

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SEAE

TA No., Country, and Name			Amount Approved: \$600,000	
TA 4392-LAO: Marketing Support for Organic Produce of Ethnic Minorities Project			Revised Amount: N/A	
Executing Agency: Ministry of Commerce		Source of Funding: Poverty Reduction Cooperation Fund (PRF)	Amount Undisbursed: \$373,370	Amount Utilized: \$226,630
TA Approval Date: 17 September 2004	TA Signing Date: 16 November 2004	Fielding of First Consultant: 3 May 2005	TA Completion Date: Original: 30 September 2007 Actual: 22 June 2008 Account Closing Date: Original: 30 September 2007 Actual: 30 June 2008	
Description Many rural livelihood improvement programs of aid agencies and nongovernment organizations (NGOs) have provided a wide range of income-generating assistance to poor rural farmers in the Lao People's Democratic Republic (Lao PDR). However, because those programs tended to undervalue the significance of support in expanding marketing channels and generating higher-value-added products, many farmers had difficulties realizing additional cash income. With that lesson in mind, the TA project was designed to establish business links in partnership with private enterprises. The project concept was endorsed for Poverty Reduction Cooperation Fund (PRF) financing at the PRF strategy meeting in December 2002. Then the Government of Lao PDR confirmed its request for technical assistance (TA) for the project during the 2003 Country Programming Mission of the Asian Development Bank (ADB).				
Expected Impact, Outcome and Outputs The objective of the TA project was to increase income-generating opportunities for vulnerable ethnic minority farmers by addressing their primary marketing constraints. The specific outputs (components) were: (i) the establishment of handicraft trade groups in ethnic minority villages and the development of trade links with fair-trade markets (component A); (ii) the expansion of contract farming and the identification of new value-added agricultural products, including non-timber forestry products (NTFPs), and their potential markets (component B); and (iii) impact evaluation (component C). The TA design that supported identification of new market channels for their agricultural products, especially those using their traditional knowledge and skills, was appropriate to the economic and social state of ethnic minority groups in the area.				
Delivery of Inputs and Conduct of Activities Component A was undertaken by People Tree International (PTI), one of the most experienced organizations in the field of fair trade. ¹ The consulting contract provided for a total of 10 person-months of international consulting services over 3 years. PTI's terms of reference ² listed 30 activities that could be largely divided into two categories: (i) the development of ethnic minority farmers' capacity to produce handicrafts that would meet the quality and quantity requirements of target markets in Japan and the United Kingdom (UK); and (ii) the creation of new product designs that built on the unique textile and handicraft heritage of the farmers. The PTI did well in new product development but made no contribution to capacity development. The TA project was implemented by a team of international experts in product design, who visited the project site twice a year mainly to purchase product samples. This state of affairs occurred largely because: (i) the original contract between ADB and PTI gave little importance to mobilizing national consultants, and capacity development, training, and social development experts; and (ii) PTI was unable to mobilize local experts despite the provisions of its contract and terms of reference. Tension appears to have arisen between PTI and various ethnic minority groups over the purchase of samples. Expressing its dissatisfaction, ADB, after consulting with the Department for International Development (DFID) and UK-based fair-trade organizations, proposed changes in the consultant composition and terms of reference. But, as PTI failed to respond with the changes sought, ADB unilaterally terminated the contract with PTI in accordance with ADB's internal procedures after about 44% of the contract period had elapsed. The performance of PTI was therefore rated unsatisfactory. Component B was undertaken by Friend of Upland Farmers (FUF), a private agro-processing company that had been assisting marginal populations in the north region of Lao PDR for more than 14 years. The contract covered the services of 4 international and 10 national staff (intermittent) over 2 years. The performance of these consultants was satisfactory in general but weak in implementing marketing activities and accounting training (through subcontractors). After the PTI contract was terminated, the Executing Agency (EA), FUF, and ADB had agreed to extend the FUF contract by another year to complete the uncompleted activities and implement follow-on activities.				

under component A. However, ADB learned from FUF soon afterwards that the FUF operation licenses had not been extended by the Government and FUF could no longer operate in the area. Therefore, the contract extension did not materialize.

Because the assigned staff at ADB changed several times, particularly from design to inception stage, the first mission was not fielded until 1 year from project inception and was not able to identify the implementation issues associated with PTI's services. (However, ADB staff on other review missions took the opportunity to meet with the EA and FUF to resolve issues.) Under component C, an individual consultant was to be hired by ADB to carry out baseline and post-evaluation surveys, but consultants were not mobilized because target villages were not clearly identified by PTI. A number of staff from ADB from different departments made significant efforts to resolve implementation issues, particularly those related to PTI, and the performance of ADB is rated less than satisfactory.

There was no contribution from the EA, whose representatives showed constant displeasure at having been assigned this project. A number of tripartite meetings (without PTI) were held, but only at ADB's insistence. Although ADB repeatedly asked it to join review missions and resolve the FUF licensing issue, the EA did not do so. The performance of the EA therefore was rated less than satisfactory.

Evaluation of Outputs and Achievement of Outcome

Despite requests from ADB, PTI did not clearly report basic information on beneficiaries and benefits, such as target villages and groups, quantities of samples ordered and purchased, and training program provided. Also the baseline survey envisaged under component C was not conducted during project inception. Therefore, the project outputs and outcomes could not be assessed.

Component B (contract farming) had significant achievements in expanding contract farming. The special evaluation study report on the Poverty Reduction Technical Assistance Trusts Funds conducted by ADB's operations evaluation department (OED) noted the component's "significant impact on the farmers in 48 villages visited by the OED mission as the major factor behind improved incomes and reduction of poverty in the 5 years." On the other hand, component B was less satisfactory in identifying new value-added agricultural products. Some agricultural marketing activities were only partly implemented because the FUF contract was not extended.

Overall Assessment and Rating

The TA project was only partly successful. While the component A and C activities were unsuccessful and only component B activities were considered successful, the TA project offered valuable lessons for ADB's future operation in the agriculture and natural resources sector that were not expected during project design.

Major Lessons

- (i) **TA Design.** The concept of "fair trade," which is widely used for agricultural products rather than handicrafts, was not clearly understood by ADB staff at the time the TA project was designed. Component A (handicrafts) also did not recognize that sporadic purchasing trips without the participation of a local social expert did not meet the needs of ethnic minority producers. More research on the market and cultural environments at the design stage could have identified these problems and led to more successful implementation.
- (ii) **Involvement of Private Firms.** Private firms that had not worked previously with ADB received little guidance on ADB's TA implementation procedures because of less effective administration by ADB associated with frequent changes in project officers at inception. The TA objective of assisting noncommercial operations of the private firms could also have been specified for example through specifications of activities that could be funded under the TA.
- (iii) **Relationship with EA and Local Government.** The role of the EA was unclear and there was little communication with PTI, FUF, and ADB at the inception stage. The TA project was implemented in Luang Namtha province, where the government was concerned about evangelism and has asked several faith-based NGOs (including FUF) to leave the province. The EA, based in Vientiane, did not contribute to resolving the FUF licensing problem or to defusing the tension between PTI and local ethnic minority producers. More effective coordination with local government, in a proactive role, might have helped in resolving such issues.

Recommendations and Follow-Up Actions

The above lessons should be well taken into account when the new Agriculture Sector Development Program for Lao PDR is prepared.

¹ PTI's strength is product development; its collection has expanded beyond the fair-trade niche to appeal to a wide market and has just been launched in Topshop's flagship store in London. PTI is also known as an influential advocate of fair-trade principles and ecological production methods.

² The terms of reference stipulated a wide range of activities: (i) initial village consultation; (ii) product development and marketing study, (iii) fair trade system development, (iv) product advertisement and promotion, (v) distribution, (vi) institutional capacity development, and (vii) benefit monitoring and reporting.