



## Project Data Sheet

Project 48409-004

Project Name Climate-Friendly Agribusiness Value Chains Sector Project

Project Number 48409-004

Country / Economy Lao People's Democratic Republic

Project Status Active

Project Type / Modality of Assistance Grant

Source of Funding / Amount **Grant 0585-LAO: Climate-Friendly Agribusiness Value Chains Sector Project**

Asian Development Fund

US\$ 40.50 million

Strategic Agendas Environmentally sustainable growth  
Inclusive economic growth  
Regional integration

Drivers of Change Gender Equity and Mainstreaming  
Governance and capacity development  
Knowledge solutions  
Private sector development

Sector / Subsector **Agriculture, natural resources and rural development** / Agricultural policy, institutional and capacity development - Agricultural production - Agro-industry, marketing, and trade - Irrigation - Rural market infrastructure

Gender Effective gender mainstreaming

Description The proposed project supports the implementation of the government's Agriculture Development Strategy to 2025 (ADS) by boosting the competitiveness of rice value chains in Khammouane, Saravan, and Savannakhet provinces, and vegetable value chains in Vientiane Capital, Champasak, and Sekong provinces. The project will improve the climate resilience of agricultural infrastructure, and enhance crop productivity, diversification, and commercialization. It will help improve the capacity for storage, processing, quality, and safety testing, and promote the use of biofertilizers and organic farming. It will strengthen the capacity of farmers and agribusinesses for climate-smart agriculture (CSA), and create an enabling environment for climate-friendly agribusinesses to promote sustainability along the value chain.

Project Rationale and Linkage to Country/Regional Strategy	<p>The Human Development Index report ranks the Lao PDR as 138th out of 188 countries. Macroeconomic and political stability enabled it to achieve moderate economic growth at 6.5% per annum during 1986-2016. However, the country also grappled with a persistent current account deficit, falling foreign currency reserves, and growing public debt. Although the contribution of agriculture to the national gross domestic product is declining (from 32.7% in 2010 to 19.8% in 2016), the economy still remains agrarian: about 65% of the working population is employed in the sector. Low sector growth led to low levels of rural household incomes. The poverty rate of those engaged in agriculture is nearly three times higher than for those working in other sectors.</p> <p>The government aims to increase the agricultural growth rate to 3.4% per annum by 2020. The policy framework for the agriculture sector is set out in (i) the ADS to 2025; (ii) the 8th Five-Year National Socio-Economic Development Plan (2016-2020); (iii) the Development Strategy of the Crop Sector 2025 and Vision 2030; and (iv) the National Strategy on Climate Change of Lao PDR. The ADS aims to (i) ensure food security; (ii) produce competitive commodities with a comparative advantage; (iii) develop a clean, safe and sustainable agriculture; and (iv) shift gradually to the modernization into a resilient and productive agricultural economy.</p>
Impact	Agricultural competitiveness improved.

### **Project Outcome**

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Description of Outcome	Productive and resource-efficient agribusiness value chains developed in project areas.
Progress Toward Outcome	The project was approved on 30 July 2018 and declared effective on 5 December 2018. The contracts with the project implementation consultants and financial management entity were signed on 23 and 30 December 2019 respectively. Mobilization has been slow due to COVID-19. All national individual consultants have been mobilized. An inception mission was conducted virtually from 31 August 2020 to 8 September 2020.

### **Implementation Progress**

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Description of Project Outputs	<p>Critical agribusiness value chain infrastructure improved and made climate resilient</p> <p>Climate-smart agriculture and agribusiness promoted</p> <p>Enabling environment for climate-friendly agribusiness enhanced.</p>
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<p>Status of Implementation Progress (Outputs, Activities, and Issues)</p>	<p>Following are findings of the Inception Mission:</p> <p>(i) Thirty-six irrigation subprojects are being considered for rehabilitation. All long-listed subprojects were pre-screened and divided into three groups of priority, with the highest priority schemes to be included in the 2020 work program. To date, 5 irrigation subprojects were prioritized.</p> <p>(ii) Thirty-three farm road subprojects (71 km) of which 6 road subprojects will be prioritized for support in 2020. Most research centers are not ready to receive and operate equipment and staff capacity building is required in most cases prior to procuring equipment. A detailed note on infrastructure needs and status of agricultural development centers, crop research centers at provincial colleges and associated costs of refurbishing as well as training program will be prepared.</p> <p>(iii) Most research centers and laboratories are not ready to receive and operate equipment and that staff capacity building is required in most cases prior to procuring equipment. A detailed note on infrastructure needs and status of the centers and laboratories at provincial colleges and associated costs of refurbishing as well as training program will be prepared.</p> <p>(iv) Thirty-four rice mills, 2 biofertilizer factories and 1 vegetable packhouse have been visited and most do not maintain financial and accounting records and that some of the rice mills identified during project processing phase are not operating anymore. Draft operational guidelines for MGS have been updated and will be submitted to ADB.</p> <p>(v) PPIUs have identified 114 ponds for rehabilitation with an irrigable area of 1,760 hectares.</p> <p>(vi) The TOR for IRRI will be reviewed to ensure that comprehensive support is provided to (a) deploy climate resilient rice and vegetable varieties, and (b) develop a commercialization program for NAFRI with recommendations on the legal framework to develop intellectual property rights and partial cost recovery.</p> <p>(vii) A comprehensive master plan for capacity building will be developed by October 2020. To prepare the master plan, collaboration with other capacity building initiatives in project areas organized by development partners (e.g., FAO, World Bank/SNV, USAID) will be done.</p> <p>(viii) The Inception Mission stressed that APG support should be linked with training on CSA and GAP. Additional efforts will be made to convince APGs on the need for adopting CSA and GAP in a changing climate.</p> <p>(ix) DOA, DTEAP and MOIC (with support from PIC) will formulate a climate-smart gender-responsive agribusiness policy by 31 October 2022. Two studies will be commissioned: one on identifying priority agricultural products with processing potential, and another on comparative advantage of Lao PDR agribusinesses relative to those in Thailand and Vietnam.</p> <p>(x) The project will (a) assist in overcoming gaps between Lao standards and international standards on GAP, GMP, organic products, HACCP, and (b) identify and train at least 30 agribusinesses towards achieving GMP and HACCP certification.</p> <p>The Inception Mission requested PIC and FME to provide capacity building assistance to the financial sector to evaluate climate risks and recognize lending opportunities for banks and financial institutions for climate friendly investments by training at least 50 staff (30% women) from financial institutions in CSA lending and green finance.</p>
	<p>Geographical Location</p>

## Safeguard Categories

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Environment	B
Involuntary Resettlement	B
Indigenous Peoples	B

## Summary of Environmental and Social Aspects

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Environmental Aspects	<p>The three representative subprojects were found to have minimal environmental impacts and were classified as category C. However, category B is retained for the overall project as future subprojects, such as upgrade of access roads and tertiary canals, may have environmental impacts. An environmental assessment and review framework has been prepared to guide the screening and classification of each subproject during implementation and disclosed on the ADB website in March 2018. Subprojects classified as category A will not be financed. The environmental assessment and review framework includes an environmental code of conduct for contractors, which will be adopted for all category C subprojects to ensure adoption of good environmental site management practices. A project grievance redress mechanism will facilitate the resolution of any safeguard-related complaints.</p>
Involuntary Resettlement	<p>Involuntary resettlement is classified as Category B. Subproject screening will identify and reject any category A subprojects that involve significant involuntary resettlement, economic displacement, or land acquisition. Due diligence conducted for the three representative subprojects shows that none will result in any physical or economic displacement. Two subprojects will not require land acquisition while the vegetable packhouse subproject will need minimal land acquisition through voluntary donation. A land acquisition and resettlement framework has been prepared to guide the screening and selection of subprojects as well as the resettlement planning process, and uploaded to the ADB website in March 2018. A rigorous due diligence procedure to verify bona fide voluntary donation is included in the resettlement framework to further screen and select subprojects during implementation and guide the preparation of any resettlement plans, if required.</p>
Indigenous Peoples	<p>Indigenous peoples is categorized as Category B. Due diligence on the three representative subprojects showed that many ethnic groups are living in the project provinces. However, no indigenous peoples were found in the three representative subproject areas, and no indigenous peoples plan (IPP) was prepared. An ethnic group development framework, which was disclosed on the ADB website in March 2018, has been prepared to guide the preparation of IPPs as needed during project implementation, which will ensure inclusion and the full consultation and participation of ethnic group households and communities.</p>

## Stakeholder Communication, Participation, and Consultation

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During Project Design	<p>During project design, consultations were conducted with MAF, provincial, district, and village officials to determine project priorities, objectives, and confirm priorities and needs. Focus group discussions were also held with private crop collectors, mill operators, and other agribusiness actors and families living in the subproject target areas.</p>
During Project Implementation	<p>The project became effective on 5 December 2018. Broad and meaningful consultations will continue through project implementation to build on the initial consultations held with various stakeholder groups during project preparation.</p>

## Business Opportunities

Consulting Services	All consultants will be recruited following the ADB's Guide on the Use of Consultants (2013, as amended from time to time). MA will recruit project implementation consultants (PIC), financial management entity (FME), external monitoring agency, individual start-up management consultants, and individual finance and administration assistants. Advance contracting will be done for the (i) start-up management consultants, (ii) PIC, and (iii) the FME.
Procurement	All procurement will be done following the ADB Procurement Guidelines (2015, as amended from time to time). MAF will rehabilitate access roads and tertiary canals, upgrade (and procure equipment) crop research centers and laboratories, and procure vehicles and office equipment for NPMO and PPMUs. Advance actions will be done for procurement of vehicles and office equipment/furniture.
Responsible ADB Officer	Ancha, Srinivasan
Responsible ADB Department	Sectors Group
Responsible ADB Division	Agriculture, Food, Nature, and Rural Development Sector Office (SG-AFNR)
Executing Agencies	<i>Ministry of Agriculture and and Forestry - Department of Planning and Finance</i> <i>Ministry of Agriculture and Forestry (MAF)</i>

## Timetable

Concept Clearance	12 May 2015
Fact Finding	16 Nov 2017 to 23 Nov 2017
MRM	13 Apr 2018
Approval	30 Jul 2018
Last Review Mission	-
Last PDS Update	30 Sep 2020

## Grant 0585-LAO

### Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
30 Jul 2018	06 Sep 2018	05 Dec 2018	31 Mar 2025	30 Sep 2026	-

### Financing Plan

### Grant Utilization

Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage	
Project Cost	45.62	Cumulative Contract Awards			
ADB	40.50	23 Oct 2023	9.01	0.00	22%
Counterpart	5.12	Cumulative Disbursements			
Cofinancing	0.00	23 Oct 2023	8.05	0.00	20%

### Status of Covenants

Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	-	-	-	Satisfactory

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