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Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 10-Mar-2017 | Report No: PIDISDSC21058



BASIC INFORMATION

A. Basic Project Data

Country Lao People's Democratic Republic	Project ID P161473	Parent Project ID (if any)	Project Name Lao Agriculture Commercialization Project (P161473)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date Nov 06, 2017	Estimated Board Date Mar 30, 2018	Practice Area (Lead) Agriculture
Lending Instrument Investment Project Financing	Borrower(s) Lao People's Democratic Republic	Implementing Agency Department of Planning and Cooperation	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to increase commercialization of selected value chains in the project areas.

Financing (in USD Million)

Financing Source	Amount
Borrowing Agency	2.00
International Development Association (IDA)	35.00
Total Project Cost	37.00

Environmental Assessment Category B-Partial Assessment	Concept Review Decision Track II-The review did authorize the preparation to continue
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Have the Safeguards oversight and clearance functions been transferred to the Practice Manager? (Will not be disclosed)

No

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Other Decision (as needed)

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B. Introduction and Context

Country Context

1. **Lao PDR has achieved good progress in economic growth and poverty reduction over the past decade.** Average growth of the gross domestic product (GDP) in the past decade was around 8 percent per annum. Poverty declined from 41.4 percent in 2002/03 to 28.8 percent in 2012/13. With a GDP per capita of around US\$1,600 in 2014, Lao PDR has become a lower-middle income country.
2. **Despite impressive macroeconomic achievements, poverty still remains high, especially in rural areas and among ethnic groups.** Over 80 percent of the poor are concentrated in rural areas. About 40 percent of Mon Khmer and Hmong ethnic groups are poor, compared to 15 percent of Lao-Tai people, and ethnic groups account for about two thirds of people having no access to formal education. Stunting is also pronounced among ethnic groups.
3. **In many rural areas of the country, a high prevalence of food insecurity and malnutrition is still a major problem.** Rice shortage often takes place for about 3-4 months per year. Prevalent farming systems are largely subsistent and generally lack diversification. Although the country is able to achieve self-sufficiency in rice at the national level in the normal year, there are still challenges in addressing food security due to the instability of annual production resulted from poor farming practices, ineffective water management, and frequent natural disasters (i.e. floods and droughts).

Sectoral and Institutional Context

4. **Agriculture is an important sector in Lao PDR, but it is currently underperforming.** The sector employs two-thirds of the country's labor force, but generates only 22 percent of the GDP. In the last decade, agricultural growth averaged 3.7 percent, which is less than half of the overall GDP growth. Agricultural farming is largely subsistent, producing one crop a year, mainly paddy with low productivity. Currently, irrigated agricultural land accounts for less than 15 percent of cultivated land and the remaining 85 percent is rain-fed. Recently, there have been emerging signs of agricultural commercialization and diversification (i.e. crop rotation or aquaculture with rice cultivation in low land areas; commercial production of maize in Xayaburi province, and vegetables in Vientiane province). In the bigger context, however, these developments are still relatively scattered and small.
5. **Lao PDR's agriculture sector is constrained by subsistent farming and small scale production with low level of commercialization, limited processing capacity, underdeveloped supporting infrastructure, and weak public services.** Value chains of rice, maize, and vegetables are currently underdeveloped. There are good opportunities and potentials for improving their performance substantially through improving farm productivity and enhancing value chains. While the former could be realized by adopting quality seed/ farm inputs, improved farming technologies, upgrades of irrigation and improved water management, improved extension services/applied research, enhanced farming mechanization, improved harvest/postharvest facilities, and better farming diversification/crop rotation, the latter could be achieved by improved regulatory framework to facilitate trade and monitor quality standards, market analysis/research, transportation/ logistics, strategic support to agribusinesses, contract farming, and product branding and marketing. The recently completed project "Engaging the Private Sector to Develop the Lao Rice Industry" (EMRIP) demonstrated the readiness of



the growing number of rice mills to modernize their facilities, engage in contract farming and develop marketing strategies.

6. **There are concerns related to the quality and sustainability of agricultural growth.** Rice is the most important crop in the agriculture sector of Lao PDR. Rice production dominates agricultural land use, occupying nearly 56 percent of the total harvested area of all crops. More than 80 percent of the Lao rice crop consists of various types of glutinous rice. Maize, which constitutes about 12 percent of the harvested area, is the next most important crop. No other single crop or category of crops takes up more than around 5 percent of the cultivated land. In terms of the tonnage of crops produced at the national level, rice represents 81 percent of total weight of crops produced. Lack of diversification and heavily reliance on rice while there is an increasingly fierce competition in global rice markets are the key challenges to competitiveness and sustainability of the agricultural growth of Lao PDR in the future.

7. **Addressing the risks and shortcomings of the sector will require re-organization of agricultural production and greater commercialization to support strategic value chains.** According to the findings of the Project Identification Mission jointly carried out by Ministry of Agriculture and Forestry (MAF) and the World Bank in November 2016, three strategic value chains were identified, which include: (i) rice value chains in the selected low land provinces; (ii) maize value chains in Xayaburi province; and (iii) vegetables value chains in Vientiane province and possibly Vientiane Capital. These value chains are currently operating far below their potentials due to: (1) weak agriculture knowledge and information system (i.e. weak research and extension and private sector linkages, inadequate/weak delivery of extension and training services, use of poor quality seeds, lack of agricultural diversification); (2) poor production infrastructure (i.e. lack/degraded irrigation canals, poor maintenance of irrigation infrastructure, poor feeder roads to facilitate in-scheme mechanization); (3) inadequate mechanization facilities and equipment (i.e. lack of mechanization for harvesting and post-harvest drying and processing, lack of equipment and facilities for quality testing and storage); (4) lack of access to finance (i.e. underdeveloped banking sector, low capacity of rice mills to prepare business plans and secure loans); (5) inadequate enabling environment (i.e. constraints to new business entry/business licensing, quality control and certification, public services to promote trade); and (6) insecure agricultural land tenure (i.e. risks of conversion of agricultural land to other uses, reduced incentives to invest and manage land by farmers). These constraints not only result in low farm productivity but also are generic causes for the poor performance of the agriculture sector and slow process of agricultural commercialization.

8. **The Government has recognized the need to promote a substantial shift in the agriculture sector from subsistent farming to sustainable commercial agriculture following cluster development and value chain approaches.** On November 18, 2016, the Government through Ministry of Planning and Investment (MPI) sent an Official Letter to the World Bank requesting the support on agricultural commercialization in order to improve the sector's performance especially along the rice value chains. Yet, there is also an increasing attention of the Government to other crops such as maize, horticulture, beans and pulses, and aquaculture, to increase diversification and farm incomes, as well as to improve food security and reduce malnutrition.

Relationship to CPF

9. **The proposed project is aligned with the National Agriculture Sector Plan to 2020 and Strategy to 2025, in which improving the commercialization and competitiveness of the agriculture sector are the top priorities.** The proposed project also supports several objectives of the Eight National Socio-Economic



Development Plan (NSEDP), namely Outcome 2.2 “Food security ensured and incidence of malnutrition reduced” and Outcome 3.3 “Reducing the instability of agricultural production caused by impacts of natural disasters.”

10. **The proposed project is consistent with the Systematic Country Diagnostic (2016)**, which placed an increase in agricultural productivity to support incomes among the top priorities to reduce poverty and boost shared prosperity in Lao PDR, and with the Country Partnership Framework (CPF) 2017-2021. It contributes to achieving its Objective 1.2 “Making it easier to do business and create jobs” under the Focus Area 1 “Supporting Inclusive Growth” and Objective 2.1 “Reducing the prevalence of malnutrition” under the Focus Area 2 “Investing in People.”

11. **The proposed project is closely aligned with the twin goals of ending extreme poverty and boosting shared prosperity and with the global Sustainable Development Goals**, including Zero Hunger (Goal 2) and Climate Action (Goal 13). The project would directly provide benefits to local farmers in four provinces, namely Xayaburi (those associated with maize value chains), Vientiane Province (vegetables value chains), and Bolykhamxay and Khammouane Provinces and Vientiane Capital (rice value chains). Most farmers in these provinces are practicing subsistent agriculture with low/ unstable productivity and low incomes. Generally speaking, rural farmers among poor groups in Lao PDR and some of them are living under extreme poverty.

C. Proposed Development Objective(s)

Note to Task Teams: The PDO has been pre-populated from the datasheet for the first time for your convenience. Please keep it up to date whenever it is changed in the datasheet.

12. The Project Development Objective (PDO) is to increase agricultural productivity and commercialization of selected value chains in the project areas. The final PDO is subject to review during project preparation.

Key Results (From PCN)

13. The proposed PDO-level results indicators are:

- (i) Number of project beneficiaries (men and women; core indicator);
- (ii) An increase in productivity from those farmers adopting new technologies;
- (iii) An increase in the sale volumes (percentage) from those farmers adopting new technologies;
- (iv) An increase in the quality of the produce sold to agribusinesses through production alliances.

D. Concept Description

14. The proposed Agriculture Commercialization Project (ACP) seeks to enhance the competitiveness and sustainability of Lao PDR’s agriculture sector through technical and financial support to increase in agricultural productivity and commercialization in selected strategic value chains. The project would focus on: (i) the geographical areas with high agricultural development potentials; (ii) the farming systems with high potentials



for commercialization (i.e. paddy, maize, vegetables); (iii) promotion of good agricultural practices and climate smart agricultural technologies and farming system diversification to enhance food and nutritional security; (iv) building capacity for farmers' organisations, agribusinesses, public and private service providers; and (v) building on and developing synergies with other government/donor programs.

15. **Proposed project areas:** In line with the above strategy, the project would select Provinces and Districts with: (i) high potentials for agricultural production (farm land and production volume); (ii) high potentials for commercialization and value chain development; (iii) availability of basic public infrastructure (i.e. irrigation, roads, etc.); (iv) public services in place to support commercialization and diversification; and (v) availability of agribusinesses interested in inclusive value chain development. The list of target provinces is provisionally set as Vientiane capital, Vientiane province, Bolikhamxay, Khammouane, and Xayabury. The Provinces will be confirmed and districts will be identified before pre-appraisal mission. Three selected value chains could be initially selected for project preparation purposes – namely high value commercial rice (not subsistence), maize, and vegetables -- while allowing flexibility to add other, high-value crops during the life of the project.

16. It is envisaged that the Project would have three components: (A) Enhancing Productivity of Farming Systems; (B) Support for Improved Value Chains; and (C) Project Management.

17. **Component A: Enhancing Productivity of Farming Systems:** This component would aim at enhancing productivity of farming systems and it would include the following activities:

- (i) Production organization and promotion of the use of good quality seeds;
- (ii) Research and extension to improve farming practices and farm machinery to promote good and sustainable agricultural production, diversification and commercialization;
- (iii) Upgrades of existing irrigation infrastructure and improvement of water management practices;
- (iv) Establishment and capacity building for farmer groups and their members; and
- (v) Mapping, demarcation, and registration of irrigation land/systems in the project area on a block basis (not for individual plots).

18. **Component B: Strengthening Agricultural Value Chains.** This component would aim at strengthening and leveraging private sector investments in selected food value chains, and it would include the following activities:

- (i) Provision of matching grants to farmer groups and their members to promote investments in harvesting machines, drying and storage facilities to reduce pre/postharvest losses;
- (ii) Provision of matching grants and capacity building assistance to agribusinesses to strengthen their role in driving the value chain development;
- (iii) Upgrades of feeder access to production areas and farms;
- (iv) Training and consulting support to farmer groups and their members to build their management skills, business development and marketing of farm produce through adopting contract farming, value addition and product branding;



- (v) Support MAF, MOIC, their research institutes and technical agencies in conducting relevant market research, agricultural policy analyses, and improving intelligence and management skills; and
- (vi) Improving the enabling environment through strengthening capacity for quality control and standards certification (i.e. seeds, produce, mills, etc.) including improved inspection services, test kits and laboratory capacity to certify for clean and safe foods.

19. **Component C: Project Management.** This component would provide equipment and incremental operating costs for project monitoring, financial management, and procurement activities, ensure compliance with the safeguards, support the short and long-term technical assistance to the project management team in selected areas, and support analysis and dissemination of findings related to the effectiveness and challenges associated with the different institutional and technical models being applied or piloted under the project.

20. The project would establish and support linkages with ongoing and future interventions by other donors including ADB, IFC, NGOs, and government projects/programs. For instance, farmer groups and agribusinesses which received previous supports from the SNV's EMRIP will be eligible for further support from this project in order to be more effective and efficient. The farmer groups and agribusinesses participating in this project would be well positioned to graduate and become potential clients of IFC in the future. This proposed project would seek to create complementary and enhance synergy of existing projects/programs in the areas.

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SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The list of target provinces is provisionally set as Vientiane capital, Vientiane province, Bolikhamxay, Khammouane, and Xayabury. The Provinces will be confirmed and districts within identified before pre-appraisal mission.

Component A (Enhancing Productivity of Farming Systems) would include production promotion of the use of good quality seeds, research and extension to improve farming practices and farm machinery to promote sustainable agricultural production, diversification and commercialization, upgrades of existing irrigation infrastructure and improvement of water management practices. Component B (Support for Improved Value Chains) would strengthen and leverage private sector investments in selected food chains. Component (Project Management) would support project management including monitoring and evaluation, financial management and procurement to ensure compliance with the fiduciary safeguards requirements.

The project's overall impacts are expected to be positive. Some negative impacts are envisaged to be limited, localized, manageable and reversible. It is anticipated that the following World Bank safeguard policies will be triggered: Environmental Assessment (OP/BP 4.01), Pest Management (OP 4.09), Indigenous Peoples (OP/BP 4.10), Involuntary Resettlement (OP/BP 4.12), Safety of Dams (OP/BP 4.37), and International Water Ways (for irrigation rehabilitation). At present, there is insufficient information to determined if Natural Habitats (OP/BP 4.04) and Physical Culture Resources (OP/BP 4.11) are triggered, hence it is classed as TBD. Mapping, demarcation, and registration of irrigation land/systems



are not expected to cause changes in land use types and land ownership as they will be carried out a block basis (not for individual plots). Forced child labor and labor influx are not anticipated from the project. The project would comply with the three gender tags proposed by the World Bank Standards. This is to ensure that the project will address gender in terms of (i) analysis; (ii) action; and (iii) monitoring and evaluation framework. During project preparation, the project will develop specific/tailored measures to enhance equal access/opportunities for women to benefit from the matching grants and other project activities.

B. Borrower’s Institutional Capacity for Safeguard Policies

The project will be executed through the Ministry of Agriculture and Forestry (MAF) with its provincial and district offices (PAFOS and DAFOs) in collaboration with Provincial Industry and Commerce Offices (PICOs) to be responsible for actual implementation of day-to-day activities. The capacity of MAF is assessed to be adequate as they had extensive experience in managing and implementing donor-funding projects, including those from the WBG namely Agriculture Development Project (ADP), 2004-2008, Rice Productivity Improvement Project (RPIP), 2009-2012 and Lao Upland Food Security Improvement Project (LUFISIP), 2010-2014. Some of PAFOs and DAFO staff had have previous experience with the World Bank-financed projects but some are new especially to safeguard policies. To mitigate residual risks, technical assistance will be recruited and in place to provide specific technical capacity for the implementing agencies involved in safeguard preparation and implementation. A staff from MAF and each of PAFOs and DAFOs will be appointed as focal points for safeguards. These safeguard focal staff will be responsible for impact assessment, consultation, and preparation of safeguard instruments, implementation and compliance monitoring and reporting with technical support from the consultants. Safeguard training and assistance will be also provided by the Bank safeguard specialists and the National University of Laos which delivers a safeguard training program supported through the ongoing Bank-financed Lao Environmental and Social Project II (LENSII).

C. Environmental and Social Safeguards Specialists on the Team

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>The project will finance irrigation and drainage refurbishment and upgrades and water management practices. Investments in harvested machines and storage and training, and equipment provision.</p> <p>The envisaged investments are typical to similar agriculture development projects and are not expected to have adverse and unprecedented environmental and social impacts. Implementation of irrigation and drainage infrastructure and land improvements investments on farmer fields under Component 1 are mainly rehabilitation by their nature and not expected to have significant negative environment and social impacts.</p>

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			Given that the scope and targets of the project are still to be determined during the project preparation, an Environmental and Social Management Framework (ESMF) will be developed and applied by the project. ESMF will provide policy provisions, principles and process to address the environmental and social impacts. The policy framework will describe procedures for impact assessment, consultation, preparation of subsequent safeguard instruments and implementation arrangement.
Natural Habitats OP/BP 4.04	TBD		It is expected that the project is only limited to areas of land already utilized for agriculture. NH will not likely be triggered as it is not anticipated at this stage. The project will have a 'chance finds' mechanism built into the ESMF to address the potential issues on NH.
Forests OP/BP 4.36	No		Forestry is not triggered as it is envisage that no project activities will take place on forest areas. The project would apply a screening process to eliminate subprojects which will impact on forests or involve forests in the early planning stage.
Pest Management OP 4.09	Yes		The project will develop a Pest Management Plan in line with Lao legal regulations and World Bank Policies on pesticide uses. A negative list of chemicals will form be included. The Pest Management Plan will be the part of the ESMF.
Physical Cultural Resources OP/BP 4.11	TBD		The project may impact on physical cultural resources although it is expected to be limited to areas of land already utilized for agriculture. The project will have a 'chance finds' mechanism built into the ESMF to address the potential issues on PCR.
Indigenous Peoples OP/BP 4.10	Yes		Target beneficiaries and project areas will be identified during project preparation. It is likely that the project will operate in areas where there is a presence of ethnic groups, belonging to Mon-Khmer and Hmong-Hmong – lu Mien ethno-linguistic families, that meet the four characteristics specified as defining criteria for indigenous people in the World Bank Policy on Indigenous Peoples (OP/BP4.10). The project would conduct a Social Assessment to inform the preparation of the Ethnic Group Policy Framework (EGPF) to ensure that free, prior and informed consultations would be conducted with affected ethnic groups leading to their broad community support, and that they receive project benefits in a culturally appropriate manner. The EGPF will be prepared as a



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standalone document in line with OP 4.10 requirements, and will be finalized before the project appraisal.

Due attention will be given to ensure that ethnic groups do not suffer adverse impacts and that they receive culturally compatible social and economic benefits. Necessary steps and procedures will be included to ensure that the cultures of the multi-ethnic society are respected and that gender dimension are integrated at all levels and cycles of project implementation. A feedback and grievance resolution mechanism will be developed and applied under the project to provide affected ethnic groups a legitimate platform for monitoring and reporting on the safeguard policy compliance as well as on project implementation.

The project will provide training to its staff, consultants and their partners on the EGPF to ensure that they are aware of and able to comply the policy requirements. Details of due diligence procedures will be described in the EGPF.

Under Component A of the project: Enhancing Productivity of Farming Systems aiming at enhancing productivity of farming systems, minor land acquisition are envisaged from the rehabilitation of existing irrigation schemes. The civil works may involve expansion of intake, local reservoirs and irrigation canals. These potential impacts can be avoided or minimized through proper design, impact assessment, consultation and application of mitigation measures. Given that the irrigation subprojects and areas to be covered are still unknown and to be identified during the project preparation, a Compensation and Resettlement Policy Framework (CRPF) will be developed and applied by the project which is in compliance with OP/BP 4.12 requirements. The CRPF will complement the EGPF and ESMF, especially in terms of implementation arrangements. If land or asset loss are unavoidable, the principles and procedures described in the RPF will be applied to address negative impacts. Project staff, consultants and its partners will be provided with training and support to enable them to comply the policy requirements.

Involuntary Resettlement OP/BP 4.12

Yes



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Safety of Dams OP/BP 4.37	Yes	Although the project does not plan to include construction/rehabilitation of dams, it may include small scale irrigations which use or rely on dams. The project will prepare safeguard documents to comply with OP/BP 4.37 requirements.
Projects on International Waterways OP/BP 7.50	Yes	The policy is triggered as the proposed project investments are located in areas that are part of the Mekong River Basin. However, the project targets rehabilitation and improvements of existing irrigation systems and the rehabilitation works will not involve any adverse impacts on the quality and quantity of waters in the Mekong River. The team will prepare for a notification process for downstream riparian nation states.
Projects in Disputed Areas OP/BP 7.60	No	The project will not be active in disputed areas.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Oct 31, 2017

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The safeguard consultants will be recruited in April 2017. Draft safeguard documents will be available for review in June 2017. Final safeguard documents will be available for disclosure in August 2017.

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APPROVAL

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