

TECHNICAL ASSISTANCE COMPLETION REPORT¹

Division: LRM

TA 4005-LAO: Agribusiness Support and Training		Amount Approved: \$250,000	
		Revised Amount: N/A	
Executing Agency Ministry of Agriculture and Forestry (MAF)	Source of Funding Technical Assistance Special Fund	Amount Undisbursed: \$11,410.39	Amount Utilized: \$238,589.61
TA Approval Date: 28/11/2002	TA Signing Date: 26/05/2003	Fielding of First Consultant: 16/05/2005	TA Completion Date Actual: 30/04/2009 Original: 31/12/2005 Account Closing Date Actual: 31/07/2009 Original: 31/12/2005
<p>Description The private sector in Lao PDR is very small and in a nascent stage of development. The majority of the investors in the country are looking for either natural resource based projects or projects with short-term capital recovery such as hotels, timber extraction and wood processing, and textiles. While agribusiness development is critical for strengthening agricultural demand-side perspective, agribusinesses usually require a minimum of 5 years for investment recovery and thus need specific support for capacity development and market development. Strengthening marketing chains between farmers and domestic agribusinesses relies on the skills and capacity of agro enterprises and business environment for promoting the entry of new value-adding agribusiness into the sector. The technical assistance (TA) was piggybacked to Loan 1949-LAO: Smallholder Development Project (SHDP) (the Loan) which aimed to promote commercial smallholder agriculture and associated agribusiness under overall objective of achieving sustained increases in rural incomes and long-term rural poverty reduction.</p> <p>Expected Impact, Outcome and Outputs The TA is linked to the objectives of the loan, specifically for improving smallholder access to domestic and international markets and market information; and for increasing investment in value-adding agribusiness. The objectives of the TA are to (i) identify viable and strategic agribusinesses and potential investors and assist them in establishing their businesses; (ii) train potential investors in market analysis, business plan preparation, feasibility studies, and loan applications from commercial banks; (iii) train potential investors in agro-processing in the Mekong Institute or other suitable institutes; and (iv) raise awareness of business opportunities by conducting study tours for potential local investors/entrepreneurs to businesses around the region. During the first half of the TA period, progress was rather limited in supporting access to financial services and utilization of financial resources. Building on experience, the Mid-term Review Mission recommended that the TA support should focus on areas which have a potential to directly benefit farmer groups in accessing markets. During the Mid-term review in May 2007, it was agreed to realign the TA scope to complement the Loan. On the request from the government, ADB approved on 19 May 2008 the minor change to expand the original scope to create linkages between small and medium traders/agribusinesses and smallholders through the development of an Agricultural Market Information System (AMIS) for smallholders and agribusinesses. TA output 1 was the provision of support to agribusiness, while output 2 (added after a minor change in scope) was the establishment of AMIS.</p> <p>Delivery of Inputs and Conduct of Activities. The completion date of the TA was extended once from 31/12/2005 to 30/04/2009 due to start-up delay that resulted in the extension of the Loan closing date.</p> <p>A first consultant was engaged for 6.6 person month and fielded in May 2005 to facilitate the access to credit for 30 agribusinesses and to provide business development training and market research services. However, the progress was not fully satisfactory (identified by midterm review in May 2007) since the implementation focused mostly on medium to large scale agribusinesses capacity building and capital raising, and did not fully recognize (i) the importance of small traders and supply-side constraints for agri-businesses in Lao PDR, and (ii) the difficulty in obtaining capital/investment from banking institutions in Lao PDR.</p>			

¹ In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

After midterm review and the approval of the minor change in scope, a new consultant for agribusiness and training (with specialization in market information system) was fielded in August 2007 to develop AMIS to link (i) smallholders to traders (local agribusiness, middlemen), and (ii) Lao agribusiness to international business. AMIS is fully operational and the output of the TA is successful in this respect. There were some delays in scaling up of the system to reach all stakeholders due to (i) staff changes in the SHDP and in the Department of Production and Trade Promotion (DPTP), and (ii) earlier insufficient resources and institutional weaknesses in DPTP. The new international consultant took all possible mitigation measures and produced relevant updated implementation plans, and also secured a full ownership of AMIS by the government.

Evaluation of Outputs and Achievement of Outcome

(1) Efficiency in the Production of Outputs. The TA is rated satisfactory in the efficiency of the production of the output. Various consultations were carried out with EAs and stakeholders in the government. TA output 1 was the provision of support to agribusiness, and output 2 (added after a minor change in scope) was the establishment of AMIS. The first output has only been partially achieved (17 out of 30 business plans prepared but only 3 led to financing) and this strategy was dropped after the change in scope, to focus on output 2. The main reason for this was that commercial banks were mainly interested in firms with adequate collateral. Lao commercial banks issue loans based on standard business practices and business plans. In practice, collaterals from borrowers must cover the entire amount of the loan issued. Output 2 was successfully achieved. Linkage between farmer groups and market information was well developed. This leads to an increase in trade and market activities between the small and medium traders and smallholders in the project areas.

(2) Effectiveness (Achievement of Outcome). AMIS is functional and is already accessible by smallholders in the whole of Lao PDR. It is complemented by a website prepared by DPTP to assist the promotion of linkages between Lao agribusinesses and international investors. Training has been provided so that local staffs can update the web site and AMIS. Support materials for AMIS are being distributed to smallholders in the project zone, and a network of trainers (2 in each province) has been established. Awareness about the system has been raised during the opening of the 6 primary markets of SHDP. 220 farmer groups within the project areas have been trained and now use the system. The TA implementation was initially delayed but has achieved its revised outcome. AMIS usage is sustainable.

(3) Quality of Outputs. The quality of outputs was satisfactory. The consultants were rated satisfactory.

(4) Client Satisfaction with Outputs and Outcome. The EA and government are satisfied with the outcome of the TA after the change in scope. Both ADB and the executing agency performed satisfactorily in the implementation of the TA. They took necessary decisions to change the TA scope to make it relevant and ensure achievement of valuable outcome, supporting the SHDP.

(5) Timeliness of Delivery of Outputs: The TA started late; however, the outputs were delivered in a timely manner within extended period.

Overall Assessment and Rating The TA is rated successful. Even though output 1 (30 business plans) was partially successful, output 2 was highly successful and provided Lao PDR with a functional AMIS. The system is deemed a key component in improving smallholders' livelihoods. The government, farmers, agribusinesses and other stakeholders are actively involved in its use and show continuing interest in participating in its operation.

Major Lessons Experience from the implementation of output 1 indicates that more attention must be paid to local condition analysis in the process of designing a TA. During the implementation of output 2, the main challenges were difficulties in inter-ministry collaboration, and collaboration between the central and local level. Weak collaboration caused a significant delay in the TA implementation. Collaboration has been improved following reorganization of SHDP by MAF's management. Collaboration should be actively pursued from the start of the project with significant efforts.

Recommendations and Follow-Up Actions The delay in scaling up the AMIS system to reach all stakeholders is now being implemented by the government with support from SHDP. There is need for further rolling-out and scaling up of AMIS to cover the whole of Lao PDR. Close coordination with various stakeholders (institutions, development partners, NGOs, private companies) will be required to ensure that the system will reach all smallholders and agribusinesses in a sustainable way. SHDP will continue addressing this need.

Prepared by: _____ **Phantouleth Louangraj** _____ **Designation:** **Economics Officer** _____