



Lao People's Democratic Republic: Climate-Friendly Agribusiness Value Chains Sector Project

Project Name	Climate-Friendly Agribusiness Value Chains Sector Project				
Project Number	48409-004				
Country	Lao People's Democratic Republic				
Project Status	Approved				
Project Type / Modality of Assistance	Grant				
Source of Funding / Amount	<table border="1"> <tr> <td colspan="2">Grant 0585-LAO: Climate-Friendly Agribusiness Value Chains Sector Project</td> </tr> <tr> <td>concessional ordinary capital resources lending / Asian Development Fund</td> <td>US\$ 40.50 million</td> </tr> </table>	Grant 0585-LAO: Climate-Friendly Agribusiness Value Chains Sector Project		concessional ordinary capital resources lending / Asian Development Fund	US\$ 40.50 million
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Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration				
Drivers of Change	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 Equity and Mainstreaming	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	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. 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 (footnote 1); (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. ⁷ 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.				
Impact	Agricultural competitiveness improved.				

Project Outcome

Description of Outcome	Productive and resource-efficient agribusiness value chains developed in project areas.
Progress Toward Outcome	

Implementation Progress	
Description of Project Outputs	Critical agribusiness value chain infrastructure improved and made climate resilient Climate-smart agriculture and agribusiness promoted Enabling environment for climate-friendly agribusiness enhanced.
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Champasak, Khammouan, Salavan, Savannakhet, Sekong, Vientiane
Safeguard Categories	
Environment	B
Involuntary Resettlement	B
Indigenous Peoples	B
Summary of Environmental and Social Aspects	
Environmental Aspects	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 it 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.
Involuntary Resettlement	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.
Indigenous Peoples	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.
Stakeholder Communication, Participation, and Consultation	
During Project Design	During project design, consultations were conducted 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.
During Project Implementation	The project is expected to become effective by 1 November 2018. Broad and meaningful consultations will continue through project implementation to build on the initial consultations held with various stakeholder groups during project preparation.
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	Southeast Asia Department
Responsible ADB Division	Environment, Natural Resources & Agriculture Division, SERD
Executing Agencies	<i>Ministry of Agriculture and Forestry - Department of Technical Extension and Agricultural Processing Ban don Tei, Xaythany District, Vientiane Capital Ministry of Agriculture and Forestry-Irrigation Dep DIDMP, Irrigation Department Ministry of Agriculture and Forestry P.O.Box 5192, Chao Anou Road Ministry of Agriculture and Forestry - Department of Planning and Finance Lane Xang Avenue, Patuxay Square PO Box No. 811</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	27 Sep 2018

Grant 0585-LAO

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

Financing Plan		Grant Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	46.37	Cumulative Contract Awards			
ADB	40.50	30 Jul 2018	0.00	0.00	0%
Counterpart	5.87	Cumulative Disbursements			
Cofinancing	0.00	30 Jul 2018	0.00	0.00	0%

Project Page	https://www.adb.org/projects/48409-004/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=48409-004
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