



Investing in rural people

Lao People's Democratic Republic

Agriculture for Nutrition Project (AFN)

Support Mission report (04 – 08 November 2019)



Investing in rural people

Lao PDR
AFN Support Mission 04 – 08 November 2019
Aide Memoire

Project Overview

Region	Asia Pacific Region
Country	Lao PDR
Project Name	Agriculture for Nutrition Programme (AFN)
Project Id	
Project Type	Grant
Country Programme Manager	Thomas Rath
Environmental and Social Category	
Climate Risk Classification	
Approval Date	28/4/ 2016
Signing Date	28/4/ 2016
Entry into Force Date	28/4/ 2016
Available for Disbursement Date	28/4/ 2016
MTR Date	2020
Completion Date	30 June 2022
Closing Date	31 December 2022
Executing Project Agency	Ministry of Agriculture and Forestry
Implementing Agency	Ministry of Agriculture and Forestry
Project Director	Mr. Sisovath Phandanouvong (ssfsn.project@gmail.com)
Dates of Last SIS Missions	
Number of SIS Missions	3
IFAD Financing and Breakdown	US\$ 24 million IFAD Grant;
Domestic Financing and Breakdown	USD 5.4 million GoL; USD 0.5 million Private sector; USD 2.9 million Ben
Co-financing and Breakdown	US\$ 6 million WFP Grant
Last Audit Date	xx
Number of extensions	0
Effectiveness lag	
First Disbursement Date	xx
Project at Risk Status	

Abbreviations and acronyms

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

A. Background and main objectives of the mission¹

1. The Agriculture for Nutrition Programme (AFN)² is implemented over a six year period starting from project effectiveness 28 April 2016³. The total cost for the project is US\$38.8 million including GAFSP Trust Fund grant (No. 2000001548) of US\$30 million administered by IFAD (24 mil) and WFP (6 mil). The project goal is to contribute to reduce extreme poverty and malnutrition in poorest communities; development objective is: "improved and diversified agricultural production and household nutrition enhance life prospects". The goal and objective are in the context of Laos National Nutrition Strategy to 2025 and Plan of Action 2016-2020 (NNSPA). The project is implemented in 400 villages of 12 districts in four Northern provinces: Oudomxai, Phongsaly, Xieng Khouang and Houaphan.

2. The IFAD Implementation Support Mission of AFN took place during 4 - 8 November 2019⁴, the whole duration of which was spent at the field. Mission objectives were to (i) review implementation progress against project logical framework with special focus on participatory action research (PAR) models, agriculture production group (APG), public private community partnership (PPCP), project management, and M&E; (ii) identify issues emerged in the reporting period that caused slow project progress; (iii) provide technical implementation support as required; (iv) discuss the required preparations for the MTR taking place in 2020; and (v) agree on prioritized actions to accelerate the project progress for achievement of project objectives;

3. To reach the above objectives, the implementation support mission (ISM) held various technical meetings with MAF, DTEAP, NAFRI, PAFOs, DAFOs, WFP, FAO and project for improved provincial and local operations. Further, the ISM organised field visits to two target villages and one TSC in La district – Oudomxay province to check up the implementation progress and provide immediate feedbacks for improvement.

4. Throughout the visits and meetings, project management and coordination problems were identified and solutions agreed upon. Also, a realistic operational strategy and simplified procedure for rolling-out of garden grant, APG, and PPCP instruments was agreed. This Aide Memoire is the recording of discussion results. The recommended solutions to the critical stage of the project are agreed upon by IFAD and NPCO. The mission extends sincere thanks to the AFN Coordinator and his team, MAF senior management and colleagues, WFP management and colleagues, FAO, DTEAP, NAFRI, Province, District and Village authorities and especially to rural households visited for their kind support and cooperation.

B. Project implementation progress

5. **Participatory Action Research (PAR) models:** In cooperation with NAFRI, over the past two years, ten agricultural models were identified and selected by the project. The model identification and selection are established to serve as important inputs for rolling-out of the agriculture production group activities. The project and NAFRI have organized various TOT training courses for group support teams (GSTs), DAFO, and Kum-ban staff in twelve project districts, who in turn trained farmers to effectively implement the models. Until now, six out of ten models have been demonstrated in the field for learning and replication.

6. Number of PAR models and their feasibility and outreach are still modest which requires more effort from NAFRI and project. Persistent challenges and lessons learnt for PAR process include:

¹ Mission team composition: Mr. Soulivanh Pattivong, Project Management and M&E Specialist / IFAD CPO; Ms. Nguyen Thu Hoai, Financial Specialist; and Dr. Nguyen Ngoc Quang, Rural Development and Climate Change Adaptation Specialist. Mission leader.

² By GoL request the project name is changed from SSFSNP (Strategic Support for Food Security and Nutrition Project) to AFN

³ Important dates include:

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

- (i) The awareness of implementing partners at provincial, district, and village levels of the overall PAR logic can be further improved. The synergy between the PAR models and subsequent replication under APG activities is low;
- (ii) Models have been identified and selected, but more effort is needed, especially for existing local models/practices. The analysis of models in terms of cost-efficiency, market potential and climate resilience can be improved. Several models are either time consuming or showing limited potentials for poverty reduction; highlighting the need for closer attention to the identification and demonstration of poverty reduction and CC resilience practices. Lessons from replication, including modifications by farmers, need to be incorporated in the model documentation;
- (iii) AFN and FNML projects have initiated exchange of PAR models that have potential in both locations but need to intensify the cross-learning to feed into the systematic assessment of potential models;
- (iv) The models need to be grouped into packages for different agro-ecological zones, so as to provide farmers an overview of options (crop, livestock and aquaculture) that can be integrated into their farming system.
- (v) Significant efforts are needed to translate the results of demonstrated models into practice. This requires the project to define an action plan for model roll-out focusing on assessment of models, documentation of models, training on model usage, and replicating models through different project instruments (garden grant, APG, PPCP);

Agreed Action: Capacity building for model identification and selection		Deadline: February 15, 2020
Responsibility: NPCO, NAFRI	Aide Memoire: X	Status: Agreed
<i>NAFRI and project to develop an action plan for systematic model identification, selection, documentation, and replication, including the use of models developed by other IFAD funded projects. Project to continue to provide training to kum-bans and village staff and villagers on model replication through cross-learning meetings, exchange visits between villages, districts and Provinces</i>		

Agreed Action: PAR Packaging		Deadline: February 15, 2020
Responsibility: NPCO	Aide-Memoire: X	Status: Agreed
<i>Present models in packages per agro-ecological zone; thereby enhancing their utility for use by the extension services</i>		

7. **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 DTEAP, 623 APGs were established with participation of 11,907 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) 209 APGs have successfully developed production proposals and received APG grants, benefitting 3,502 households, of which 1,766 are poor HHs.

8. Despite its overall success, the mission perceives some issues with the APG fund:

- (i) 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;
- (ii) 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

outstanding/experienced farmer networks and local agribusiness enterprises. In order to function adequately, the APG groups require substantial on-going support by DTEAP, GSTs, and TA – where appropriate, in group administration, business skills development and market connections – the absence of a comprehensive support strategy for APG undermines the rollout of this programme;

(iii) 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;

9. 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; and lack of a roll-out strategy. This leaves the project with an initial set of farming models that are to some degree suitable for certain context but difficult to be replicated. The mission notes the following agreed actions.

Agreed Action: APG strategy development		Deadline: March 31, 2020
Responsibility: NPCO, DTEAP	Aide Memoire: X	Status: Agreed
<i>Develop and implement a APG implementation strategy focusing on (a) identification, selection and analysis of more simple and pro-poor models, (b) effective dissemination of models coordinated at the District level, (c) organise ToTs and subsequent farmer-to-farmer trainings on model replication, (d) continuously monitor and evaluate the efficiency, effectiveness, and impacts of models; and (e) update and modify models for replication.</i>		

Agreed Action: APG disbursement speed up		Deadline: March 31, 2020
Responsibility: NPCO/PAFOs/DAFOs	Aide-Memoire: X	Status: Agreed
<i>Speed-up APG fund disbursement by: (i) review and revise APG and procurement manuals, where appropriate, to ease the implementation and disbursement procedure; (ii) continue to capacitate district officials for APG grant management; (iii) accelerate the grant competition process through lead farmer, GST support to proposal preparation by groups</i>		

10. **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 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 communes. 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 are 7 draft PPCP proposals completed and submitted to NPCO for review.

11. Due to time limitation, the mission did not have the opportunity to visit and discuss with potential enterprises. However, through discussions with project and partners, 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.

Agreed Action: PPCP acceleration		Deadline: December 31, 2019
Responsibility: PRCO	Aide Memoire: X	Status: Agreed
<i>Accelerate PPCP implementation and disbursement by:</i> <i>(i) Deliver intensive hands-on technical support to enterprises/farms for full fledged proposal development, and financial and procurement management of the co-investments;</i> <i>(ii) Translate the submitted PPCP proposals into English and submit to IFAD for review;</i> <i>(iii) Transfer the payment to enterprises/farms if they have fulfilled all their commitments as per proposal and procurement plan;</i>		

12. **Project management.** The project management system has been in place with solid performance in delivering project services to partners and beneficiaries at all levels. The project execution is relatively well coordinated by the Project Steering Committees at the National, Provincial and district levels. Coordination and technical meetings among stakeholders are conducted on monthly, quarterly, semi-annual and annual basis to supervise project performance. Key project implementation manuals (Project Implementation Manual - PIM, Procurement Manual, M&E Manual, PPCP manual, APG manual, and the decentralized infrastructure manual) have been prepared, reviewed by IFAD and approved by the PSC. Several capacity building events on thematic areas have been conducted to project staff at different levels, but re-fresher trainings and further hand-on support to GSTs, DAFOs, and Kum bans, are needed on group administration, agricultural techniques, procurement, and financial management.

13. Substantial changes in the staffing at provincial and district levels in the preceding period are, however, a point of concern. In order to be more effective in achieving the project development objectives, the project needs to advocate more strongly the objective of strengthening APG administration and implementation capacities; and to orient project partners and activities towards achieving this objective. The project must impress on the implementation partners the greater development effectiveness requires more coordinated actions. Project managers need to closely involve financial management staff, procurement staff and M&E staff in reviewing and planning their activities.

14. The mission further recommends NPCO to enhance decentralisation of project management to the district level by delegating the integration and coordination of and resource allocation to the technical line agencies at the district level. Based on approved AWPB, their work plans should be updated every quarter through district meetings. To this extent, (i) DTEAP should be more active role with frequent presence in the field to provide technical assistance to GSTs and kum-bans staff in APG administration and implementation; (ii) GST members are required more committed and active in their works, as noted in La district, Oudomxay, only two members out of 4 are really working.

Agreed Action: Integral project management		Deadline: December 31, 2019
Responsibility: NPCO	Aide Memoire: X	Status: Agreed
<i>Enhance team work in the project and promote greater cooperation between project partners at Province, District and village level</i>		

15. **Performance of M&E.** The M&E system of the project has been in function with two NPCO M&E officers, three provincial M&E advisors (one advisor/province, except Xieng Khuoang province), and 12 district government M&E officers, nominated as M&E focal persons. One district M&E Advisor at each district is under procurement to support the district M&E team. A manual with monitoring tables was developed and distributed to M&E staff at all levels for implementation. Various M&E training courses were organised for M&E staff. An internal monitoring and reporting system was developed from provincial to district levels. Project log-frame has been revised to meet with the actual needs of project management. Appropriate indicators have been updated to measure the diversified activities. All required M&E activities have been conducted, providing a substantial database for the project progress reports. However, the mission notes that the outcome/impact indicators are not yet sufficiently measured by the M&E system and have not yet been applied consistently in the project planning, reporting documents and management meetings. Most of project progress reports, especially provincial and district reports still lack relevant information on activity outcomes (e.g. effectiveness of capacity building, investment activities – HH grant, AGP, VIP, etc.). In order to better support the implementation of the project in the coming year, the ISM suggests the project to (i) agree on practical indicators and discuss them with the MTR Mission;

(ii) conduct the evaluation of the investment activities (APG, HH grant, VIP, etc.); (iii) finalize the result based management system for concrete measurement of project outcomes and impacts; and (iv) start documenting the successes/achievements of the project and sharing best practices and innovations of the project at coordination and technical meetings held at national, provincial and district levels, considering these as key inputs for improved project planning, management and implementation.

Mid-line survey: AFN has been planning to conduct mid-line survey in partnership with project stakeholders at different levels. Questionnaire is under development and trainings of enumerators are planned during 18-29 Nov 2019 with subsequent field survey during Dec 2019. The mid-line survey report is planned to be completed by mid Jan 2020. It was discussed that the planned sample size with about 1300 households (650 from treatment and 650 from control villages) is considered ambitious and should be replaced by 600 and 300 of experimental and control household respectively.

Agreed Action: <i>Submission of mid-line survey report</i>		Deadline: 15 January 2020
Responsibility: NPCO	Aide Memoire: X	Status: Agreed
<i>NPCO to submit mid-line survey report to IFAD for review</i>		

16. **Exit strategy:** The project has started to develop an exit strategy. The exit strategy will need to address the sustainability, replication, institutionalisation of key project activities including the home garden, APG, VIP, and PPCP. The mission shared an example of a well-drafted Exit Strategy with AFN. The project will develop a draft exit strategy in consultation with implementing agencies at different levels and submit to IFAD for review.

C. Fiduciary

17. **Overdrawing of category IV “Technical Assistance and Capacity”:** As already noted in the 2019 supervision report, the category was overdrawn from the WA No.24 which raised some concerns of the mission including: (i) relevance and effectiveness of the technical assistance in relation to the project activities; and (ii) high cost of delivery compared to actual investment. The ISM mission has reviewed again this issue during the ISM and recommends that the project should develop a financial management plan for the remaining project years specifying current costs and future operations and investments taking into account of options/possibilities for reallocation of budget in between categories. The plan is subjected to review and no-objection by IFAD.

18. **Monitoring of supporting documents and book keeping:** The 2018 audit report stated that there were inconsistencies of detailed information, and account code between GL and JV. There are transactions with incomplete supporting documents. This happened at VTE and district level. To this extent, project finance staff is required to review and correct all the transactions with supporting documents in 2018 and 2019.

19. **Capacity at district level:** Financial management at district level is required significant improvement as what was reflected in the audit report. The mission recommends the project financial staff to organise frequent visits to the financial management less performing districts such as Xon, Samphan, Xamtai, and Kuan, where they should review financial supporting documents and reports, and accordingly provide FM guidance and training for improvement of local financial management.

20. **Procurement records:** The mission noted the absence of an effective filing system for procurement and contract documents. The project management and the responsible staff are required to ensure that (i) all records related to procurement and contracts are securely and consistently maintained in a logical system as well as in correct sequence to enable effective decision-making and provide integrity and continuity, regardless of possible change in personnel.

21. **Procurement Plan vs actual implementation:** The project should develop a table and update it on periodic basis to assist following up of actual progress implementation vs the Procurement Plan.

22. In view of capacity building for procurement and financial management, a brief training was provided to project staff by IFAD on NOTUS and ICP systems. It is noted that the project finance staff is able to understand and create WA in ICP and is ready to start from WA No.26.

Agreed Action: <i>Monitoring of supporting documents and improve FM at district level.</i>		Deadline: December 30, 2019
Responsibility: NPCO	Aide Memoire: X	Status: Agreed
<i>NPCO finance staff to review and correct all the transactions in 2018, 2019 with full supporting documents.</i>		
<i>NPCO finance staff to organise visits to less performing districts including Xon, Samphan, Xamtai, and Kuan, etc for financial management improvement.</i>		
Agreed Action: <i>Procurement records and Procurement Plan</i>		Deadline: December 30, 2019
Responsibility: NPCO	Aide Memoire: X	Status: Agreed
<i>NPCO procurement staff is required to maintain a filing system for procurement, contract documents, as well as develop a table to management actual progress implementation vs the Procurement Plan</i>		

D. Conclusion

23. The mission appreciates the strong commitments by MAF, provincial and district agencies (PAFOs, DAFOs) and project staff to implement the AFN. By continuation of the hard efforts, and through adopting the above principles and the detailed ISM recommendations, the mission is confident that AFN will be in a strong position to ensure sustainability and replication of project results.

24. The project however urgently needs to move from preparatory and piloting phase to full scale implementation phase, especially in the context that the MTR is coming next year. It is of outmost importance that the physical support measures are timely implemented. The following agreed actions should receive specific attention:

- **Implementation progress and decentralization:** Significantly accelerate the overall implementation and disbursement progress before the MTR next year. Decentralized management capacity will be strengthened through a systematic training and coaching programme with particular focus on community led investment mechanism. All AFN implementing partners including DTEAP, NAFRI, PAFOs, DAFOs, DOHs, GSTs will prepare annual/quarterly implementation schedules with key milestones and timelines that match with project overall planning/investment process. Quarterly physical and financial progress reports will be sent to NPCO for consolidation.
- **Agriculture Production Group (APG) matching grant implementation:** (i) Review APG approach following lessons from first round of APG implementation; (ii) Simplify the APG proposal template and procurement procedure to make it more practical and implementable by local villagers; (iii) Continue to capacitate GSTs for APG grant management; and (iv) Accelerate the APG grant competition process through lead farmer support to APG proposal preparation and submission.
- **Public Private Community Partnership (PPCP):** (i) Accelerate the PPCP process by advertising repeatedly and more widely, linking the PPCP grant to the suite of other subsidies/incentives offered by the GoL; (ii) Finance TA to support applicants with the development of proposals, seeking the assurances of banks to finance financially robust proposals; and (iii) Translate the first two PPCP proposals into English, and submit to IFAD for review and no-objection, aiming to implement the first two PPCPs before the MTR.
- **Financial management plan:** NPCO to develop a financial management plan for the remaining project years specifying current costs and future operations and investments taking into account of options/possibilities for reallocation of budget in between categories. The plan is subjected to review and no-objection by IFAD.