors and to monitor progress of implementation. This activity was also intended to enhance farmer to farmer knowledge exchange. The district convergence planning has not taken off in the 12 districts despite various activities conducted in 2017-2019. The mission team observed geographical convergence of nutrition interventions in most of the villages visited especially between the AFN and HGNP activities, where the village health workers and FNS facilitators worked very closely in the implementation of the nutrition specific and nutrition sensitive interventions. Support is needed from all the sectors at the district level to strengthen these emerging good practices of collaboration.

12. The main issues affecting the convergence according to the district team are related to the committees leadership, level of focal point awareness of their role in nutrition and how this links with their sectoral priorities, especially for non-health sectors, absence of common nutrition targets for the districts, limited knowledge attitudes and skills of working collaboratively. The mission team deems this activity as critical to ensure the convergence of nutrition priorities at the village level, this was also the foundation on which the AFN was designed and which aligns with the national priorities. The mission team proposes the to strengthen capacities in all 12 districts.

13. **Village development planning:** This activity was aimed to build the capacity of village stakeholders to lead the development process in their communities. Village Investment Plans (VIP) have been prepared in all 400 villages with the participation of 27,457 households. The VIP focus on infrastructure development. Through partnership with the MAF and MONRE, Land Use Planning (LUP) was piloted in 10 villages of Houaphan province for 465 HHs. While this activity is way below the target of 10,000 households, some villages have received LUP support from other projects and GOL so these plans may already be available in AFN villages. The scope of this activity was envisaged as including issue of formal land title, however, this activity is very time-consuming and it cannot be completed at any significant scale with the time and resources available to the project. The Mission noted that other agencies including GIZ are active in supporting LUP in the project area, while a land titling project with World Bank financing is said to be in preparation.

14. In principle, each village should have a five year socio-economic development plan known as the Village Development Plan (VDP). The project intention was primarily to mainstream nutrition concerns into these plans. However, the status of the VDP is unclear, with some village chiefs seemingly unaware of the existence of these plans. The village chiefs do present annual plans and remember the planning process and support from the different sectors. Early in implementation, the project changed focus to preparation of more limited “Village Infrastructure Plans” (VIP) which are prepared through a nutrition-sensitive needs analysis and should result in identification of infrastructure projects supporting improved

nutrition. While progress has been made in the development of the VIP, more needs to be done to achieve a nutrition sensitive planning capacity at the village level.

15. The view of the mission is that, since the project intended to support nutrition sensitive planning, the scope of the plan should have gone beyond infrastructure to include other AFN activities such as the FNS, APG and where possible partner activities such as those of HGNP to start building a culture of integrated planning with nutrition outcomes. The mission observes that even though a nutrition awareness training was conducted prior to developing the VIPs, the choice of infrastructure was not always inspired by nutrition outcomes.

16. The capacity of local stakeholders (e.g. the village chiefs) to support planning was not visible. The mission recommends that the capacity of the village chief and other local committees is strengthened to support them to compile annual integrated plans that incorporate all funded activities for better coordination and convergence of nutrition interventions. A starting point can be to plan for all the AFN funded activities in the village (FNS, APG, infrastructure etc). Other stakeholders can be encouraged to include their activities in these plans.

17. **Farmer nutrition schools:** FNS is a social behavioural change communication (SBCC) platform supported by WFP under the AFN. The World Bank financed Health Governance and nutrition development projects (HGNDP) also supports health services for the same FNS beneficiaries. The FNS aimed to improve food availability throughout the seasons and dietary diversity through local agrobiodiversity, targeting mainly women of reproductive age. This activity has recorded some key achievements- (i) 1,213 village facilitators have received training of trainers (TOT) and they have conducted trainings in all 400 villages (ii) 20,133 participants, 18,025 are women (out of these 10,895 constitute pregnant women and mothers of children under two years). (iv) Village nutrition centres (VNC) have been constructed/upgraded in 305 villages.

18. In the villages visited by the mission, there was close collaboration between the AFN and HGNDP funded interventions on the FNS activities- training of the four modules, SBCC, cooking demonstrations and growth monitoring. Most centres also demonstrated good collaboration between the community health workers and the village nutrition facilitators. Main nutrition related behaviours changed were - increased meal frequency and reduced workload for pregnant women, improved child feeding practices (frequency and diversity), diversified food consumption for households and women, and improved WASH practices. The mission made the following observations:

19. The target group for FNS was mainly limited to the pregnant women and mothers of under twos and as an incentive to receive a garden grant. As a result, as witnessed during the field visits, the number of participants in the school were dwindling within the third cycle (0-4), thereby risking the sustainability of the FNS training activities. Some of the villages have opened the training beyond the target group of 1000 days and these practices, planned post MTR need to be scaled up in other villages to effectively address food taboos and cultural practices that negatively affect nutrition status. The new outreach should include women 15-49 years, adolescent girls who are prone to early marriages and early pregnancies and other care givers – grandmothers and men. The new training subjects, such as locally appropriate weaning foods, messaging on junk food should be de-linked from the grants. WFP has already planned improvements to future rounds of FNS consistent with these recommendations.

20. The project has developed a lot of Information. Education and Communication materials were found in all the VNCs visited. However, the materials were standardised and not adapted to the local food culture of the various ethnic groups, while building on existing knowledge. The four modules of the training mainly covered basic nutrition concepts, nutrition related health problems, household nutrition planning and planting & animal raising for improved nutrition, and had very little on post-harvest preservation or food processing techniques

21. **Sustainability of the FNS:** While the demand of the FNS and garden grants is increasing, the main challenge remains how to sustain the social behaviour change communication and investments to

ensure availability and access to nutritious foods especially by the most vulnerable target groups – pregnant women and children under two years old. The project should, therefore, start exploring strategies to ensure continuity by leveraging support from additional Development Partners for new investments in the AFN target Districts.

22. **Household availability and utilisation of nutritious food:** The purpose of this activity was to facilitate an FNS-led women led opportunities to increase availability of diversified production of plant based and animal based foods for household consumption. Out of the 18,025 women trained in the FNS, 11,911 have applied for grants to invest in home gardens, and 6,843 have received the grants. At about 57%, the pace of disbursing the grants has been slow but improved significantly in 2019.

23. For the women who received the grants, they have invested mainly vegetables, fruits, poultry and fish, many of them with integrated gardens. The primary purpose of the investment is home consumption, followed by selling. Through a practice of social exchange, and buying from each other, farmers have been able to access the diversified types of foods beyond their own production. Most farmers already had home gardens and the grant was used to expand/diversify production and also establish home gardens near the homesteads. The women were visibly empowered and many of them especially those who had invested in poultry have multiplied their produce and diversified to other animal species and home gardens as well. As the production increases it will be important to source external markets since local market may not be adequate. The women farmers have developed expertise in the various enterprises (poultry, fish keeping etc) and are sharing advice with other women. Some of the home garden recipients have joined the APG groups to benefit from trainings, market linkages and purchase of inputs.

24. Apart from women (1000 days) benefiting from garden grants, the APG investments should also translate to nutrition benefits. To translate these investments into nutritional benefits then the APG members should receive a training package on nutrition as a basic requirement. Many of those interviewed mentioned that they were using the profits for own consumption, although it is evident that the primary focus is sale especially for those who have to repay the grants.

25. The mission observed that the to a large extent APGs were male dominated a fact that compromised women's agency. Gender balance in APG membership (target 50%) is calculated taking into account husband and wife in each household, regardless that it appears to be primarily the men who are active in APG. The mission recommends the integration of gender awareness and empowerment training in the basic training for APGs.

Component 3: Sustainable and inclusive market-driven partnerships

26. Sub-Component 3.1: Strategic Investment Plans: AFN target is to conduct 2-3 commodity specific SIPs in each project district, in support of VDF, Farmer Group and PPCP investments. The purpose of these is to prepare for an informed framework for commercial and climate change adapted agricultural investments of the AFN. Progress so far includes: (i) FAO prepared a work-plan based on which it was contracted to describe 12 different value chains (1 per target district) and prepare 12 strategic investment plans; (ii) The research team comprising of FAO consultant and NAFRI staff conducted field surveys in 2017 and 2018; and (iii) 12 SIPs were finalised in 2019 covering priority commodities, namely, chicken, cattle, pig, cardamom (Pak Song, and Quangtung), fish (three types of Tilapia), and tea (Maocha, and green tea).

27. The purpose of SIP is clear; however the application of SIP at district level was ambiguous. The SIP concept was confusing for the district stakeholders regarding its end users and required steps for implementation. If existing 12 SIPs are going to be implemented, significant efforts are required including (i) simplification of SIP steps to be more practical for use of district stakeholders; (ii) engagement of relevant private actors SIP implementation process; and (iii) practical train of district stakeholders including DAFO, and other planning units in value chain, market analysis, and contract farming.

28. The MTR mission views that the remaining time may not be sufficient for rolling out of the SIPs. Various agribusinesses have been already identified and selected for PPCP implementation. The PPCP process, which was supposed to be resulted from SIP, shows that interested entrepreneurs do not generally follow the SIP recommendations. To this extent, the mission recommends the project to cease SIP process, finalize and document the work done.

29. **Subcomponent 3.2 Village Agriculture Infrastructure (VDF Infrastructure):** Under this subcomponent, the project co-finance investments for profitable and nutrient-sensitive agriculture infrastructures identified through participatory village development planning process. By February 2020, total 439 VDF infrastructure subprojects of total LAK 96.4 billion (USD 11.6 million, including 70% GAFSP financing, 15% government financing and 15% community contribution) were being implemented. In all, 370 schemes are completed and 69 schemes under construction. Twenty-five schemes are under planning and proposal preparations for implementation in 2020. VDF infrastructure subprojects include 177 access road (373km), 5 suspension bridges, 67 irrigation schemes (for 281 hectares), 106 water supply schemes (for 7,036 households), 18 fish ponds, 55 livestock habitat fencing, 2 community markets, 3 paddy field reclamations, 3 warehouses, 2 erosion control structures and 1 cardamom drying facility. Average amount of GAFSP grant per VDF subproject is US\$ 19,000. After VDF infrastructure subprojects are put in use, benefiting households were expanding production areas and investing more for productions of cardamom, galangal, livestock, paddy rice, vegetables, etc.

30. VDF infrastructure schemes are identified and prioritized through participatory village development planning process (VDP). Villagers contribute labour and local-collected construction materials. Small water supply and irrigation schemes are constructed by community through force account. Access roads with requirement of construction equipment (excavators, bulldozer, etc.) are often constructed by construction firms. Village implementation teams (VIT) are established for implementation of VDF infrastructure schemes. Village bank accounts are opened for receiving VDF infrastructure grants. Contracts are signed between VIT and material suppliers/contractors. However, VITs have very limited experience and lack of facilities (computer, printer, etc.) for VDF investment management. VDF infrastructure proposals, procurement and contract management of VDF infrastructure works were undertaken with extensive supports from DAFO staff.

31. Operation and maintenance committee were established for operation and maintenance of each VDF infrastructure schemes. Trainings on O&M were organized by DAFO for user groups. O&M fees and regulations were discussed and agreed among members of users groups. Maintenance works for irrigation canals, access roads and water supplies schemes were being done and O&M fees were collected at the sites visited by the mission.

32. Newly-constructed dirt roads to cultivation areas were designed with very low technical standards due to limited resources for investment (GAFSP grant of US\$ 5,000 – 15,000 per km). The roads are mainly soil cut by excavators without surfacing layers, and with culverts constructed for drainage. Site visits by the mission show that, erosions and minor landslides, gullies happened for some access roads that is a challenge for maintenance by user groups. Beside improvement of design measures to prevent erosions and landslides, technical supervisions by DAFO/PAFO and project engineers need to be strengthened to ensure construction quality in line with designs and technical specifications.

33. Some VDF irrigation schemes serve small paddy land areas and benefit very limited numbers of households with significant high investment cost per household. For instance, the total investment cost of the irrigation scheme in Huoy Vang Kao Village, Mai District is LAK 180,332,134 for about 3.25 hectare of paddy land with 3 direct benefiting households. To ensure effectiveness and efficiency of investment, appraisals of VDF infrastructure proposals for investment approval must include parameters on cost per hectare and cost per benefiting household for irrigation, cost per kilometer for access road, cost per people for water supply.

34. **Sub-component 3.3: Farmer organization investments:** Two grant instruments are to be established for nutrition-sensitive agriculture investments including Garden Grants and Farmer Group Grants. Both are to be implemented through direct financing of farmers' developed plans. For effective implementation of these, results from other activities are required including PAR (sub-comp 1.2), farmer to farmer (F2F) and entrepreneur to farmer (E2F) extension, FNS (sub-comp 2.3), and Garden/Farmer Group Planning (sub-comp 2.4). Advanced APGs with commercial products having potential/existing market connections (e.g. cardamom, galangal, Job's tear) will be promoted to connect with PPCP (sub-comp 3.4) through contract farming (sub-comp 1.3).

35. **Garden matching grant implementation:** This nutrition sensitive grant is especially designed for individual pregnant women and women with children under two years old. Required conditions for accessing the grant including completion of at least 3 modules in the FNS. Grant amount is LAK 1,000,000 (US\$ 120) per woman for the development of their home-gardens or small poultry raising activities. The project targets to reach 15,000 women with equivalent budget of US\$1.8 million. To date a total of 11,191 garden grants have been requested by 11,191 women. Out of these 6,843 women (52%) have received the grants and started implementation of their activities.

36. The MTR mission views that the achievements of garden grant is significant thanks to systematic approach from information dissemination through FNS training to grant application and implementation. There is still lack of coordination between components, especially between component 2 and 3 in view operationalizing nutrition sensitive planning results. At present, there is still absent of convergent nutrition sensitive planning results at district and village level (component 2) that should be important inputs for subsequent garden grant. As results, current grant investments are based on PAR models.

37. **Agriculture Production Group (APG) matching grant implementation:** The APG fund supports a competitive farmer grant programme, facilitating co-investments in nutrition and pro-poor agriculture. The fund, which has been in operation in since 2017, has developed the regulatory framework, and information material for the grant process, disseminated these widely amongst the established APGs, conducted necessary capacity building activities, and initiated the APG fund in project villages. Up to date, key results include: (i) with supports from Department of Technical Extension and Agricultural Processing (DTEAP), 710 APGs were established with participation of 11,508 households; (ii) required capacity building in group formation and administration as well as production techniques were provided by DTEAP and GSTs to all groups members; and subsequently, (iii) 362 APGs have successfully developed production proposals and received APG grants, benefitting 3,502 households, of which 1,766 are poor.

38. Despite these initial positive results, a number of challenges persist that require increased attention by the project and implementing partners, including:

- i. The APG fund has progressed slowly against the overall investment targets (1,300 APGs established and 650 APGs invested) due to (a) procedural issues limiting the flow of funds to APG groups, (b) limited institutional capacity at the district and village levels, (c) limited production and business planning skills amongst APG leaders and members, and (d) the slow start of the support mechanisms for APG investment planning, especially the engagement of the available lead farmer networks and local agribusiness enterprises. In order to function adequately, the APG groups require substantial on-going supports – where appropriate, in production, post-harvest, group administration, business skills development and market connections, and group monitoring and evaluation — the absence of a proper extension strategy for APG refrains the effectiveness of the first APG investments;
- ii. The project presently promotes a relatively narrow range of agriculture technologies with an emphasis on monoculture production which inhibits the advantages of integrated farming system.

- iii. Various APG grants, such as cardamom, galangal, job's tears plantation with simple provision of seedlings do not demonstrate sufficient nutrition and/or livelihood impact, requiring closer Project attention to the identification and demonstration of nutrition sensitivity and poverty reduction models/practices for replication.
- iv. Farmer to farmer and enterprise to farmer extension services are effective, cost-efficient rural development support mechanisms, however these are not yet systematically implemented by the Project.

39. The above challenges result from limited capacity of project staff and implementing partners; shortage of vertical (between levels) and horizontal (between agencies, sectors) coordination; insufficient application of locally existing models/practices; weak performance of TSCs in view of demonstration development and hands-on supports to farmers; and a lack of a roll-out strategy. This leaves the project with an initial set of farming models (PAR) that are to some degree suitable for certain context but difficult to be replicated. Further, the mission views that the objective of setting up 1300 APG is ambitious and not necessary, given limited staff capacity, willingness of farmer to participate in group, and the availability of fund.

40. Sub-component 3.4: Public Private Community Partnership (PPCP): The purpose of the PPCP fund is to provide competitive grants for co-investment with private enterprises in the development of the agricultural sector in the project provinces. The provinces/districts can, additionally, provide agri-business investment support through land allocation, the construction of public goods (water, electricity and roads) and through tax concessions. Concessional bank loans are also available to investors, subject to bank approval. The objective is to create jobs, raw material supply and value addition opportunities in poor rural villages. Achievements of the PPCP implementation to date are still very limited including (i) organisation of training to project staff on PPCP implementation; (ii) organisation of commodity workshops at district level to disseminate the PPCP information; (iii) provide coaching to interested enterprises/cooperatives/business households on PPCP proposal development. Currently there is one PPCP invested in Xieng Khoang, one PPCP received IFAD NOL and under approval process, and five PPCPs in the pipeline for investment in 2020. The Mission agreed that no further PPCP will be initiated beyond these seven.

41. The MTR visited two potential PPCPs in Cardamom pre-processing and trading in Phongsaly provinces and discussed with relevant stakeholders. The mission notes the following risks/challenges to PPCP implementation:

- i. The project staff and line agencies have limited capacity in assessment of PPCP proposals, in terms of financial analysis of business viability and impact at both enterprises and farmer households. AFN has not sufficiently implemented capacity building efforts to this effect;
- ii. There are no or limited experienced technical advisers in Laos to support potential PPCP implementing enterprises in business and investment planning;
- iii. The management capacity at the local enterprises is short of PPCP requirements in planning and accounting. This is due to the enterprises' generally low capacity and subsequent need for high level of project involvement in PPCP proposal development, procurement plan preparation, and financial arrangements;
- iv. Risk and benefit sharing mechanisms between enterprises and farmers are not yet clearly discussed in the PPCP component. Farmer households naturally face internal (lack of experience) and external (climatic and market-related) risks upon engaging in new commercial enterprises. Systematic and realistic risk management mechanisms at the HH level need to be presented within the PPCP proposals.

42. As result from the above risks and challenges with additional reality that all project districts are remote and difficult districts where agribusiness is less dynamic, the mission concurs with the project's

proposal to reduce number of PPCPs from 20 down to 7, and suggest shifting remaining PPCP budget to extension activities.

Annex: Revised Logical Framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Base-line	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1.a Corresponding number of households reached				Project Report	Annual	project management	
	Women-headed households - Number							
	Non-women-headed households - Number							
	Households - Number			34000				
	1 Persons receiving services promoted or supported by the project				Project Report	Annual	project management	
	Females - Number							
	Males - Number							
	Indigenous people - Number							
	Youth - Number							
	Total number of persons receiving services - Number of people							
1.b Estimated corresponding total number of households members								
Household members - Number of people		227800	227800					

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Base-line	Mid-Term	End Target	Source	Frequency	Responsibility	
Project Goal Contribute to reduced extreme poverty and malnutrition	incidence malnutrition (height for age) among two year old children reduced from 60% at present to 50% by project completion				LAOS Social Indicator Survey (LSIS)	every 5 years (2022)	Ministry of Health	
	malnutrition - Percentage (%)			50				
Development Objective Improved and diversified climate resilient agricultural production and household nutrition enhance life prospects	21,000 HH out of poverty by increasing per capita income from the current level to more than \$270/yr by Project-end.				Baseline Survey	Mid line and end line	project management	Continued government commitment to multi- sectoral approaches to improved food security and nutrition; Resource access and land security of poor communities is supported and expanded.
	Households - Number		8000	21000				
	Women Headed HH - Number							
	Indigenous people - Number							
	At least 21,000 households with improved food security (measured as a HFIAS score of 7.0 or lower).				Baseline Survey using score of 11 MAHFP	Project start, mid-term and end-project	project management	
	Households - Number		8000	21000				
	Women Headed HH - Number							
	Indigenous people - Number							
Outcome Strengthened public services	14 Technical Service Centers improved capacity and support to target farmers.				Project M&E	Annual	project management	DAEC, NAFRI and TSC collaboration for technology testing and dissemination; Comprehensive mapping and use of proven/tested tools within
	service centres - Number			14				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Base-line	Mid-Term	End Target	Source	Frequency	Responsibility	
	At least 10,000 HHs have adopted at least one improved technology on production or food processing introduced by the project. Adoption of one improved technology is as set of key practices in the technical guideline of the demonstration of specific technology to be defined by technical specialist. Farmer adoption is defined by adopting at least 2/3 of the keys practices for specific production or food processing.				Project M&E	Annual	project management	country and Asian regionTSC's incentivised to operate sustainablyProgramme financing is disbursed in time to supportfield implementation.
	HH			10000				
Output Build government staff capacities and procedures and technical packages to support and converge community implementation of selected National Nutrition Strategy interventions	At least 9 guidelines and tools developed and implemented on a project-wide level: Finance, procurement, planning M&E, PPCP, APG, Garden Grand, Infrastructure, PAR, and F2F.				Project M&E records	Annual	project management	Technical coordination is responsive to the grassroots level needs. Effective mobilization of service providers and experts within govt. and non-state actors
	guidelines/tools - Number			9				
Outcome Community-driven agriculture-based	300 Village Development Committees have a basic convergence plan on food and nutrition.				Project M&E	Annual	WFP	VDPs are prepared and implemented at field level; Service providers successfully transfer

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Base-line	Mid-Term	End Target	Source	Frequency	Responsibility	
nutrition interventions established	Basic convergence plan			300				participatory development skills to district administrations; Programme financing is disbursed in time to support field implementation; Convergence with other programmes and nutrition initiatives
	28,000 women in project area of 15-49 years of age, consume at least 5 out of 10 defined food groups daily.				Baseline Survey	Project start, mid-term and end-project	project management	
	Females - Number		10000	28000				
	Indigenous people - Number							
Output Planning for improved nutritional outcomes	12 District Nutrition Committees hold at least two meeting per year to develop, coordinate and implement a convergence plan on food and nutrition.				Project M&E	Annual	WFP	
	District - Number			12				
	28,000 beneficiary households participate in VDP preparation				Project M&E	Annual	WFP	
	Households - Number		20000	28000				
	Males - Number							
	Females - Number							
Indigenous people - Number								

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Base-line	Mid-Term	End Target	Source	Frequency	Responsibility	
Output Women-led improvement in household nutrition	Number of HH provided with targeted support to improve their nutrition (eg. from Farmer Nutrition School, Gardent Grant, and Nutrition Awareness Programme).				Project M&E	Annual	project management	
	HH- Number			21,000				
	Women Headed HH - Number							
	Indigenous people - Number							
Outcome Sustainable and inclusive market-driven partnerships established	10,000HH participating the the project activities increase income by 30%.				Baseline Survey	Project start, mid-term and end-project	project management	Adequate and timely solutions provided to smallholders (aggregation, technology and policy, financing); Contract farming and cooperative laws put in place and implemented by GoL institutions to ensure fair treatments
	Males Headed - Number			8000				
	Females Headed - Number			2000				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Base-line	Mid-Term	End Target	Source	Frequency	Respon-sibility	
	Indigenous people - Number							
Output Profitable investment in nutrient-sensitive, climate-adapted agriculture	300 hectares of new irrigated land established				Project M&E	Annual	project management	
	Hectares of land - Area (ha)			300				
	2.1.5 Roads constructed, rehabilitated or upgraded				Project M&E	Annual	project management	
	Length of roads - Length (km)	0	200	400				
Output Linking farmers to markets	At least 7 private or public-private partnership agreement signed and implemented				Project M&E	Annual	project management	

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Base-line	Mid-Term	End Target	Source	Frequency	Responsibility	
	Agreement Implemented - Number			7				
	2000HH benefiting from the PPCP				Project M&E	Annual	project management	
HH			2000					

Annex: Reallocation of Budget Categories

Category	Original allocation	Disbursement	AWPB 2020	AWPB 2021	AWPB 2022	Total Planned Expenditure	Balance	Proposed reallocation
Works	290,000.00	76,242.17	76,310.26			152,552.43	137,447.57	150,000.00
Consultancies, capacity building and training	3,830,000.00	4,329,691.58	1,107,261.55	405,689.59	27,000.00	5,869,642.72	-2,039,642.72	5,870,000.00
Grants and subsidies	12,500,000.00	7,863,427.18	4,650,646.91	370,066.91		12,884,141.00	-384,141.00	12,880,000.00
Goods, services and inputs	2,200,000.00	1,582,272.60	211,181.63	24,500.00	500.00	1,818,454.23	381,545.77	1,820,000.00
Operating costs	2,800,000.00	1,494,364.34	936,737.08	629,093.10	215,015.00	3,275,209.52	-475,209.52	3,280,000.00
Unallocated	2,380,000.00	0.00					2,380,000.00	
Authorized allocation		2,500,000.00						
Total	24,000,000	17,845,998	6,982,137	1,429,350	242,515	24,000,000		24,000,000