



Implementation Completion Memorandum

Project Number: 41096-012
Grant Number: 9117
March 2014

LAO PDR: Alternative Livelihood for Upland Ethnic Groups in Houaphanh Province (Financed by the Japan Fund for Poverty Reduction)

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Asian Development Bank

JAPAN FUND FOR POVERTY REDUCTION (JFPR)
IMPLEMENTATION COMPLETION MEMORANDUM (ICM)¹

I. BASIC INFORMATION			
1. JFPR Number and Name of Grant: JFPR 9117-LAO: Alternative Livelihood for Upland Ethnic Groups in Houaphanh Province			
2. Country (DMC): Lao Peoples' Democratic Republic (LAO PDR)		3. Approved JFPR Grant Amount: \$1,820,000	
4. Grant Type: ● Project / ○ Capacity Building		5-A. Undisbursed Amount \$466.33	5-B. Utilized Amount \$1,819,533.67
6. Contributions from other sources			
Source of Contribution:	Committed Amount	Actual Contributions:	Remark - Notes:
Lao PDR	\$161,000	\$173,480 (in-kind contributions)	The Government financed staff salary, staff time to participate in various activities, and office space.
Other Donors	-	\$1,026,687 \$41,960.89	United Nations Office on Drug and Crime (UNODC) – parallel co-financing of activities under outputs 1 and 2. World Bank (WB) Poverty Reduction Fund co-financed some rural infrastructure under output 3.
Private Sector	-	-	No private sector involvement.
Community/Beneficiaries	\$150,000	\$195,870 (in-kind)	Beneficiaries contributed in-kind labor and local materials.
7-A. Government of Japan Approval Date: 2 November 2007	7-B. ADB Approval Date: 13 February 2008		7-C. Date the Letter of Agreement was signed (Grant Effectiveness Date): 9 April 2008
8-A. Original Grant Closing Date: 8 April 2011	8-B. Actual Grant Closing Date: 29 February 2012		8-C. Account Closing Date: 27 June 2012
9. Name and Number of Counterpart ADB (Loan) Project: N/A			
10. The Grant Recipient(s): Ministry of Finance (MOF) Mrs. Thipphakone Chanthavongsa, Director General, External Finance Relations Department 23 Singha Road, Vientiane Capital, Lao PDR Tel: +856-21-412142 Fax: +856-21-911611 Email: thip61@yahoo.com			

¹ The ICM was prepared by Soudalay Souannavong, Associate Project Officer and Sisavanh Phanouvong, Sr. Project Officer, with contribution from the Project Implementing Unit on project achievements.

11. Executing and Implementing Agencies:**Executing Agency:**

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II. GRANT PERFORMANCE ASSESSMENT

12. Description:

Shifting cultivation or slash-and-burn farming has been a major agricultural practice in the northern part of Lao PDR, including Houaphanh Province. Both rapid population growth and decreased land availability for farming have shortened the fallow period from 10-20 years to 3-7 years, resulted in a decline of crop yields and farm incomes, increased soil erosion, loss of secondary forest, and reduced biodiversity. In addition, opium poppy cultivation was practiced and opium consumed by some ethnic groups in rural areas of Houaphanh Province. Although opium cultivation was almost eradicated by 2005, there were concerns that farmers traditionally cultivating opium may restart the practice if sustainable alternative livelihoods were not provided.

One of the major challenges for the Government of Lao PDR in the development of a modern, efficient, and sustainable agriculture production is the need to stabilize or reduce shifting cultivation or slash-and-burn farming in upland areas. Since 1976, one of the government priorities has been to stop shifting cultivation in favor of more sedentary farming systems. To achieve this, smallholders need to find alternative livelihood sources from their traditional upland production systems.

In 1998, ADB supported the Shifting Cultivation Stabilization Pilot Project¹ (SCSPP). It was designed to pilot the introduction of diversified secondary farming systems as alternative to shifting cultivation and improve the socio-economic status of 52 rural communities through integrated area development. The main outcomes of SCSPP were to (i) improve income of upland farmers, and (ii) conserve natural resources through the establishment of environmentally sustainable, diversified sedentary farming systems as alternative to shifting cultivation and the provision of basic rural infrastructure in an environmental sustainable manner. The SCSPP was implemented during 1999-2006 and complemented the Alternative Development Project (ADP) funded by United Nations Office for Drug and Crime (UNODC) by developing village-based development initiatives such as community mobilization, participatory planning, and improved capacity building of village development committees. The SCSPP (i) reduced shifting cultivation areas from 1,200 ha in 2000 to 572 ha in 2005; (ii) fully eliminated the 67.4 ha poppy cultivation area in 2000; and (iii) enabled more than 80% of project target families to live above the poverty line.

Key lesson learned from the SCSPP was that while the project successfully achieved its outcomes the costs per household² were high and therefore replication on national scale was rather unlikely. A significant portion of the budget was utilized for the construction of 55.8km good standard access roads (upgrading earth roads to gravel roads) at a unit cost of US\$24,700/km and consulting services for \$2.2 million. The challenge was to identify more cost-effective options for the construction of access roads, and a reduction of consulting inputs by utilizing experienced government staff.

In this context, the provincial government of Houaphanh Province requested further assistance from ADB to facilitate funds from the Japan Fund for Poverty Reduction (JFPR). ADB enabled approval of the JFPR: 9117-LAO: Alternative Livelihood for Upland Ethnic Groups in Houaphanh Province (The Project) with a total grant amount of \$1.82 million which incorporated the lessons learnt from SCSPP, with more cost-effective road options and better quality of consulting services. The overall goal of the Project was poverty reduction for upland ethnic groups in Lao PDR. The Project original target areas covered 31 ethnic villages³ of Xamneua and Xamtai districts in Houaphanh Province.

The Project's expected outcome were aligned with the SCSPP. The Project focused on communities in remote areas with very difficult access conditions. The Project was jointly implemented with the ADP which addressed the drug related issues, strengthened the capacity of the village development committees (VDCs), and established village saving schemes. ADP activities were completed in March 2010.

¹ ADB. 1999. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Lao People's Democratic Republic for the Shifting Cultivation Stabilization Pilot Project*. Manila (Loan L1688-LAO[SF])

² The cost was estimated at \$4,000/household

³ Due to change of administrative boundaries, some villages were merged resulting in only 26 villages with same numbers of beneficiary households

13. Grant Development Objective and Scope:

The expected outcome of the Project was improved livelihoods of upland ethnic groups through sustainable use of natural resources, eradication of opium production and consumption, and introduction of alternative livelihood and sustainable development. The Project has overachieved all of its outcome targets including (i) household rice sufficiency increased by 30% compared to the target of 20%; (ii) un-controlled shifting cultivation areas were fully converted into sedentary agriculture areas (rotate in demarcated agriculture land); (iii) natural resources (land use, forest, non-timber forest product) management regulations were well-established and adopted in all project villages; (iv) 979 farmers adopted alternative livelihoods/sedentary agriculture practices compared to the target of 234 farmers; and (v) 31% of women representatives in the VDCs and training participants compared to the target of 30%.

The Project had four outputs:

1. Output 1: Strengthened Village Capacity Development. This output aimed to empower village authorities and villagers by (i) establishing VDC in each village; (ii) building VDCs' capacity in development and planning; (iii) increasing farmers participation in developing village development plans; and (iv) constructing and renovating of local development centers and village meeting halls. Expected outputs were achieved as: (i) 26 VDCs were formed and represented by ethnic groups and women; (ii) village development plans were produced; (iii) land use planning and land allocation were implemented in all villages; and (iv) all project villages adopted natural resource management regulations. Slash and burn production systems were stabilized and farming is now practiced in allocated agriculture areas. Further, the Project established a local development center, renovated three village meeting halls, and developed village revolving funds⁴ using seed funds from ADP. Village revolving fund committees were formed and trained on managing the funds.

2. Output 2: Generated Alternative Livelihoods. This output aimed to develop alternative livelihood programs including (i) on-farm trials and demonstrations of model farming systems; (ii) agricultural extension support and technical training; and (iii) market linkages between producers and buyers. The expected outputs were over achieved: (i) 140 ha of crop and fruit tree production and four non-timber forest product (NTFP) demonstration plots were established; a 10 ha demonstration farm for integrated farming systems was established; (ii) technical training sessions were conducted for 54 agriculture volunteers, 39 veterinary workers, and 57 foresters; (iii) 113 agriculture and livestock production groups were formed; and (iv) 334 members received credit assistance from village revolving funds.

3. Output 3: Improved Village Infrastructure. This output supported construction and renovation of important village infrastructures such as village access roads, rural water supply systems, dispensaries and small scale irrigation systems, etc., to improve access to markets and social services as well as to enhance crop productivity. The expected outputs were achieved: (i) 17 water supply systems were renovated; (ii) 996 latrines were constructed; (iii) 11 small scale irrigation schemes were upgraded; and (iv) 63.3 km existing village tracks and 20.15 km new tracks were upgraded and constructed, respectively.

4. Output 4: Efficient Project Management. This output supported the EA and IA in project management, and monitoring and evaluation including (i) establishing the provincial project office (PPO); (ii) organizing semi-annual meetings of the project coordination committee; (iii) organizing project coordination meetings; and (iv) producing and submitting progress reports and financial audit reports on time.

Assessment of the Relevance of the Grant Design.

The Project's impact has been relevant to the policies and strategies of the Government and ADB. It complemented the implementation of the Government's 6th Five-Year Socio-Economic Development Plan (2006-2010) and ADB's Country Strategy and Program (CSP) 2007-2011. At appraisal, Houaphanh Province was classified as one of the poorest provinces in the country while Xamneua and Xamtai districts were among the 47 poorest districts in Lao PDR. The overall goal, expected outcome and outputs of the Project were appropriate as they were designed based on the successful model implemented under the SCSPP. The Project's design features replicated the cost-effective technology in constructing of access roads and tracks, and engagement of the government staff formerly involved in the implementation of SCSPP which enabled reductions in consulting services expenses. The Project was designed to promote alternative livelihood options that proved efficient and effective under SCSPP.

⁴ Village revolving funds were initiated under UNODC ADP to support the targeted beneficiaries in using credit for animal husbandry, cash crop production, fruit tree cultivation, and other income generating activities such as weaving, small trading, and etc.

The Project took an integrated approach, focusing on livelihood improvements, by using participatory planning and implementation and involving VDCs at early stages of project implementation. Villagers were involved in planning, designing, and implementation of village infrastructure and provided labor and local materials. The Project's design has been appropriate for achieving the impact of poverty reduction of upland ethnic groups in Houaphanh Province. Further, synergies among activities and services, fund allocations, project management arrangements, supervision and implementation support, and M&E arrangements enabled effective project implementation to achieve its outcome. In addition, the active cooperation with other development programs enabled additional funding to support the communities. For example, UNODC supported capacity building of VDCs and the establishment of village revolving funds which enhanced the development of alternative livelihoods. The VDC activities which were started in early 2007 created the basis for the implementation of other activities. The involvement of the government line agencies and participation of the provincial and district technical staff ensured that the Project remained relevant to the government policy and priorities.

14. Key Performance Indicators:	Accomplishments Rating (HS,S,PS,U)	Evaluation of each Indicator:
1. Strengthened Village Capacity Development <ul style="list-style-type: none"> (i) 31 village development committees (VDC) established and operational. (ii) Village development plans (VDP) prepared. (iii) One local development centre (LDC) and three meeting halls constructed and operational. (iv) Each VDC has at least 30% of women representatives. (v) Land use planning and land allocation implemented in all target villages. (vi) Training activities conducted for each VDC. 	HS	Achieved <ul style="list-style-type: none"> (i) VDCs were established in all 26 project villages. (ii) VDPs were prepared in all project villages. (iii) The LDC and 3 meeting halls were constructed in Xamtai and Xamneua districts, respectively. All became operational. (iv) Women represented 31% of all VDCs members. (v) Land use planning was completed in all 26 villages including issuance of temporary land use certificates. Land allocation was completed in 12 villages. (vi) Training was conducted for VDCs in all 26 villages, each training represented by five top seven VDC members under the topics of VDC key responsibility, village development planning, and refresher training.

<p>2. Generated Alternative Livelihood</p> <p>(i) Number of on-farm trials of model farming systems adopted.</p> <ul style="list-style-type: none"> • 50 hectares (ha) of crop and fruit tree production demonstration plots. • Five Non-Timber Forest Product (NTFP) domestication and extension demonstration plots. • 10 ha integrated farming system demonstration. <p>(ii) Number of technical training sessions provided and attended.</p> <ul style="list-style-type: none"> • 64 village agriculture volunteers; 64 village veterinary workers; and 31 village foresters appointed and trained. <p>(iii) Suitable land-use plans prepared in all target villages.</p> <p>(iv) Reduction in the area of shifting cultivation.</p> <p>(v) Number of livelihood projects initiated.</p> <p>(vi) Number of beneficiary families.</p> <p>(vii) Number of women participating in the development of VDPs and in livelihood activities.</p> <p>(viii) Family income rising above poverty line.</p> <p>(ix) 115 agriculture and livestock production groups established; and 300 members received credit assistance.</p>	<p>S</p>	<p>Achieved</p> <p>(i) On-farm trials of model farming systems:</p> <ul style="list-style-type: none"> • 140 ha of crop and fruit tree production demonstration plots established.⁵ • Four (NTFP) domestication and extension demonstration plots established. • 10.04 ha integrated farming system demonstrated. <p>(ii) Technical training sessions:</p> <ul style="list-style-type: none"> • 54 village agriculture volunteers, 39 village veterinary workers and 57 foresters were appointed and trained. <p>(iii) Suitable land-use plans were prepared for all 26 target villages.</p> <p>(iv) Uncontrolled shifting cultivation area of 1,310 ha has been stabilized to rotate in the demarcated agriculture zone.</p> <p>(v) 234 farmers adopted alternative livelihood practices.</p> <p>(vi) The total number of beneficiary families was 1,846 with approximately 13,239 beneficiaries.</p> <p>(vii) 41 women (31%) participated in the development of VDPs and livelihood activities, 982 women were trained in production techniques.</p> <p>(viii) Number of poor families reduced from 1,397 to 561 (63%).</p> <p>(ix) 113 agriculture and livestock production groups were formed and supported; and 334 members received credit assistance.⁶</p>
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⁵ Large discrepancy compared to the target resulted from local business enterprise having increased interests in crop and fruit tree productions, while farmers also received marketing mechanism training supported by the Project.

⁶ Village merging caused reduction of establishment of agriculture and livestock production groups against the initial target.

3. Improvement of Village Infrastructure (i) 20 water supply systems renovated or constructed. (ii) 1,000 latrines constructed. (iii) 10 small-scale community-managed irrigation schemes 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.	HS	Achieved (i) 17 water supply systems were renovated. ⁷ (ii) 996 latrines were constructed. (iii) 11 small scale irrigation schemes were constructed. (iv) 63.3 km existing village tracks and 25 km gravel access road were upgraded and 20.2 km new tracks were constructed.
4. Strengthening Project Management (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.	S	Achieved (i) Work plans and budgets were prepared annually. (ii) Six project management meetings were conducted. (iii) 15 quarterly progress reports were submitted on time. (iv) Six biannual joint review reports were prepared. (v) Three annual work progress reports were prepared. (vi) One external M&E report was prepared by an independent consultant. (vii) Three audited project financial statements were submitted on time.

⁷ Due to the increase in construction cost during implementation, only 17 water supply systems were renovated. However, the remaining 3 water supply systems were financed by WB Poverty Reduction Fund.

15. Evaluation of Inputs: Major inputs of the Project included:

(i) **Implementation Arrangements and Staffing.** The Project was executed by the Houaphanh Provincial Governor's office and implemented by the Provincial Agriculture and Forestry Office (PAFO). The project coordination committee was led by the Provincial Vice-Governor and consisted of 11 members from provincial offices including PAFO, Lao Women Union, Public Health Office, Public Works and Transport and District Agriculture and Forestry Office (DAFO). Two district coordination committees were established under the chairmanship of the Vice-Governors of Xamneua and Xamtai districts. These committees provided effective technical guidance. In addition, the provincial and district technical staff who were involved in the implementation of the SCSPP also worked on this Project, thereby contributing to a smooth implementation and helped reduce expenses on consulting services. During the first year of implementation, the project team faced major obstacles in communicating with some ethnic groups such as Ahka and Hmong because most did not speak the Lao language. To overcome this challenge, the Project mobilized staff from ethnic groups, who had some experience in development projects to help with the communication with the ethnic groups. The project coordination committee met every six months and approved work plans, which enabled the achievements of the outcome.

The project implementation team replicated the cost-effective alternative livelihood options delivered by SCSPP, used a more cost-effective method in infrastructure, and mobilized experienced government staff. The average cost of an access road from Xamtai – Muang Khuan was only \$3,760/km including construction of drainage systems, while the SCSPP expenditures were approximately \$4,270/km. The cost reduction was made by utilizing of village community members under supervision of project technicians instead of contracting with the construction companies. Equipment (backhoes) procured under the SCSPP was also used for the construction of roads.

The Project had a comprehensive monitoring system that enabled regular monitoring of project activities and outputs. It had one sub-account managed by the Provincial Government of Houaphanh; the funds flow between the sub-account and the imprest account located at the Bank of Lao PDR was relatively fast. The financial tasks were carried out by qualified financial staff who followed the ADB procedures on the use of funds, imprest account, and statement of expenditures.

(ii) **Project Cost.** The project budget was reallocated twice to meet with the actual needs. Budgets for civil works, equipment and grant management were increased compared to the original by 18%, 11%, and 44%, respectively. The increase was due to the higher demand for rural infrastructure than in the original plan; additional budget for maintenance of equipment and rural infrastructure; and to support the increased recurrent budget under the grant management resulting from the grant extension. In contrast, the budget allocation for training, extension, and workshops were reduced in line with the actual needs. At project completion, the EA effectively utilized 99.97% of the total project fund with a remaining balance of \$466.33.

(iii) **Procurement.** In total 24 contracts were awarded for civil works using shopping and direct contracting methods, while one contract was awarded using the National Competitive Bidding method. Six contracts for purchasing equipment, including vehicles, office equipment, solar panels, and dispensary equipment, were awarded using the shopping method. All procurement followed ADB guidelines; there was no procurement issue during project implementation thanks to the experienced PPO staff and consultant. Project assets, including vehicles, office equipments and infrastructure, were handed over to local offices of Houaphanh Province as part of the sustainability plan for operation and maintenance. The local authorities have continued maintaining the access roads on regular basis. A payment system for water usage has been put in place and collected funds are being used for maintenance of water supply system by the designated water supply committee.

(iv) **Consulting Services.** The inputs of four consultants inputs were planned with a total of 94 person-months (p-m) including one International Project Management Specialist and three national specialists in the area of agriculture extension, community development, and health. During project implementation, consultancy inputs were adjusted based on actual requirements. Positions for the Community Development Specialist and Health Specialist were cancelled because ADP provided these two consultants. Additional inputs of 6 p-m and 4 p-m were provided from Project Management Specialist and Agri-business/Marketing Specialist, respectively. At completion, a total of 43.4 p-m of consulting services were utilized. The Project Management Specialist provided overall planning and implementation support to PPO including budget planning, implementation supervision, and monitoring and evaluation. Despite the intermittent inputs, the

consultant's performance was satisfactory as tasks were delivered timely with good quality. The share of consulting services cost to the total grant amount for the Project was 15% compared to 25% for SCSP. The lower consulting services costs resulted from the fact that project activities were mainly implemented by local government staff and villagers.

(v) **Project Beneficiary Contribution.** The ownership of beneficiaries was strong. They (i) were strongly involved in the preparation of the village development plans and designing, construction and maintenance of the village infrastructure, and (ii) participated in alternative livelihood activities. The value of the beneficiaries' contributions in the form of supplying labor and local materials exceeded the original estimated amount by 126%, from \$150,000 to \$195,870. Strong leadership by village development committees was instrumental in timely completing the activities. Participation of women in VDCs and the production groups exceeded the target of 31%. Overall, inputs of project beneficiaries were highly satisfactory.

(vi) **ADB Supervision.** The performance of ADB was highly appreciated by the executing agency and stakeholders. The Project was prepared and administered by the same project officer of ADB Lao Resident Mission (LRM) who had extensive experience in the environment and natural resources sector. Thus, LRM was able to provide close monitoring and timely guidance to the executing and implementing agency to resolve project implementation issues. Six missions were conducted including four review missions, a mid-term review, and project completion mission. The implementation of the recommendations made during the review missions were closely monitored by the project coordination committee. The ADB officer was changed at the end of the project implementation. As the physical activities were almost completed, the change in project officer did not affect the project implementation. Training seminars were regularly provided by LRM for project staff on procurement, consulting services, and disbursement, which helped effective project implementation to achieve its outcome.

16. Evaluation of Outputs and Results: All outputs were satisfactorily delivered. Output targets and achievements were presented in item 14 – Key Performance Indicators. The results of each output are described below:

Output 1: Strengthened Village Capacity Development. This output covered the establishment and strengthening of 26 VDCs in the target villages. The VDCs included representatives of ethnic groups and women. In order to ensure regular involvement of representatives from each ethnic group in the development and implementation of village development plans, the VDC engaged the village elders in the consultation process. As a result, almost 80% of the project beneficiaries were ethnic groups households. Another important result under output 1 was that the 26 target villages have adopted the natural resource management regulations including the delimitation of village boundaries and the definition of forest types within the village territory. Uncontrolled shifting cultivation has been reduced by 100% against a target of 80% which is attributable entirely to land use planning and land allocation (LUP/LA), provision of alternative livelihoods, and adoption and enforcement of natural resource management regulations established by village and district authorities as part of LUP/LA process. Slash-and-burn production systems were stabilized in appropriate agriculture areas. Other forest types were used for domestication of NTFP, grazing areas, and for conservation and watershed protection purpose. Participatory planning positively influenced the communities, especially women, built their capacity in determining priorities and developing leadership skills for village development.

Output 2: Generated Alternative Livelihoods. The activity included the appointment of village volunteers for crop production, animal health management, livestock production, and forest resource management. The volunteers were trained on the Lao Extension Approach to enhance technical knowledge and skills to assist farmers in rice production and animal health management. Training was conducted throughout the project implementation period. Overall 9,435 participants, out of whom 29% were women, attended the training sessions on various technical and organizational topics. Alternative livelihoods such as sedentary farming systems, fruit tree planting, and cash crop production were well adopted by farmers. In particular, non-timber forest product domestication was most popular given promising cash returns and preservation of natural forest resources. Women groups were satisfied with the training on weaving techniques including the use of natural dyes as the new skills helped them to better marketing of their silk products.

Output 3: Improved Village Infrastructure. The improved road infrastructure reduced travel time and

increased access to services and markets. The renovation of the access tracks between nearby markets and villages created opportunities for women to directly sell fresh vegetables and forest products (e.g. bamboo shoots) in the dry and wet season to meet family expenditures. The construction of water supply systems and latrines was one of the primary achievements of the Project that helped improve health and reduce medical expenses. All infrastructure construction complied with the conditions prescribed in the Grant Assistant Report which include (i) road upgrading was limited to the width of existing tracks; (ii) new village tracks followed existing footpaths; (iii) communities contributed nonproductive or unused village land for new village tracks and the local development center; (iv) all irrigation systems were built by households on their own land; and (v) no additional land was procured for any of the project components. Therefore, development and implementation of resettlement plan were not required.

Output 4: Efficient Project Management. Activities under this output were efficiently implemented. The provincial staff became familiar with ADB's guidelines and procedures which reduced the consulting cost. All planned activities were jointly implemented with line agencies and development partners. UNODC co-financed the activities under output 1 and 2, the World Bank Poverty Reduction Fund co-financed some village infrastructure, and the World Food Program assisted the communities to cope with rice shortages during the development of local infrastructure. The experiences gained from the implementation of both the SCSP and the Project have significantly improved the technical and administrative capacities of the project staff. The district staff were trained on data collection methodology. They also collected detailed information on project activities and forwarded these to PPO for analyzing and reporting.

The Project engaged the State Audit Organization (SAO) to audit the project financial statements. The audit reports were prepared using internationally accepted general standards. Three reports were timely submitted to ADB with unqualified audit opinions. The project developed a specific project financial manual as recommended by SAO and improved the management of fixed assets.

Overall, beneficiaries satisfaction was high. The villagers benefited from the improved food security, health status, social services, roads, and water supply system. As a result increase willingness to participate in project activities and strengthened the ownership.

In December 2012 (9 months after the project closing date), an on-site review mission (the Mission) was conducted by the Office of Co-financing and Operations of the ADB. The Mission confirmed the excellent results delivered by the Project. Better road access enabled the Government to bring electricity to remote villages; cases of diarrhea and other water-borne diseases were reduced due to accessibility to piped water; improvements in irrigation and extension services helped increase rice production and vegetables planting during the off-season; farmers showed more interest in NTFPs (i.e. bamboo shoots, wild fruits, and mushrooms); the savings from revolving funds have been effectively used to onlend to members for farming and livestock activities.

17. Overall Assessment and Rating:

(i) **Relevance.** The Project is highly relevant as it supported the government policies and strategies in reducing poverty of upland ethnic groups and conserve natural resources through providing alternative livelihoods. Project activities were designed to give priority to women and ethnic groups in participation and implementation of the project activities. The Project achieved its overall outcome and contributed to reduce poverty of the upland ethnic groups in the target districts through (i) the strengthened rural infrastructure to better serve the needs of poor communities; (ii) the improved access to health services; (iii) the enhanced management of natural resources, secured land tenure; (iv) the improved livelihood options and community empowerment, which were in line with the ADB's Country Strategy and Program for 2007-2011. By mobilizing experienced staff from line agencies, using local resources and equipment, and adopting effective livelihood options, the Project was implemented in a highly efficient manner. Further, incorporating lessons learnt from SCSP in project design, especially improvement of village access as pre-requisite to introduction of alternative livelihoods, strengthened the marketing mechanism. The Project strongly supported the Lao PDR's Sixth Five-Year National Social-Economic Development Plan for 2006 – 2010, which targeted interventions in the poorest areas and expansion of economic opportunities for commercial agriculture for food security and supply to external markets.

(ii) **Effectiveness.** The Project is rated as highly effective in delivering the expected outcome and outputs. Most output targets were achieved. The Project contributed directly to food security in the project

area. In 2007, only 50% of households were rice sufficient in comparison to 82% at the time of the project completion. Household assets such as hand tractors, rice mills, telephones, and motorcycles were increased which demonstrates the improved livelihood and income.

(iii) **Efficiency.** The Project is highly efficient and was implemented by the provincial and district authorities with significant support from communities. More than 70% of the project funds were utilized for field activities to support agricultural production while only 15% were used for consulting services. There were no significant delays in preparing and approving the development plans and in implementing the activities as the EA delegated full authority to the provincial and district project implementation units. Experienced staff from SCSPP were appointed; and the existing office equipment and vehicles were used. Community labor and local materials were used for the construction of village infrastructure, which was cost-effective. The total investment per individual household was US\$1,185 compared to \$4,000 under SCSPP.

(iv) **Sustainability.** The Project significantly contributed to the improved technical and organizational skills of government personnel at provincial and district levels as well as staff of the LDC. A post project sustainability plan (the Plan) was prepared defining roles and responsibilities of each line agency and required resources for implementation of the planned actions. The Plan was presented at the project completion workshop held in February 2012. The provincial government of Houaphanh committed to allocate human resources and budget to implement the Plan.

The Plan also included provision for operation and maintenance of project assets. It clearly defined responsibility of various district agencies for monitoring and maintenance of infrastructure, for example: Public Health Office will maintain the dispensary and supervise villagers in maintaining the water supply systems. Public Work and Transport Office will be responsible for the district road and village access tracks, and the community will take care of the village meeting halls, water supply systems, and latrines. In addition, the Project prepared the operation and maintenance regulations for each infrastructure type and handed over to each village.

Similarly, provincial and district Lao Women Union will continuously provide assistance in managing the village revolving funds, while PAFO and DAFO will provide further support to villagers on agriculture extension, including LDC, and land use and forest management. Therefore, the livelihood programs are likely to be sustainable.

As all necessary measures for keeping the momentum are well planned and the initial implementation of the Plan is good, it is likely that the project outputs will be sustainable.

(v) **Overall Assessment.** The Project is rated highly successful⁸. The planned outputs were successfully delivered. Some performance targets/indicators were overachieved. The Project was highly relevant to the needs of rural communities and well contributed to the implementation of the Government plan and ADB strategy to reduce poverty in Lao PDR especially in the upland areas. It improved essential infrastructures and health services, enhanced management of natural resources, secured land tenure, expanded the livelihood options, and most importantly empowered the communities. By mobilizing experienced staff from line agencies, using existing resources and equipment, and adopting effective livelihood options, the Project was implemented in a highly efficient manner. The impact assessment confirmed key developments, such as the increase of average per capita income of the beneficiary from LAK 1.37 million in 2007 to LAK 2.61 million in 2011; the reduced travel time to market and social services; the reduced occurrence of water borne diseases and health care costs, and the reduced time spent by women and children for getting household water. The socio-economic survey conducted at the end of the Project shows that household asset index, such as number of motorbikes, four wheel vehicles, and hand tractors were increased by more than 200% between 2007 and 2011 in the target villages. Most villages had small scale rice mills and villagers widely use mobile phones. This indicates the improvement in quality of life in the project villages.

⁸ Based on IED¹ Guidelines, the following ratings are given: (i) relevance – 3, (ii) effectiveness – 3, (iii) efficiency – 3, (iv) sustainability – 2; thus overall rating (weighted average) is 2.8 – highly successful.

The participatory, community-driven, and multi-sectoral development approaches of the Project proved to be suitable for the rural upland areas of Lao PDR. The lessons and experiences were shared with other projects and stakeholders; they were incorporated in the Upland Development Strategy that is being prepared by the Ministry of Agriculture and Forestry.

18. Major Lessons Learned: The following lessons could help improve the formulation and implementation of similar projects:

- (i) **Experienced government staff involvement.** Government should appoint experienced staff to PIU to ensure a smooth project start up and implementation.
- (ii) **Ownership of local government.** Decentralized project administration was efficient and effective as the local government staff were able to promptly coordinate with other agencies on planning, implementation, and monitoring.
- (iii) **Active community participation helps reduce costs.** Participatory approach inspired the villagers as it involved the community during the planning and implementation which enabled effective mobilization of local resources thereby resulting in substantial cost reductions.
- (iv) **Mobilizing ethnic staff to enhance communication.** Working with ethnic groups speaking non-Lao languages was a major challenge. Recruiting of project staff from ethnic groups helped to ensure that the project related information was effectively delivered to villagers, especially women with limited literacy skills and Lao language proficiency. At the same time, project staff were able to better understand community's needs and responded effectively.
- (v) **Application of simple technology and local knowledge ensures success.** The Project activities were identified based on local knowledge and available resources, e.g. the NTFP domestication has been rapidly adopted by villagers as domestication technologies were simple and NTFP varieties were locally available.
- (vi) **Enhance impact through increased synergies with development partners.** Good coordination with development partners was a key to deliver the enhanced outcome and impact (discussed in section 16 under Output 4).

19. Recommendations and Follow-up Actions:

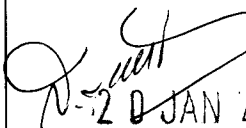


1. The post project sustainability plan developed by the Project focuses on accountability of line agencies for sustaining of project assets and development results. It includes role and responsibility of line agencies and required resources for implementation of measures. More importantly, this plan was discussed by responsible parties, and endorsed by the government of Houaphanh Province. However, for effective implementation of the plan, the following are recommended:

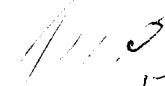


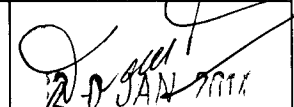
- (i) The provincial government of Houaphanh should allocate sufficient resources to agencies (as defined in the Post Project Sustainability Plan) in implementing their activities.
- (ii) The provincial agriculture and forestry office should closely monitor the implementation of the Plan and provide support to responsible agencies as needed.
- (iii) Regular meeting among the staff of provincial and district agriculture and forestry office should be carried out to discuss the implementation of the Plan and provide guidance for improvement, if needed.

2. The integrated and participatory approaches of the Project proved to be successful when the local authorities reached the poorest communities in remote areas particularly where there was limited external assistance. Thus, these approaches should be promoted and applied in other remote areas of the Lao PDR for projects with similar scope and funding size.

20. Additional Remarks, Comments and Suggestions: The provincial government of Houaphanh recognized the excellent project results and has requested ADB to consider an additional funding from JFPR resources to scale-up the interventions to other poorest villages in the province. UNODC expressed strong interest in continuing working with ADB in addressing rural poverty in the northern upland areas where opium cultivation and consumption still exist.

III. PREPARATION AND APPROVAL

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3. Project Officer, ADB:	Soudalay Souannavong Associate Project Officer Lao PDR Resident Mission (LRM)	 14 FEB 2014

Approved	Name of Person and designation / Name of Institution / Signature	Date
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2. Division/Country Director, ADB:	Sandra Nicoll Country Director, LRM	 23 MAR 2014
3. Head of the Recipient:	H.E. Chanseng Phimmavong Vice Governor Houaphanh Province	
4. Head of the Executing Agency:		
5. Head of Implementing Agency:	Mr. Sathien Vannasouk Director, PAFO Houaphanh Province	 20 JAN 2014

⁹ GIU=grant implementation unit (formerly called PIU=project implementation unit)