



Grant Assistance Report

Project Number: 41096
January 2008

Proposed Grant Assistance Lao People's Democratic Republic: Alternative Livelihood for Upland Ethnic Groups in Houaphanh Province (Financed by the Japan Fund for Poverty Reduction)

CURRENCY EQUIVALENTS

(as of 31 December 2007)

Currency Unit	–	kip (KN)
KN1.00	=	\$0.0001072
\$1.00	=	KN9,328

ABBREVIATIONS

ADB	–	Asian Development Bank
ASDP	–	Agriculture Sector Development Project
BME	–	benefit monitoring and evaluation
CSP	–	country strategy and program
DAFEO	–	district agriculture and forestry extension office
DPHO	–	district public health office
EA	–	executing agency
IA	–	implementing agency
NGO	–	nongovernment organization
MAF	–	Ministry of Agriculture and Forestry
JFPR	–	Japan Fund for Poverty Reduction
JICA	–	Japan International Cooperation Agency
Lao PDR	–	Lao People's Democratic Republic
LDC	–	local development center
LWU	–	Lao women's union
M&E	–	monitoring and evaluation
NCB	–	national competitive bidding
O&M	–	operation and maintenance
PAFO	–	provincial agriculture and forestry office
PCC	–	project coordination committee
PCTPC	–	provincial communication transport post construction
PGH	–	provincial government of Houaphanh
PIO	–	project implementation office
PPO	–	provincial project office
PRF	–	poverty reduction fund
SCSPP	–	Shifting Cultivation Stabilization Pilot Project
SOE	–	statement of expenses
UNODC	–	United Nations Office for Drug and Crime
VDC	–	village development committee
VDP	–	village development plan
WFP	–	World Food Programme

NOTES

- (i) The fiscal year (FY) of the Government ends on 30 September. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY 2008 ends on 30 September 2008.
- (ii) In this report, "\$" refers to US dollars.

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Director	G. H. Kim, Country Director, Lao PDR Resident Mission (LRM), SERD
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LAO PEOPLE'S DEMOCRATIC REPUBLIC
**ALTERNATIVE LIVELIHOODS FOR UPLAND
 ETHNIC GROUPS IN HOUAPHANH PROVINCE**



**JAPAN FUND FOR POVERTY REDUCTION (JFPR)
JFPR Grant Proposal**

I. Basic Data	
Name of Proposed Activity	Alternative Livelihood for Upland Ethnic Groups in Houaphanh Province
Country	Lao People's Democratic Republic (Lao PDR)
Grant Amount Requested	\$1,820,000
Project Duration	3 years
Regional Grant	<input type="radio"/> Yes / <input checked="" type="radio"/> No
Grant Type	<input checked="" type="radio"/> Project / <input type="radio"/> Capacity building

II. Grant Development Objective(s) and Expected Key Performance Indicators

<p>Grant Development Objectives (GDO): The Project aims to improve alternative sources of livelihood for ethnic groups in 31 villages of Xamneua and Xamtai districts in Houaphanh province. All the target villages are poor, and most villagers currently depend on destructive shifting cultivation practices to subsist. Opium growing was widely practiced in the 1990s; although it was almost completely eliminated by 2004, the situation remains fragile. A survey in 2006 reports that opium is still being grown on 30 hectares (ha) in the project target villages, where there are almost 200 opium addicts (about 2% of the target population). Key features of the Project are (i) poverty reduction through enhanced incomes, (ii) conservation of natural resources and consolidation of opium eradication through the introduction of sedentary farming systems and alternative sources of livelihood in lieu of shifting cultivation practices, and (iii) pilot models for introducing alternative sources of livelihood that may be replicated on a larger scale. The Project will be implemented in parallel with a project funded by the United Nations Office on Drug and Crime (UNODC), which will address the drug-related issues in the same 31 target villages. The immediate outcomes will be to (i) establish and build the capacity of village development committees (VDCs) in community development planning; (ii) improve the health and social status of ethnic groups by improving their access to water supply, sanitation, and health programs; and (iii) enable ethnic groups to adopt alternative sources of livelihood through skills development, training, and productive resources. The Project will be implemented in compliance with the requirements of ADB's <i>Policy on Indigenous Peoples</i> (1998).</p>
<p>Expected Key Performance Indicators:</p> <ol style="list-style-type: none"> 1. 31 VDCs established and operational, and village development plans (VDPs) prepared; 2. Demonstrated capacity of VDCs to plan, implement, and maintain project facilities and services; 3. Number of beneficiary families adopting alternative and sustainable sources of livelihood; 4. Number of beneficiary families raised above the poverty line; and 5. Improvement of socioeconomic indicators measured against the baseline data.

III. Grant Categories of Expenditure, Amounts, and Percentage of Expenditures

Category	Amount of Grant Allocated (\$)	% of Expenditures
1. Civil works	690,000	37.9
2. Equipment and supplies	67,700	3.7
3. Training, extension, workshops, and seminars	288,400	15.9
4. Consulting services	272,000	14.9
5. Grant management	245,800	13.5
6. Other input (land use planning, development of model farmers, and benefit monitoring and evaluation)	106,100	5.8
7. Contingency	150,000	8.3
Total	1,820,000	100.0
Incremental Cost	90,000	90,000

JAPAN FUND FOR POVERTY REDUCTION
JFPR Grant Proposal
Background Information

A. Other Data

Date of Submission of Application	1 September 2007
Project Officer	Sisavanh Phanouvong, Project Implementation Officer
Project Officer's Division, E-mail, Phone	LRM, sphanouvong@adb.org , (856) 21 250 444
Other Staff Who Will Need Access to Edit/Review the Report	P. Logan, LRM; M. Suga, LRM ; Mio Oka, SEAE
Sector	Multisector
Subsectors	Agriculture production; forest; livestock; irrigation and drainage; health programs; water supply and sanitation.
Themes	Sustainable economic growth; inclusive social development; environmental sustainability.
Subthemes	Developing rural areas; indigenous peoples; natural resources conservation.
Targeting Classification	Targeted intervention (TI-G)
Name of Associated ADB Financed Operation(s)	Loan 1688-LAO: Shifting Cultivation Stabilization Pilot Project (SCSPP) (completed on 31 December 2006), and pilot models that may be replicated in the Agriculture Development Sector Project (2009 pipeline).
Executing Agency	Provincial government of Houaphanh (PGH), Lao PDR
Grant Implementing Agency(ies)	Provincial Project Office, under the PGH Mr. Phonesane Vilaymeng Telephone/ Fax: +856 64 312492; Mobile: +856 20 5664519

B. Details of the Proposed Grant**1. Description of the Components, Monitorable Deliverables/Outcomes, and Implementation Timetable**

Component A	
Component Name	Village Development and Capacity Strengthening
Cost (\$)	\$221,400
Component Description	<p>This is the core component for achieving the overall project objectives. It will provide a sound foundation for improving socioeconomic conditions in the 31 target villages by building community capacity in development planning and natural resource management.</p> <p>The 31 target villages have been selected in consultation with central, provincial, and district authorities, and potential project beneficiaries. All villages comprise different ethnic groups including the Tai-Thai subgroup of Lao-Tai, Tai Deng and Thai Neua; the Khmuic branch of Mon-Khmer; and the White Hmong of Hmong-lu Mien. Although different ethnic groups live in each village, each group maintains its own ethnic identity and lives in a different quarter of the village. The participatory social assessment undertaken during the project preparatory stage found that relations between the groups are peaceful and characterized by mutual respect, each group participating in and contributing to the religious festivals of the other groups. The Project was prepared in consultation with representatives from the ethnic groups in the project area. About 75% of the population in these villages lives below the poverty line, and about 70–80% currently practices shifting cultivation. They are in four local administration village clusters, three of which are adjacent to each other in Xamtai district about</p>

	<p>36 kilometers (km) from the district center (comprising 20 villages), and one cluster of 11 villages in Xamneua district, about 12 km from Xamneua town. Until recently, access to these villages was difficult, and roads to the cluster centers were in poor condition and usually closed for a few months during the wet season. However, the roads were recently improved with upgrading work completed at the end of 2006. The improved access gives the opportunity to introduce alternative livelihood proposed under the Project and to develop sustainable marketing mechanisms. It also makes the logistics of project implementation more efficient.</p> <p>Each target village will be assisted to establish a VDC.¹ Each VDC will normally comprise five members, of whom at least two will be women, and will represent all ethnic groups present in the village. The VDC will be responsible for (i) identifying village development priorities in consultation with villagers, (ii) developing the village development plan (VDP), and (iii) implementing the VDP. Community capacity-building activities will be incorporated to allow exchange learning tours between villages. VDCs will be trained in development planning, project implementation, and maintenance of project facilities and services. The Project will assist VDCs to develop their VDPs in consultation with all villagers, and the relevant provincial and district staff. This process will ensure that project interventions to be implemented in the other components are tailored to local needs, create a strong sense of local ownership, and encourage implementation through community participation. The Project will ensure participation by all concerned ethnic groups in formulating VDPs to ensure that these adequately reflect their differing needs, priorities, and preferences so that project benefits will accrue equitably to the different ethnic groups.</p> <p>Specifically, this component will (i) establish VDCs; (ii) conduct separate participatory needs assessments for women and men, and each of the ethnic groups in each village;² (iii) promote experience sharing through workshops and local study tours; (iv) assist VDCs to prepare the VDPs based on identified needs; (v) prepare land use plans and maps; (vi) provide relevant training activities for each VDC; and (vii) construct/refurbish the necessary community buildings. It is envisaged that the VDPs will cover village land use, on-farm trials and demonstrations, and sets of investment activities such as small-scale irrigation, access tracks, and water supply and sanitation systems. The related buildings will include a local development center (LDC) centrally located in relation to all three village clusters in Xamtai district, and refurbishment of three meeting halls, one in each of the remaining three village clusters. The buildings will be centrally located where local communities, government, and project staff can convene to plan, support, and manage the project activities.</p>
<p>Monitorable Deliverables/Outputs (All the data will be disaggregated by gender and ethnic groups.)</p>	<p>(i) Establishment of VDCs in all 31 target villages (ii) VDPs prepared in all target villages (iii) LDC and meeting halls constructed and operational (iv) Each VDC to have at least 30% of women representatives, and representatives of all ethnic groups present in the village (v) Number of training sessions and attendance</p>
<p>Implementation of Major</p>	<p>Months 12 (Note: Although the bulk of this component will be implemented in the</p>

¹ VDCs will provide for a structured village consultation process that currently does not exist.

² This will help identify the major constraints faced by ethnic groups and women in developing alternative livelihood productivity and specific measures to address those constraints.

Activities: Number of Months for Grant Activities	first year, it is recognized that there may be need for ongoing refresher training and a process of refining the VDPs.)
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Component B	
Component Name	Generation of Alternative Livelihood
Cost (\$)	\$255,100
Component Description	<p>This component will support detailed preparation and implementation of alternative livelihood opportunities that will be incorporated into the VDPs prepared under component A, particularly for shifting cultivators (including former or current opium growers). Although shifting cultivation has long been the traditional practice for most villagers in the target areas, feedback from field visits and stakeholder consultations clearly indicated that the villagers would readily move away from it if they have sustainable income alternatives. The development process will be based on progressive introduction of permanent, environmentally sustainable, diversified, and market-oriented sedentary farming systems, as well as off-farm activities that will gradually replace shifting cultivation.</p> <p>From experience with the recently completed SCSPP, there is a range of practical opportunities for alternative livelihood available in the target villages for beneficiaries to consider. These include (i) introduction of village forest management through participatory land use planning; (ii) introduction of various income-generating activities from cash crops, sustainable forestry, livestock, and fisheries; and (iii) off-farm activities such as weaving and handicrafts. The Project will provide technical advice to assist beneficiaries through a participatory process to work out detailed proposals to implement their preferred alternatives in each village. Where necessary, the technical viability of the proposals will be assessed with regard to the local agro-ecological and other physical conditions (soils, water, and topography), compatibility with ethnic groups' culture and social institutions, and marketing potentials. On the basis of the findings, VDPs will be modified and refined. Proposals will be costed and prioritized and will be used as the basis for finalizing the VDPs, allowing for equitable distribution of project resources among the 31 target villages.</p> <p>Specific activities will include (i) on-farm trials and demonstrations of model farming systems to promote successful implementation of the preferred alternative livelihood options, drawing on experience and good practices of the SCSPP; (ii) agriculture extension and technical training, (iii) inputs on design and quality control, which are crucial to ensure marketability; (iv) marketing studies to facilitate the linkage of villagers' products to markets, including workshops with participation of the private sector, and dissemination of information; and (v) monitoring of ongoing alternative livelihood activities implemented under the SCSPP and providing refresher training and technical backstopping as needed. This component will also be supported by the UNODC project through the establishment of village saving schemes that will provide small credit to beneficiaries to start new income-generating activities. Successful credit schemes such as the application for weaving activities, which were introduced under the SCSPP, will be replicated in this component. For example, ethnic group beneficiaries will be able to use credit to enhance commercial weaving activities, assisted by nongovernment organizations (NGOs) active in silk production in Xamtai district.</p>
Monitorable Deliverables/Outputs (All the data will be disaggregated by gender)	<ul style="list-style-type: none"> (i) Number of on-farm trials of model farming systems adopted (ii) Number of technical training sessions provided and attended (iii) Suitable land-use plans prepared in all target villages (iv) Reduction in the area of shifting cultivation

and ethnic group.)	(v) Number of livelihood projects initiated (vi) Number of beneficiary families (vii) Number of women participating in the development of VDPs and in livelihood activities (viii) Family income rising above the poverty line
Implementation of Major Activities: Number of months for grant activities	Month 31

Component C	
Component Name	Improvement of Village Infrastructure
Cost (\$)	\$670,400
Component Description	<p>This component will improve local infrastructure proposed in the VDPs developed in components A and B to facilitate introduction of alternative livelihood activities, and access to social services including health. It is envisaged that component C will involve a range of suitable options. To improve health facilities and reduce labor in fetching water, especially for women, there is provision in this component for each village to (i) construct a new or renovate an existing water supply system; and (ii) supply materials for the construction of about 1,000 latrines for households where water supply facilities are installed. Where appropriate, upgrading or construction of new small-scale community-managed irrigation systems will be supported (maximum area of about 10–15 ha). Construction of the water supply systems, latrines, and community-managed irrigation schemes will be carried out by communities with technical support from the project staff and consultants. Local materials and counterpart labor will also be provided by beneficiaries. Villagers will be fully informed about the Project, the contribution expected from beneficiaries, with particular attention to women and ethnic groups. They will also be consulted on preferred technical option, design, and location of infrastructure.</p> <p>Component C also provides for securing access to all the targets villages. This was highlighted as high priority by all the ethnic groups at meetings with local communities during project preparation. Lesson learned from the SCSP also highlighted the importance of village access in developing alternative livelihood, since access is essential to establishing sustainable marketing mechanisms. Accordingly, the Project will support (i) improvement of village tracks suitable for light local traffic (motorcycles and hand tractors) connecting villages within each cluster to its center; improvement will consist of upgrading about 60 km of existing tracks, and constructing about 25 km of new tracks to villages that currently have only walking access; and (ii) selected upgrading of the gravel access roads connecting the village clusters to asphalt roads to allow all-weather use. Although the roads are already in good condition, minor work is needed in a few spots to improve access in the wet season.</p> <p>PGH will ensure that (i) all transition from shifting cultivation to sedentary farming will be voluntary, (ii) road upgrading will be limited to the width of the existing tracks, (iii) new village tracks will follow existing footpaths, (iii) communities will only contribute nonproductive or unused village land for new village tracks and the LDC, (iv) all irrigation systems will be built by households on their own land, and (v) no additional land will be procured for any of the project components. If these conditions are not met, a resettlement plan will be prepared in accordance with ADB's involuntary resettlement policy. If applicable, a third party will be engaged by the provincial project office (PPO) to verify criteria and process for compensation.</p> <p>Component C will also develop village-based maintenance plans for the</p>

	community infrastructure provided under the Project, particularly the village tracks. VDCs will be trained and provided with a package of small tools (e.g., hoes, shovels, wheelbarrows) to implement labor-based routine maintenance through in-kind contributions along the lines successfully implemented under the SCSPP. Training materials will take into consideration, as relevant, the language and literacy skills of target ethnic groups, as well as other social (including gender) and cultural parameters that would affect their effectiveness. For the access roads, maintenance plans that will be funded by the provincial/district governments will also be prepared.
Monitorable Deliverables/Outputs	(i) 20 water supply systems ³ renovated or constructed (ii) 1,000 latrines constructed (iii) 10 small-scale community-managed irrigation schemes ⁴ constructed (iv) 60 km of existing village tracks upgraded, 25 km of new tracks constructed, and gravel access roads to village cluster centers operational in all weather conditions
Implementation of Major Activities: Number of months for grant activities	Month 31

Component D	
Component Name	Project Management and Technical Backstopping
Cost (\$)	\$523,100
Component Description	<p>This component will provide the facilities and organizational management to implement the Project. PGH as the Executing Agency (EA) will provide the services of its PPO as the Implementing Agency (IA). The Project will provide the PPO with the resources required, including staff with experience in implementing the SCSPP, for the efficient implementation of the other components. Benefit monitoring and evaluation ([M&E] baseline and annual survey to assess impact) and logistical support (transport,⁵ office costs, and external audits) will be provided. A field office of the PPO will be established at the District Agriculture and Forestry Extension Office (DAFEO) in Xamtai district, and will be staffed and provided with necessary office equipment. That office will be the focal point to coordinate with the PPO in the three clusters in Xamtai district.</p> <p>Consultants providing 94 person-months of services (10 international, and 84 national) will assist the EA in the fields of project implementation, agronomy, community development, agriculture extension, and community health. The team leader will be the community development specialist (full-time, national) who will be supported by periodic inputs from the project implementation specialist/agronomist (international). The consultants will support the PPO in project management, land use planning, marketing, environmental monitoring, and community development; develop for technical staff in provincial and district offices specialized training programs in relevant aspects of diversified sedentary farming systems including cropping systems, animal husbandry, and agroforestry systems; and support the on-farm trials and demonstrations. The consultants will be selected by the EA according to Asian Development Bank (ADB) guidelines.</p>

³ The number is indicative at the time of JFPR proposal preparation and will be refined through participatory planning during project implementation.

⁴ As above.

⁵ The cost of purchasing vehicles (one pickup and five motorbikes) has been included in the budget to ensure effectiveness and efficiency during project implementation, given the remoteness of the target villages. Leasing or rental costs of required vehicles over the life of the project would be higher than for direct purchase.

	All project M&E will address the participation of and benefits to ethnic groups and women in all project components. A baseline survey will be conducted prior to implementing the project activities and gender- and ethnic group-disaggregated monitoring indicators will be determined for project performance M&E. All the indicators listed under "Monitorable Deliverables/Outputs" will also be collected and disaggregated by gender and ethnic group, and included in project progress reports.
Monitorable Deliverables/Outputs	(i) Detailed work schedule and budget plans (ii) Minutes of project management meetings (iii) Quarterly progress reports (iv) Biannual joint review reports (v) Annual progress reports (vi) External M&E reports (vii) Audit reports
Implementation of Major Activities: Number of Months for Grant Activities	Month 36

2. Financing Plan for Proposed Grant to Be Supported by JFPR

Funding Source	Amount (\$)
JFPR	1,820,000
Government	161,000 (in-kind contribution)
Beneficiaries	150,000 (labor and local materials)
Total	2,131,000

3. Background

1. Shifting cultivation is the traditional practice of upland rural inhabitants in northern Lao People's Democratic Republic (Lao PDR) to achieve rice sufficiency, and, until recently, opium poppy cultivation in some areas. The practice involves clearing the forest area for upland rice production by slashing and burning, traditionally followed by a fallow period of about 10–20 years. This cycle is repeated annually in different parts of the country. In recent years, traditional rotations have been shortened. Rural poverty in Houaphanh is directly linked to land degradation resulting from the farming systems practiced. Slash-and-burn activities are causing soil erosion on steep slopes and are responsible for destroying the secondary forests. The destruction reduces the water-holding capacity of the watershed, thus causing floods in the wet season and low flow in the dry season. One significant consequence has been an increase in poverty among the various ethnic groups because of decreases in quantity and quality of yields. Given the dependence of upland communities on swidden agriculture and its falling productivity, and land availability constraints, there is an urgent need to shift to higher value production per hectare and per unit of labor. Upland agricultural improvement based on sound land use planning is now of the highest priority for poverty reduction.

2. Although opium poppy cultivation is almost completely eradicated in Houaphanh, the situation remains very fragile and there are concerns that many ex-opium farmers could return to growing opium if they do not have sustainable alternative livelihood.

3. The challenge of stabilizing shifting cultivation to conserve the upland environment, and safeguarding against a potential return of some farmers to growing opium poppy cannot be met unless the issues of poverty reduction, provision of alternative sources of livelihood, food security, and security of land tenure are addressed simultaneously.

4. The SCSPP was implemented from 1999 to 2006 in 52 villages in Houaphanh,⁶ in partnership with UNODC that ran its project in parallel and managed the village development component of the SCSPP at the time. It piloted different agricultural production technologies to support upland rural farmers to diversify their incomes and thus improve their overall socioeconomic conditions. Analysis of SCSPP outcomes clearly demonstrates successful results, e.g., data on the SCSPP project area in 2005 indicated that (i) the area of shifting cultivation was reduced from 1,200 ha in 2000 to 572 ha in 2005, (ii) the poppy cultivation area was reduced from 67.4 ha in 2000 to 0 ha in 2005, and (iii) 1,291 out of about 1,600 families rose above the poverty line during 2000–2005. During field visits, villagers also reported that their food security and health have significantly improved. However, the cost per household was too high to be replicated on a large scale. The lessons from the SCSPP show a scope for streamlining implementation approaches that will achieve similar levels of success but at reduced costs. The main areas where substantial cost savings are envisaged involve (i) focusing on introducing alternative livelihood options that proved to be simple and effective under the SCSPP, and required minimal resource inputs; (ii) finding the most cost-effective balance in providing access roads;⁷ and (iii) utilizing experience gained by government staff under the SCSPP, thus reducing consulting inputs.

5. In view of the success under the SCSPP, PGH has requested further ADB support to address the issues of rural poverty and livelihood in these remote upland areas to stabilize shifting cultivation practices and to ensure the eradication of opium poppy cultivation. In response, ADB fielded a Fact-Finding Mission to consult the Government, potential beneficiaries, an NGO,⁸ Lao Women's Union (LWU), and other concerned development partners in Houaphanh and Vientiane. A 1-day stakeholder workshop in Houaphanh discussed proposed activities of the Project, and verified project components and costs and target beneficiaries. A participatory survey was carried out over 2 days during which discussions were held with local people in four villages and each ethnic sector of each village.

4. Innovation

6. The main innovative features of the Project include the following:

- (i) Capacity development activities for VDCs, who will be responsible for planning, implementing, monitoring, and evaluating their livelihood activities beyond the project life.
- (ii) Making VDCs representative of each ethnic group present in the villages. In this way innovative ideas of the various ethnic groups based on their unique knowledge and perspectives can be incorporated into planning; ethnic groups' preference and needs will be reflected in VDPs.
- (iii) Introducing alternative livelihood and income enhancement activities for upland farmers so that they need not depend on shifting cultivation. Activities may include support for livestock raising, growing of cash crops and fruit trees, and weaving. There will be on-farm trials and demonstrations of model farming systems to promote good practices in diversified sedentary and integrated farming systems that are suited to local conditions.
- (iv) Adopting a modified configuration in providing village access compared with the SCSPP (footnote 3), which aims to provide adequate access at a much reduced cost per village.
- (v) Ensuring that local communities are fully involved in planning, preparing, and implementing small-scale village infrastructure, including water supply systems, community irrigation schemes, and village tracks to improve living conditions and accessibility.
- (vi) On-the-job skills training and skills transfer by consultants to the project staff.

5. Sustainability

7. Project activities will be sustainable on account of the following factors:

⁶ Houaphanh is one of the poorest provinces in the Lao PDR. Five of its total eight districts are included in the list of 47 poorest districts of the Lao PDR. Houaphanh has 758 villages, of which 593 (78%) are poor with the majority of the population relying on upland agriculture.

⁷ A high proportion of SCSPP expenditure was for relatively high standard roads. This Project will adopt a different approach using a network of low-cost village tracks within a cluster of villages connecting them to the cluster center, with the cluster center connected to an asphalt road via an all-weather access road. The network aims to provide adequate access to promote alternative livelihood, but at a substantially lower cost per village.

⁸ The Mission met with Comité de Coopération avec le Laos (CCL), which has extensive experience in upland areas.

- (i) The Project will build capacity in the 31 target VDCs to plan, implement, and manage livelihood activities; provide productive assets; and develop managerial skills. VDCs capacity to maintain village infrastructure and alternative livelihood schemes will be strengthened.
- (ii) Investments in village infrastructure will be made through an iterative process of participatory planning and prioritization. The Project will train beneficiary groups to carry out operation and maintenance (O&M).
- (iii) Practices for sedentary farming and upland cultivation in areas suitable for cultivation will be introduced based on sound land-use planning. As such, environmental impacts will be positive.
- (iv) For water supply and irrigation systems introduced under the Project, water user associations will be instituted for effective O&M of the improved schemes.
- (v) Ethnic group concerns will be assessed in detail during the participatory needs assessment by the project staff and incorporated in project activities. With the incorporation of ethnic group-based planning, activities have a greater likelihood of success and sustainability because of a more solid sense of ownership.
- (vi) Activities will be based on the principle of helping villagers carry out their own ideas—which is most likely to be sustained. The principle assumes an appreciation of villagers' ability to know, to learn, and to investigate their own environment.

6. Participatory Approach

8. The Project will support the organization of VDCs and their training for participatory planning, implementation, and management of livelihood activities and social infrastructure. For the 31 target villages to have a sense of project ownership, their involvement will be sought from the earliest stages of project implementation. At each step in the planning process, plans and anticipated project benefits are going to be prepared in close consultation with target beneficiaries. Participatory needs assessments will be carried out separately for women and men, and each different ethnic group in each village. In so doing, women and ethnic groups' priority and needs will be addressed. The Project will allow adequate time for ethnic groups to fully participate in the process. The project strategy emphasizes enhancing community leadership for meaningful involvement in planning and decision making, in collaboration with local government agencies. The Project will work through the VDCs as the primary interface between the PPO and communities in participatory activity planning and decision making as well as collaborative management and monitoring. Each committee will comprise several interest groups established to implement individual project components (e.g., irrigation water users, etc.). The Project will support the formation, capacity building, and training of VDC and the various interest group functionaries to enable them to make informed, logical choices concerning livelihood options. In establishing the VDCs and interest groups, equitable representation from all gender and ethnic groups will be actively encouraged.

Primary Beneficiaries and Other Affected Groups and Relevant Description	Other Key Stakeholders and Brief Description
Primary beneficiaries are poor and vulnerable ethnic groups who would like to improve their upland livelihood practices	<ul style="list-style-type: none"> • PGH (EA) • PPO (IA): government interdepartmental agencies at provincial and district levels • Ministry of Agriculture and Forestry (MAF) (technical backstopper) • LWU • VDCs • UNODC • World Food Programme

7. Coordination

9. Throughout project preparation, concepts and drafts have been shared with the Japanese Embassy in Vientiane (through continued discussions and e-mail exchanges since December 2006 with Mr. Mamoru Shinohara, Minister Counselor, and Ms. Miki Matsuura, Advisor and researcher, Multilateral Economic

Cooperation). Japan International Cooperation Agency (JICA) officers were also consulted during development of the project proposal, and their comments and feedback incorporated into the proposal design. Representatives of UNODC, World Food Programme (WFP), World Bank, and Comite de Cooperation avec le Laos (CCL) have been consulted to discuss possible areas of cooperation and coordination.

10. In the Lao PDR, UNODC has provided support and technical assistance to development of alternatives and jointly formulated with the Government of the Lao PDR the poverty eradication strategies for former opium poppy farmers. But the situation remains fragile and there is concern that 50% of ex-opium farmers could return to opium poppy cultivation for lack of sustainable alternative livelihood. UNODC will continue to utilize its specialized expertise and comparative advantages to foster and strengthen both inter- and intra-agency partnerships to support the Government's efforts in the post-opium setting to enable an environment of sustainable development that will ensure that illicit opium remains eliminated and that ethnic groups enjoy a sustained human development process. Along that line, UNODC approved the Alternative Development Project (ADP) in Houaphanh in May 2007. The ADP will support UNODC's mandate against illicit drug production and abuse by treating opium users and providing alternative development for opium farmers, thus reducing drug-related poverty. UNODC has agreed that the ADP should target the same 31 target villages of the proposed JFPR Project, so that the two projects will be implemented in parallel. The ADP will complement capacity building of VDCs, and will establish village saving schemes. Outputs from these activities will supplement and enhance the generation of alternative livelihood under components A and B of the proposed JFPR Project. To ensure synergy between the two projects, special attention will be given to synchronizing activities, particularly in the field, to maximize implementation efficiency, e.g., village visits and consultations will be carefully coordinated so that they can be carried out at the same time as much as possible.

11. World Bank assistance is focused on rural development, including village roads, sustainable forestry, and social development. The World Bank has two related upland projects in the south of the Lao PDR, namely the Agriculture Development Project and the Sustainable Forestry for Rural Development Project. The first aims to help reduce rural poverty by involving communities in improving and increasing agricultural production. The second is designed to support the Government's commitment to bring the country's priority natural production forests under participatory sustainable forest management. The World Bank also supports the Poverty Reduction Fund (PRF), which is designed to reduce poverty, including that among ethnic groups living in remote areas. The PRF assists in the development of small-scale, community-based infrastructure and other activities in the water, transport, education, health, and agriculture sectors and covers five provinces (Houaphanh, Savannaketh, Champasack, Xiengkhuang, and Saravan). The World Bank is currently preparing a Review of Upland Development Policies and Implementation at the Local Level and has shown strong interest in collaborating with ADB to share information and use the Project as a possible case study for the World Bank review.

12. JICA finances several assistance programs in northern Lao PDR (Bokeo, Houaphanh, Luang Namtha, Luang Prabang, Sayabury, and Vientiane Province) particularly in community health and village forestry. Under the Project, study tours for project implementation staff and selected farmers will be organized to visit JICA's Forest Management and Community Support Project sites in Houaphanh. Other avenues for cooperation with WFP have been identified and will be developed further as project activities begin. In the near future, WFP will implement its Food-for-Work program in two districts of Houaphanh (Xamtai and Houameuang) under its Protracted Relief and Recovery Operation. WFP intends to cooperate with ADB in the target villages of Xamtai by providing nutrition, health, and child care training under a Food-for-Training modality.

13. During project implementation, Government and ADB joint project reviews will be mounted twice a year or more frequently, if needed. The PPO will prepare activity progress reports, together with an annual project review report, as a basis for the tripartite performance review. The reports will be prepared and disseminated to the Embassy of Japan and JICA in the Lao PDR.

8. Detailed Cost Table

14. Appendix 1 gives the summary cost table and Appendix 2, the detailed cost estimates. Appendix 3 shows the fund flow arrangement and Appendix 4 the implementation arrangements. The implementation arrangements and estimated costs for ensuring participation of ethnic groups and for project benefits to accrue to ethnic groups have been integrated into the overall arrangements and total budget of the proposed Project.

C. Linkage to ADB Strategy and ADB-Financed Operations

1. Linkage to ADB Strategy

15. ADB's strategy for its operations in the Lao PDR in the Country Strategy and Program (CSP) for 2007–2011 is consistent with the Government's Sixth Five-Year National Socio-Economic Development Plan, 2006–2010 (NSED). Agriculture, health, education, and infrastructure continue to be the priority sectors for the Government. As a component of its overall assistance program for agriculture sector development, ADB will continue providing support for community-level livelihood development aimed at enhancing food security, creating income-generating opportunities, and building small-scale infrastructure through participatory approaches. The link between resource depletion and poverty will be addressed through interventions in forestry, water resources, and catchment management. To complement the community-based assistance approaches, ADB will support infrastructure expansion, including access roads, and development of small-scale irrigation and water resources.

16. Given the importance that market access plays in contributing both to sustainable livelihood and to commercial production, ADB investment support will be geared toward linking secondary towns with the main economic corridors and assisting remote communities to develop and improve footpaths and motorcycle paths to secondary market towns. As such, the proposed Project will contribute to the CSP's objectives, aimed at improving rural livelihood for very poor farm families, who have limited access to market and social support services.

Document	Document Number	Date of Last Discussion	Objectives
LAO Participatory Poverty Assessment		December 2001	Pro-poor sustainable growth, social development, and good governance and private sector development through (i) rural development and market linkages, (ii) human resource development, (iii) sustainable environmental management, and (iv) regional cooperation
LAO Gender, Poverty and the MDGs		December 2004	Key objectives include (i) equal capabilities in women and men and girls and boys, (ii) equal access to resources and opportunities, and (iii) equality in decision making and rights.
Country Strategy and Program (CSP) 2007–2011		September 2006	Key objectives of the CSP that relate to the proposed Project are (i) promoting pro-poor sustainable growth, and (ii) fostering inclusive social development. Specific objectives include better rural infrastructure to link isolated rural areas to markets and improved water supply, and mainstreaming gender concerns in all operations.
National Socio-Economic Development Plan (2006–2010)		October 2006	Agriculture, health, education, and infrastructure continue to be the priority sectors for the Government. Expansion in these sectors should facilitate economic opportunities in commercialized agriculture, rural development, and infrastructure; improved provision of basic services; stronger human security through food supplies, reductions in unexploded ordnance, and preparedness for natural disasters; enhanced participation and empowerment of the poor; and targeted interventions in the poorest areas.

2. Linkage to Specific ADB-Financed Operation

Project Name	Agriculture Sector Development Project (ASDP) 2009
Project Number	N/A
Date of Board Approval	2009 pipeline as indicated in CSP 2007–2011
Loan Amount (\$)	\$20 million

17. While the components of the ASDP are yet to be determined, it is possible that further development in the uplands could be included. The lessons learned from this JFPR Project will be used, as applicable, to formulate the appropriate design of a possible upland component that may involve working with several ethnic groups.

3. Development Objective of the Associated ADB-Financed Operation

18. The ASPD will aim to help the Government improve the management of the sector as a whole by addressing key bottlenecks to agriculture diversification and commercialization through better sector policy, strategy, and institutions and through investments in rural infrastructure that aims to improve access to markets.

4. Main Components of the Project

N/A

5. Rationale for Grant Funding versus ADB Lending

19. The Lao PDR is classified as a highly indebted poor country (HIPC) and is currently eligible to receive 50% of total project financing from ADB as grants. In this context, Houaphanh is one of the poorest provinces in the country, and the villages to be targeted by the Project are among the poorest in the province. The proposed assistance is consistent with the Government's 6th Five-Year Socio-economic Development Plan, which targets the 47 poorest districts for priority assistance. Development assistance to the priority districts is one of the considerations for the allocation of grant assistance under ADB's country strategy and program. While the SCSPP was a concessional loan (i.e., implemented before the grant financing facility was put in place), it is anticipated that given the highly impoverished nature of the province, future projects in the sector, such as the proposed ASDP, will be grant-based. Consistent with this initiative and the high priority given to PGH, grant assistance is considered justified for this Project.

D. Implementation of the Proposed Grant

1. Name of the Executing Agency (EA) and Implementing Agency (IA)	PGH will be the EA, and the PPO will be the IA. The PPO members are from line ministries at provincial and district levels: Provincial Agriculture and Forestry Office (PAFO), Provincial Department of Communication Transport Post Construction (PCTPC), District Agriculture Forestry Extension Office (DAFEO), Lao Women's Union (LWU), District Public Health Office (DPHO).
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20. The Project is expected to begin in December 2007 and be completed in December 2010. The EA and IA will be assisted with technical backstopping from MAF. The PPO is located in Xamneua district in Houaphanh.

21. A project coordination committee (PCC), chaired by the provincial vice-governor, will provide overall implementation guidance, approve overall and annual work and financial plans, and monitor implementation progress. The PCC will comprise representatives from the provincial cabinet office, department of finance, and representatives of all the line agencies included in the PPO. The PCC will also include district governors of target districts (Xamtai and Xamneua) and the project director. The consultant team leader and one representative from the ADB Lao Resident Mission will be nonvoting members of the PCC.

22. All goods and civil works will be procured in accordance with ADB's *Procurement Guidelines* (2007, or as amended from time to time). National competitive bidding (NCB) and shopping will be the procurement methods. Goods and related civil works costing \$100,000 or less will be procured using ADB's shopping procedure; those

costing more than \$100,000 will be procured using ADB's NCB procedure. No international competitive bidding is envisaged under the Project.

23. The four consultants (one international, three national) will be recruited individually by the EA in accordance with ADB's *Guidelines on the Use of Consultants* (2007, or as amended from time to time), to provide services for implementing, managing, and monitoring the progress of the Project. A total of 94 person-months of consulting services (10 international, and 84 national) will be provided in the areas of project implementation, agronomy, community development, agriculture extension, and community health. Consultants with expertise in ethnic groups present in the area will be given priority in the selection. ADB will make direct payments to consultants on the basis of recommendations by the EA

24. ADB will channel the JFPR funds directly to a special JFPR imprest account that will be opened and maintained by the Ministry of Finance (MOF), who in turn will channel the funds to the EA through the sub-account opened in Houaphanh. After receiving financial transaction forms from the provincial account, MOF will submit them to ADB. MOF will receive a copy of all financial statements and audit reports. The flow, replenishment, and management arrangements of the JFPR funds will be detailed in the JFPR letter of agreement to be signed by the Government and ADB. The PPO, in consultation with the participating PAFOs, DAFEOs, and other line agencies will initially draft a 6-month inception plan during which it will prepare the project administration memorandum and design a global work and financial plan for the duration of the Project. Subsequently, it will design the annual work and financial plans. Physical and financial reports will be consolidated and prepared quarterly by the PPO; external audits will be conducted on an annual basis. Audit reports will be submitted to the EA, MOF, MAF, ADB, and members of the PCC. The ceiling of the imprest account will be based on 6 months estimated project expenditures or 10% of the grant amount, whichever is lower.

2. Risks Affecting Grant Implementation

Type of Risk	Brief Description	Measure to Mitigate the Risk
Remoteness	Establishing access to villages within the clusters that currently have poor or only walking access	Activity schedule will be staggered so that access to villages will be improved at the early stage of project implementation.
	Difficulty in reaching markets and obtaining market information such as price and demand	Activities will include market studies to identify local demand and the setting up of a critical mass of products.
Implementation delay	Funds reaching the field later than when needed for season-bound activities (short delays at critical seasonal sensitive times may cause long delays in implementing the rural infrastructure component)	Allocate a reasonable reserve provision in the province project account sufficient to obviate any potential delay in season-bound activities.
Dissipation of experienced staff needed to provide technical support	Given the diverse types of community groups to be formulated and maintained (irrigation water user associations, livelihood project groups, water supply and sanitation groups, etc.), the EA must provide a wide range of technical support. It needs to use the knowledge and experience of the provincial staff gained under the SCSPP; Therefore, staff rotation or resignations might lead to implementation constraints.	The JFPR Letter of Agreement will specify that the 40 or so provincial and district staff who were trained during implementation of the SCSPP will be retained. However, this is not considered a major risk, since up to now, not one of them has left his/her post and it is highly unlikely that they will in the future since they are local residents.
Adoption	Slower-than-forecast adoption of the	During regular progress reviews,

	project-espoused alternative livelihood technologies	assess whether the adoption rate has been as forecast and conduct activities to speed up adoption or modify livelihood choices, as required.
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3. Incremental ADB Costs

25. The amount of \$90,000 will be requested as incremental cost.

Component	Incremental Bank Cost
Amount requested	\$90,000
Justification	Given the complexity of the Project, it may be necessary to hire staff consultants with technical expertise on gender, environment, and ethnic minority to assist ADB staff in conducting a thorough review from time to time.
Type of work to be rendered by ADB	The incremental cost will mainly be used for (i) preparing a grant implementation manual and standard procurement documents; and (ii) undertaking a midterm review and, if necessary, other review missions. At midterm, ⁹ a full-scale review will be carried out on ethnicity and gender issues in improving livelihood through alternative production activities, in consultation with project beneficiaries. An external monitor will review the various measures with regard to ethnic groups: the extent of their participation in VDCs, the impacts on their incomes and food security, and extent of improvement in access to health, water, and sanitation. The review will also assess participation in gender issues, and measure the extent to which ethnic group women have been helped to improve their technical knowledge and knowledge of and access to markets. Improvements in income, food security, and their health situation will also be assessed. This external monitoring report will be posted on ADB's website upon submission to ADB.

4. Monitoring and Evaluation

Key Performance Indicator	Reporting Mechanism	Plan and Timetable for M&E
Village development committees (VDC) and village development plans established and operational	Consultant reports, ADB mission reports, project review reports, and progress reports	ADB semiannual review missions Quarterly progress report Implementation completion memorandum (ICM) Consultant reports
Demonstrated capacity of VDCs to plan, implement, and maintain project facilities and services	Consultant reports, ADB mission reports, project review reports, and progress reports	ADB semiannual review missions Quarterly progress report ICM Consultant reports
Number of beneficiary families adopting locally innovative strategies and technologies for sustainable alternative livelihood	Baseline survey, benefit monitoring and evaluation report (BME)	Baseline survey (first year) BME (years 2 and 3) ADB semiannual review missions Quarterly progress report ICM

⁹ Toward the end of the Project, a final evaluation will be undertaken under component D, not using incremental costs.

		Consultant reports
Number of beneficiary families whose livelihood options have been raised sufficiently above the poverty line to enable them to accumulate savings	Baseline survey, BME report, village crop and animal production records, village and district land ownership and tax registers	Baseline survey (first year) BME (years 2 and 3) ADB semiannual review missions Quarterly progress report ICM Consultant reports
Socioeconomic indicators improved, measured against the baseline data	Baseline survey, BME, project review reports, and progress reports	Baseline survey (first year) BME (years 2 and 3) ADB semiannual review missions Quarterly progress report ICM Consultant reports

5. Estimated Disbursement Schedule

Fiscal Year (FY)	Amount (\$)
FY2008	\$828,710
FY2009	\$686,470
FY2010	\$304,820
Total Disbursements	\$1,820,000

APPENDIXES

1. Summary Cost Table
2. Detailed Cost Estimates
3. Fund Flow Arrangements
4. Implementation Arrangements

SUMMARY COST TABLE

(\$)

Grant Components Inputs/Expenditure Category	Component A Village Development and Capacity Strengthening	Component B Generation of Alternative Livelihood	Component C Improvement of Village Infrastructure	Component D Project Management and Technical Backstopping	Total (Input)	Percent
1. Civil Works: {incl. technical surveys and designs, and supervision of construction}	53,000	0	637,000	0	690,000	37.91
2. Equipment and Supplies: e.g., power tools, turbines, excavation and construction tools, agricultural tools and equipment, communications devices; audiovisual, computing, and other office equipment, furniture, etc.}	0	2,000	10,000	55,700	67,700	3.72
3. Training, Workshops, Seminars, and Public Campaigns: {e.g., resource persons, technical training specialists, community mobilizers and organizers, venue rental, travel, food and accommodation for participants, and other related costs}	105,800	182,600	0	0	288,400	15.85
4. Consulting Services: {e.g., for surveys, assessments, and reviews, technical specialists, advisors, external auditors, etc., including related costs such as travel, accommodation, and per diem}	0	0	0	272,000	272,000	14.95
5. Grant Management: {management of the specific components and of the PIU, including wages for project staff, travel costs and per diem, office equipment, rental, O&M, and recurrent costs, etc.}	13,000	39,000	23,400	170,400	245,800	13.51
6. Other Inputs: {For other specific project inputs that cannot be included in any of the above categories, such as specific livelihood development costs by specialized NGOs, seed capital and funds for establishing microfinance systems, etc.}	49,600	31,500	0	25,000	106,100	5.83
7. Contingencies (0–10% of total estimated grant fund): Use of contingencies requires prior approval from ADB.	37,500	37,500	37,500	37,500	150,000	8.24
Subtotal JFPR grant financed	258,900	292,600	707,900	560,600	1,820,000	100.0
Government Contribution {e.g., salaries for government staff, provision of project office, land acquisition, participation in workshops/meetings}	36,500	0	39,500	85,000	161,000	
Other Donor(s) Contributions (e.g., from NGOs, multilateral and bilateral aid agencies): {e.g. costs for O&M, livelihood skills development and training, logistic, administration, infrastructure assistance, technology, material and equipment supply, etc.}	0	0	0	0	0	
Community's Contributions (mostly in kind): {e.g., participation in all training and community development; land development, and in-kind labor contribution through food for work}	3,000	0	147,000	0	150,000	
Total Estimated Costs	298,400	292,600	894,400	645,600	2,131,000	
Incremental Costs					90,000	

ADB= Asian Development Bank, NGOs= non-governmental organizations, O&M= operation and maintenance.

Source: Asian Development Bank.

DETAILED COST ESTIMATES

Code	Supplies and Services Rendered	Costs				Contributions				
		Unit	Qty	Unit Cost \$	Total \$	JFPR		Government	Communities	
						\$				
						Amount	Procurement Method			
A. Component A: Village Development Planning and Capacity Strengthening					Subtotal	260,900	221,400		36,500	3,000
1.	Construct / improve Local Development Centers (LDC)				61,500	53,000		5,500	3,000	
	Construct LDC	Center	1	45,500	45,500	40,000	Shopping	4,500	1,000	
	Improve village meeting halls	Hall	3	5,333	16,000	13,000	Shopping	1,000	2,000	
2.	Village Development Committee (VCD) Administration and Management Training	Person	155	80	12,400	12,400		0	0	
3.	Participatory Needs Assessment and Village Development Plan	No.	31	400	12,400	12,400		0	0	
4.	Administration Training and Capacity Development				51,000	51,000		0	0	
	Training of trainers (gender)	Person	5	1,600	8,000	8,000				
	Training of trainers (health and nutrition)	Person	10	1,300	13,000	13,000				
	Training on gender, health, and nutrition to villagers	Person	1,550	19	30,000	30,000				
5.	Land Use Planning and Land Allocation Activities				80,600	49,600		31,000	0	
	Identification of land/land contribution	Village	31	1,000	31,000	0		31,000		
	Village boundary delineation	Village	31	400	12,400	12,400				
	Establishment of village natural resources management regulations	Village	31	200	6,200	6,200				
	Land use mapping	Village	31	500	15,500	15,500				
	Issuance of land use certificate	Village	31	500	15,500	15,500				
6.	Experience Sharing				30,000	30,000		0	0	
	Workshops/meetings (semiannual and annual experience sharing meetings)	Person	200	100	20,000	20,000				
	Local field visits	Trip	4	2,500	10,000	10,000				
7.	Travel Allowance for Training Staff	Person-day	1,000	13	13,000	13,000		0	0	
B. Component B: Generation of Alternative Livelihood					Subtotal	255,100	255,100	0	0	
1.	On-Farm Trials and Demonstrations through Model Farmers				31,500	31,500		0	0	

Code	Supplies and Services Rendered	Costs				Contributions			
		Unit	Qty	Unit Cost	Total	JFPR		Government	Communities
				\$	\$	Amount	Procurement Method		
	Model farmers (agriculture/livestock)	Family	90	350	31,500	31,500			
2.	Agriculture Extension Supporting Activities				158,600	158,600		0	0
	Extension - cash crops	Time	10	1,200	12,000	12,000			
	Extension - fruit tree	Time	10	1,000	10,000	10,000			
	Extension - livestock - cattle	Time	10	3,550	35,500	35,500			
	Extension - livestock - pigs	Time	10	500	5,000	5,000			
	Extension - fishery	Time	10	600	6,000	6,000			
	Extension - agroforestry/NTFP	Time	10	300	3,000	3,000			
	Technical training to village volunteers - cultivation	Person	80	60	4,800	4,800			
	Technical training to villagers - cultivation	Person	450	50	22,500	22,500			
	Technical training to village volunteers - livestock	Person	50	100	5,000	5,000			
	Technical training to villagers - livestock	Person	420	50	21,000	21,000			
	Technical training to village volunteers - agroforestry/NTFP	Person	60	50	3,000	3,000			
	Technical training to village volunteers - access road maintenance	Person	90	60	5,400	5,400			
	Technical training - irrigation	Person	50	60	3,000	3,000			
	Technical training to village volunteers - water and sanitation	Person	90	60	5,400	5,400			
	Refresher training and follow-up in 2nd and 3rd year	Person	550	31	17,000	17,000			
3.	Veterinary Equipment and Supplies	TBD	1	2,000	2,000	2,000	Shopping	0	0
4.	SCSPP Backstopping				16,000	16,000		0	0

Costs						Contributions			
Code	Supplies and Services Rendered	Unit	Qty	Unit Cost	Total	JFPR		Government	Communities
				\$	\$	\$			
						Amount	Procurement Method		
	Refresher Training for VDCs	Person	260	23	6,000	6,000			
	Monitor, Follow-Up, and Farmer Exchanges	Trip	10	500	5,000	5,000			
	Follow-Up and Support of Ongoing LUP/LA in SCSP	Trip	10	500	5,000	5,000			
5.	Marketing Promotion of Village Products				8,000	8,000		0	0
	Market Study / Workshop	Workshop	2	2,000	4,000	4,000			
	Disseminate Marketing Information to Villages	Time	3	1,333	4,000	4,000			
6.	Travel and Per Diem for Extension Staff	Person-day	3,000	13	39,000	39,000		0	0
C. Component C: Improvement of Village Infrastructure					Subtotal	856,900	670,400	39,500	147,000
1.	Improve Rural Access				414,500	345,000		30,500	39,000
	Improve village tracks - widen /side drainage /selected sheeting	km	60	2,700	162,000	130,000	Shopping	12,000	20,000
	Construct village tracks	km	25	4,500	112,500	85,000	Shopping	12,500	15,000
	Main access road - selected sheeting/stream crossings /side drainage	TBD	1	140,000	140,000	130,000	NCB	6,000	4,000
2.	Water Supply Schemes (small scale with standpipes)	Scheme	20	7,000	140,000	100,000	Shopping	2,000	38,000
3.	Latrines	No.	1000	100	100,000	70,000	Shopping	0	30,000
4.	Small-Scale Community-Managed Irrigation Schemes	Scheme	10	14,500	145,000	100,000	Shopping	5,000	40,000
5.	Health /Social Center Buildings	Center	1	24,000	24,000	22,000	Shopping	2,000	
6.	Basic Tools for Infrastructure Construction, and Maintenance	TBD	1	10,000	10,000	10,000	Shopping	0	0
7.	Travel and Per Diem for Technical Supervision Staff	Person-day	1,800	13	23,400	23,400		0	0

Code	Supplies and Services Rendered	Costs				Contributions			
		Unit	Qty	Unit Cost	Total	JFPR		Government	Communities
				\$	\$	\$			
						Amount	Procurement Method		
D. Component D: Project Management and Technical Backstopping				Subtotal:	608,100	523,100		85,000	0
1.	Technical Assistance				272,000	272,000		0	0
	National consultants - community development/ team leader	Person-Months	36	2,500	90,000	90,000	Individual		
	International consultant - agronomist/deputy team leader	Person-Months	10	12,000	120,000	120,000	Individual		
	National consultants (NPPP) - extension /agriculture	Person-Months	24	500	12,000	12,000	Individual		
	National consultant (NPPP) - community health	Person-Months	24	500	12,000	12,000	Individual		
	Travel and per diem for consultants	Lump Sum	1	38,000	38,000	38,000			
2.	Equipment^a				70,900	55,700		15,200	0
	Pickup	Unit	1	35,000	35,000	25,000	Shopping	10,000	
	Motorbike	Unit	5	1,500	7,500	5,000	Shopping	2,500	
	Office equipment:								
	- Computer	Set	7	700	4,900	4,500	Shopping	400	
	- Printer	Set	2	800	1,600	1,400	Shopping	200	
	- Photocopier	Set	1	2,000	2,000	1,800	Shopping	200	
	- Communications (2-way radio and antennas)	Set	1	10,000	10,000	9,000	Shopping	1,000	
	- Solar panel	Set	1	8,900	8,900	8,000	Shopping	900	
	Furniture for LDCs	Set	1	1,000	1,000	1,000	Shopping	0	
3.	Project Operational Costs				240,200	170,400		69,800	0
	Counterpart staff	Person-Months	36	1,500	54,000	0		54,000	
	Office utilization	Month	36	400	14,400	0		14,400	
	Office support staff (finance, administration, and drivers)	Month	36	1,000	36,000	36,000			
	Incremental office running costs (PIO, Xamtai district and LDC)	Month	36	500	18,000	18,000			
	Travel and per diem for management and support staff	Person-Day	1,400	13	18,200	18,200			

Code	Supplies and Services Rendered	Costs				Contributions			
		Unit	Qty	Unit Cost	Total	JFPR		Government	Communities
				\$	\$	\$			
						Amount	Procurement Method		
	Vehicle operation and maintenance	Months	36	2,400	86,400	86,400			
	External audit (by State Audit Organization)	No.	3	2,000	6,000	5,200		800	
	Project Steering Committee meetings	Meeting	6	600	3,600	3,000		600	
	Third party monitoring of safeguard compliances	Lump sum	1	3,600	3,600	3,600			
4.	Benefit Monitoring and Evaluation				25,000	25,000		0	0
	Baseline survey	Survey	1	5,000	5,000	5,000			
	Impact assessment surveys (independent team)	Survey	2	10,000	20,000	20,000			
	Contingency (maximum 10% of total JFPR contribution)				150,000	150,000			
	Total Grant Costs			Total:	2,131,000	1,820,000		161,000	150,000

JFPR= Japan Fund for Poverty Reduction, LDC= local development center, LUP/LA= land use planning and land allocation, NPPP= national project professional personnel, NTFP= non-timber forest products, PIO= project implementation office, SCSPP= shifting cultivation stabilization pilot project, TBD= to be determined, VDC= village development committee.

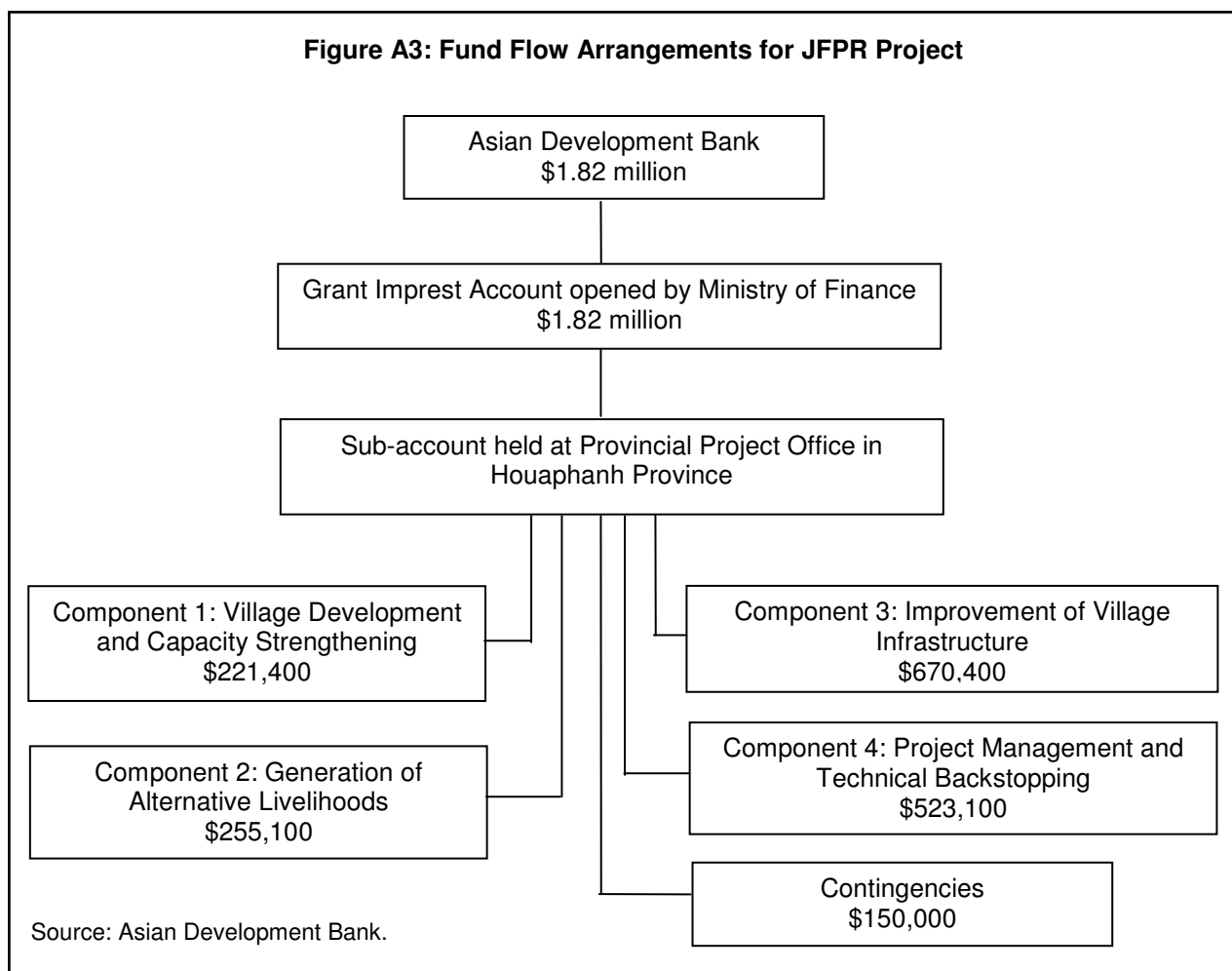
^a The cost of purchasing vehicles (one pickup and five motorbikes) has been included in the budget to ensure effectiveness and efficiency during project implementation, given the remoteness of target villages. Leasing or rental costs of required vehicles over the life of the project would be higher than those for direct purchase.

Source: Asian Development Bank.

FUND FLOW ARRANGEMENTS

1. The Asian Development Bank (ADB) will channel the Japan Fund for Poverty Reduction (JFPR) funds directly to a special JFPR imprest account that will be opened and maintained by the Ministry of Finance (MOF) at a bank endorsed by the Executing Agency (EA) and acceptable to ADB. MOF will channel the funds to the EA through the sub-account opened in Houaphanh to facilitate day-to-day local expenditures of the JFPR Project. Financial transaction forms will be submitted from the provincial accounts via MOF to ADB. The imprest account will be established, managed, replenished, and liquidated in accordance with ADB's *Loan Disbursement Handbook* (January 2007). All disbursements will be in accordance with that handbook. The provincial project office will keep the EA and MOF informed about all transactions. Both agencies will receive copies of all financial statements and audit reports.

2. The initial advance to the imprest account will be based on 6 months estimated expenditures or 10% of the grant amount, whichever is lower, and will be replenished on an as-needed basis. The statement of expenditures (SOE) procedure will apply for all payments and transactions under \$10,000 to ensure speedy project implementation. Detailed implementation arrangements, such as the flow, replenishment, and administrative procedures will be detailed in the project administration memorandum to be established between ADB and the Government through the JFPR Letter of Agreement. The audit report should provide an opinion on the imprest account and SOE operations. The schematic fund flow for the JFPR Project is shown in Figure A3.



IMPLEMENTATION ARRANGEMENTS

1. **Executing Agency.** The provincial government of Houaphanh (PGH) will be the project's Executing Agency (EA) with technical backstopping from the Ministry of Agriculture and Forestry (MAF). PGH will oversee project activities, facilitate coordination with district and village authorities and other projects, and endorse the grant and the annual work plans. PGH will appoint a Japan Fund for Poverty Reduction (JFPR) project director to facilitate coordination with and between national, provincial, and district departments.

2. **Project Coordination Steering Committee.** A project coordination steering committee (PCC), chaired by the provincial vice-governor, will provide overall implementation guidance, approve overall and annual work and financial plans, and monitor implementation progress. The PCC will comprise representatives from the provincial cabinet office, provincial department of agriculture and forestry; provincial department of planning, provincial department of communication transport post construction, provincial Lao Women's Union (LWU), provincial department of public health, and the provincial department of finance. The PCC will also include district governors of target districts (Xamtai and Xamneua) and the project director. The project implementation specialist and representatives from the Asian Development Bank (ADB) Lao Resident Mission will be nonvoting members.

3. **Implementing Agency.** A project director recruited or assigned by PGH (with the concurrence of ADB), assisted by the project implementation specialist, will head the provincial project office (PPO). A managerial, technical, and administrative support team, headed by the project implementation specialist, will provide management, technical, and administrative support to the PPO.

4. The Project will undertake detailed design and implementation of project components in coordination with and with the full participation of all relevant agencies and community stakeholders. The Project will work through elected village development committees (VDCs) as the primary interface between the PPO and the community for participatory planning of activities and decision making, and collaborative management and monitoring. Each VDC will comprise several interest groups (subcommittees), each established to implement individual project components. The Project will support the formation, capacity building, and training of the VDCs and various interest group functionaries to enable them to make informed, logical choices concerning livelihood options. In establishing VDCs and interest groups, equitable representation of all gender and ethnic groups will be actively encouraged.

5. **Consulting Services.** The selection of consultants will be carried out by the EA according to ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). A total of 94 person-months of consulting services (10 international, and 84 national) will be provided by a project implementation specialist/agronomist, a community development specialist, an agriculture extension specialist, and a community health specialist.

6. **Financial Arrangements.** The JFPR funds will be managed and disbursed in accordance with ADB's guidelines. ADB will channel the JFPR funds directly to a special JFPR imprest account that will be opened and maintained by the Ministry of Finance (MOF) who will channel the funds to the EA through the sub-account opened in Houaphanh. Financial transaction forms will be submitted from the provincial accounts via MOF to ADB. MOF will receive a copy of all financial statements and audit reports. The flow, replenishment, and management arrangements of the JFPR funds will be detailed in the JFPR letter of agreement to be signed by the Government and ADB. The PPO, in consultation with the participating provincial and district agriculture and forestry offices, and other line agencies, will initially draft a 6-month inception plan during which it will prepare the project administration memorandum and design a global work and financial plan for the duration of the Project. Subsequently, the PPO will design the annual work and financial plans. Physical and financial reports will be consolidated and prepared quarterly; external audits will be conducted on an annual basis. Audit reports will be submitted to the EA, MOF, MAF, and ADB.

7. The imprest account will be managed, replenished, and liquidated in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time). The advance to the imprest account will be based on 6 months' estimated project expenditures or 10% of the grant amount, whichever is lower, with specific reference to the annual work plan and budget approved by the PCC. The statement of expenditure (SOE) procedure is applicable only to small payments and contracts below \$10,000. The use of SOE will be audited by auditors acceptable to ADB. The audit report should provide an opinion on the imprest account and SOE operations. A separate audit opinion on the use of the account and SOE should be included in the audit report.

8. Interest earned on the JFPR imprest account can be used for the Project subject to ADB's approval, within the approved total amount of the JFPR grant. Upon completion of the JFPR Project and before the closing of the JFPR imprest account, any unutilized interest should be returned to the JFPR fund account maintained at ADB. If the remittance fee and other bank charges are higher than the amount of interest earned, there will be no need to return such interest to the JFPR account maintained by ADB.

9. **Procurement.** All goods and civil works will be procured in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). National competitive bidding (NCB) and shopping will be the procurement methods. ADB will make direct payments to the consultants based on the EA's recommendations. Goods and civil works equivalent to or costing less than \$100,000 will be procured using ADB's shopping procedure, and those costing more than \$100,000 will be procured using ADB's NCB procedure. No international competitive bidding is envisaged under the Project