



**The World Bank**

Community Livelihood Enhancement And Resilience (P178545)

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# Project Information Document (PID)

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Appraisal Stage | Date Prepared/Updated: 02-May-2023 | Report No: PIDA34216

**BASIC INFORMATION****A. Basic Project Data**

Country Lao People's Democratic Republic	Project ID P178545	Project Name Community Livelihood Enhancement And Resilience	Parent Project ID (if any)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 05-May-2023	Estimated Board Date 15-Jun-2023	Practice Area (Lead) Social Sustainability and Inclusion
Financing Instrument Investment Project Financing	Borrower(s) Lao People's Democratic Republic	Implementing Agency Poverty Reduction Fund - Ministry of Agriculture and Forestry	

## Proposed Development Objective(s)

To improve rural livelihoods and consumption of diverse foods for targeted vulnerable communities, and to respond promptly and effectively in case of Eligible Crisis or Emergency.

## Components

Local Economic Development and Community Capacity Strengthening

Community Livelihoods Enhancement

Community Nutrition Interventions

Project Management, Capacity Building and Monitoring and Evaluation

Contingent Emergency Response Component

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

Total Project Cost	45.00
Total Financing	45.00
of which IBRD/IDA	45.00
Financing Gap	0.00

**DETAILS****World Bank Group Financing**



International Development Association (IDA)	45.00
IDA Credit	45.00

## Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

**B. Introduction and Context**

## Country Context

1. The Lao People's Democratic Republic (PDR) is a landlocked country of 7.3 million people,<sup>1</sup> endowed with enviable natural resources. Lao PDR has been one of the fastest-growing economies in the world between 2003 and 2019. Economic growth has been driven by capital accumulation in the natural resource sectors and other large infrastructure developments, such as mining, hydropower, and transport-related projects. GDP growth slowed down from 8.0 percent in 2013 to 2.5 percent in 2021 as COVID-19 hit. The pandemic led to employment disruptions that caused severe income losses for households. In May 2022, 43 percent of households still reported having experienced a decline in income compared to pre-pandemic levels.<sup>2</sup>

2. A deterioration in the domestic and external environment has negatively impacted the population since 2022.<sup>3</sup> Earnings have not kept pace with inflation, which reached 40.3 percent (year on year) in January 2023. Food price inflation is creating an additional burden in a context of existing malnutrition challenges. Most households responded to food inflation by reducing food consumption, switching to cheaper food, hunting and gathering, or resorting to self-production.<sup>4</sup> In December 2022, 13 percent of households were food insecure, with heightened risk among rural households (16 percent) and households headed by people with no education (23 percent).<sup>5</sup> Climate change impacts, notably flooding and drought, are projected to exacerbate food insecurity across the country.<sup>6</sup>

3. These new economic challenges compound underlying weaknesses. Economic growth had been largely natural-resource-driven, debt-fueled and unequal. It was not accompanied by significant job creation, especially off-farm. Labor force participation declined from 84 percent in 2012 to 72 percent in 2018, with youth unemployment quadrupling to 21.8 percent during that period. Overall, growth had

<sup>1</sup> Lao Statistics Bureau (as of 2021).

<sup>2</sup> World Bank. 2022. Monitoring Household Welfare in Lao PDR: Round 5 Brief. Data is from the latest available survey round.

<sup>3</sup> World Bank. 2022. Lao PDR Economic Monitor: Tackling Macroeconomic Vulnerabilities.

<sup>4</sup> World Bank. 2022. Monitoring Household Welfare in Lao PDR: Round 5 Brief.

<sup>5</sup> WFP 2022. Lao PDR: Food Security Monitoring, December 2022.

<sup>6</sup><https://unfccc.int/sites/default/files/NDC/202206/NDC%202020%20of%20Lao%20PDR%20%28English%29%2C%2009%20April%202021%20%281%29.pdf>



been more favorable to the non-poor, with a rise in inequality between geographic areas of the country.<sup>7</sup> Before the Covid pandemic struck, the national poverty rate had declined from 24.6 percent in 2012 to 18.3 percent in 2018. However, living standards remain unequal across geographic areas and ethnic groups, with widening gaps. Poverty declined primarily in the south and north, while in the central region—previously the wealthiest—it declined only slightly. Mountainous areas in the north and hilly areas bordering Vietnam in the south encompass most districts with high poverty rates; they are home to large ethno-linguistic minority populations and display evidence of poor nutrition.<sup>8</sup> In 2018, 32.7 percent of Mon-Khmer people and 38.4 percent of Hmong-Lu-Mien were poor. The gap had been widening since 2012 for the Hmong-Lu-Mien, who are 10 percent of the population but 19 percent of the poor.

4. Communities across Lao PDR face persistently high levels of vulnerability that hinder sustainable welfare progress, linked to lack of livelihood diversification. Agriculture-only households are more likely to have lower consumption and be poor. While poverty decreased, the share of poor households who depend only on farming increased from 71 percent in 2012 to 79 percent in 2018.<sup>9</sup> Nonfarm job creation has been limited, hindering opportunities for diversification of incomes and thus increasing risks of impoverishing income shocks.<sup>10</sup> Diversification of agricultural production, further movement towards market-oriented agriculture, and the enhancement of farm productivity where feasible will continue to be crucial for livelihood improvement and to offer buffers against shocks in the sector.

5. High levels of childhood chronic under-nutrition continue to hamper long-term human and economic development. Low nutrient intake and nutritional deficiencies among pregnant mothers and infants under two years have long-term consequences for cognitive development. About 33 percent of children under five years old were stunted in 2017,<sup>11</sup> among the highest levels in the East Asia and Pacific (EAP) region. Stunting did not improve as rapidly as monetary poverty in the four northern provinces covered by the World Bank's nutrition convergence approach since 2020,<sup>12</sup> which have some of the highest stunting rates in the country. Underconsumption of protein-rich food is a significant driver. In addition, persistently high rates of adolescent pregnancy, especially among less educated and rural girls, increase the risk of child stunting, reinforcing an intergenerational cycle of chronic malnutrition.

6. Lao PDR is highly exposed to disasters and risks arising from climate change. Its population faces significant climate-related hazards that are exacerbated by poverty and malnourishment, especially among marginalized communities.<sup>13</sup> Annual expected losses from floods alone range between 2.8 and 3.6 percent of GDP.<sup>14</sup> Climate models show a trend of consistent warming and an increase in the intensity of

<sup>7</sup> World Bank 2022. Where are the Poor in Lao PDR Small Area Estimation: Province and District Level Results.

<sup>8</sup> World Bank 2020: Where Are the Poor in Lao PDR? Small Area Estimation: Province and District Level Results.

<sup>9</sup> World Bank. 2020. Lao People's Democratic Republic Poverty Assessment 2020: Catching Up and Falling Behind. World Bank, Washington, DC.

<sup>10</sup> Ibid.

<sup>11</sup> Stunting reflects chronic malnutrition as a result of failure to receive adequate nutrition over a long period and recurrent or chronic illness. It is measured is by height-for-age. Children whose height-for-age is more than two standard deviations below the median of the reference population are considered short for their age and are classified as moderately or severely stunted. Those whose height-for-age is more than three standard deviations below the median are classified as severely stunted. (Lao Statistics Bureau and UNICEF. 2018. *Lao Social Indicator Survey II 2017, Survey Findings Report*. Vientiane, Lao PDR).

<sup>12</sup> National aggregates of childhood undernutrition in 2017 mask wide inequalities, with stunting rates significantly higher in provinces such as Phongsaly (54 percent), Sekong (49.9 percent), Xiengkhuang (48.3 percent), and Huaphanh (40.7 percent).

<sup>13</sup> The World Bank Group and the Asian Development Bank. 2021. Climate Risk Country Profile: Lao PDR (2021).

<sup>14</sup> GFDRR, 2019. Post-Disaster Needs Assessment: 2018 Floods, Lao PDR



heavy rains, altering the Mekong hydrological system, with floods increasing in frequency.<sup>15</sup> Such events are projected to have significant impacts on the region's ecosystems, community infrastructure, population health, productivity of labor, and agricultural livelihoods. These in turn will adversely impact food and nutrition security. In addition, key economic activities, including mining, hydropower, and agriculture, have also resulted in high rates of deforestation, natural resource depletion, and environmental degradation, further exacerbating vulnerability to natural disasters and climate shocks. The effects of such shocks typically will affect the poor disproportionately and exacerbate existing inequalities, given their greater reliance on agricultural livelihoods and more limited coping mechanisms.<sup>16</sup>

7. Against this backdrop, strengthening the resilience of poor rural communities through improved livelihoods and access to nutritious food is more critical than ever. A lack of diversity in livelihoods within villages is a root issue leading to low resilience, along with lower formal education levels, language gaps, weak village institutions, and limited access to basic infrastructure. Building resilience will mean empowering communities to diversify their sources of self-consumed foods and income whenever there is limited potential to improve the physical and economic productivity of existing agricultural activities. In bad economic times, diversified income sources can help buffer negative impacts and limit the need to resort to negative coping mechanisms. In good economic times, they will sustain improvements in productive assets and enhance well-being.

#### Sectoral and Institutional Context

8. Improving rural and agricultural livelihoods will continue to hold the key for sustainable poverty and vulnerability reduction in the upland areas of Lao PDR. While two thirds of the population live in rural areas, they represent 88 percent of the poor. Almost all of these are agricultural households. About half of these households can be characterized as living in remote areas, mostly in upland villages; only 64 percent of them live in villages with all-weather road access.<sup>17</sup> Livelihoods in upland villages combine self-consumption, sales, and uneven levels of remittances from seasonal or permanent migration. While none of the villages is fully practicing subsistence agriculture, most are at risk of food and/or nutrition deficits, in quantity and/or quality, should households' own production decline.

9. Agricultural production is in transition, which climate and market shocks might accelerate. Upland land use generally combines small patches of paddy land, rainfed or with gravity irrigation, with rotational agriculture on typically one hectare of sloped land annually. Crop rotations have become very short, around three years, due to land shortages.<sup>18</sup> Village communities are already transitioning, with Government support, to fencing part of the communal fallows for livestock use, although this will require reliable water sources. In the rotation, the predominant hybrid maize crop, a cash crop for 90 percent of producers (nationwide), implies the annual use of external inputs,<sup>19</sup> while higher input and transportation costs have started to substantially reduce margins. Cassava cultivation has been steadily increasing since 2020, with potential significant implications for upland smallholders. Rubber and banana plantations are partly village-based but their presence in project villages is reportedly limited and has stabilized. Extreme weather and more intense droughts impact households' self-consumed foods.

<sup>15</sup> Prime Minister's Office. 2021, July. National Strategy on Disaster Risk Reduction (NSDRR), 2021 – 2030.

<sup>16</sup> The World Bank Group and the Asian Development Bank. 2021. Climate Risk Country Profile: Lao PDR (2021).

<sup>17</sup> World Bank. 2019. Lao People's Democratic Republic Poverty Assessment 2020: Catching Up and Falling Behind. World Bank, Washington, DC.

<sup>18</sup> Cramb, Rob Editor 2020. White Gold: The Commercialization of Rice Farming in the Lower Mekong Basin. Palgrave MacMillan.

<sup>19</sup> UNCTAD 2020. Analyzing the Maize Value Chain for Export in Lao People's Democratic Republic.



10. Connectivity has improved, at least in the northern part of the country, but upland villages with a lack of roads for reliable physical market access remain at risk of structural food deficits. Smartphones are ubiquitous among the young generation, even when the signal does not reach the village itself. Province-wide, 72 percent of villages in the north, 74 percent in the south, had road access in 2019. Satellite images show that a significant proportion of villages in poorer districts do not have road access, which hinders access to markets and basic services. According to the 2020 agricultural census, households in villages without road access were twice as likely to report being anxious about not having enough to eat. Another important feature of local governments' action is the on-going relocation of isolated, small settlements into larger villages with road access under the Government's rural development policy.

11. Despite these common features, villages differ markedly on the way forward, requiring adapted models for resilience. Geographical remoteness, connectivity to markets and services, ethnicity, dependence on forest resources, remaining unexploded ordnance (UXO) presence, and past and recent migration history are among the factors that contribute to this diversity. Close to 3,000 villages countrywide (35 percent of all villages) are listed as upland villages.<sup>20</sup> These are typically a mix of small communities of around 30 to 100 households, and larger consolidated villages comprising several hamlets.<sup>21</sup> Villages along the northern corridor, linked to China by train since mid-2022, and those close to the border with Vietnam in the northeast have substantial new opportunities for income generation.<sup>22</sup>

12. The “Sam Sang” (three drive) devolution policy defines the formal functions of local administrative levels, enhancing the decision-making capacity at the district level and identifying the village as the basic development unit. The Ministry of Planning and Investment promotes participatory planning guidelines for the integration of villages’ priorities into the five-year socioeconomic development plans. Village institutions are seen by the Government as an effective mechanism to deliver inclusive local investments. However, this village-level process is not fully institutionalized, and elements of participation can be strengthened. Village administration is led by a locally elected village chief, who is assisted by deputy chiefs, and heads of village hamlets. Participation in local institutions tends to be dominated by older men, with limited voice for youth and women. Ethno-linguistic minority groups face barriers in engaging with the local administration and are at significant risk of being excluded from development initiatives, largely due to language and capacity constraints.

13. Women’s active and effective participation in local decision-making is limited.<sup>23</sup> Ingrained social norms discourage women from voicing their needs.<sup>24</sup> Language barriers and illiteracy pose an additional disadvantage for women, especially non-Lao-Tai women.<sup>25</sup> Gender inequalities persist also in economic opportunities, despite women’s significant role in the rural economy. Women tend to be in low-quality jobs. Around 86 percent of working women in Lao PDR are self-employed, compared with the Association of Southeast Asian Nations (ASEAN) average of 46 percent. Most of them are employed in agriculture or unpaid care work: in 2018, rural women spent over four times as much as men on household chores, limiting their ability to engage in both formal and informal work.<sup>26</sup> Female-headed households have less household labor and productive assets than male-headed households and less diversified crop

<sup>20</sup> 2020 Third Agricultural Census.

<sup>21</sup> Laos Statistics Bureau, 2021 population on-line data, by province.

<sup>22</sup> World Bank Group 2022. Developing the Agribusiness Potential in the Laos-China Railway Corridor.

<sup>23</sup> FAO. 2018. Country Gender Assessment of Agriculture and the Rural Sector in Lao People’s Democratic Republic. Vientiane.

<sup>24</sup> Lao PDR PFR, Impact Evaluation, 2016.

<sup>25</sup> LECS 2018 data.

<sup>26</sup> LECS 2018



production,<sup>27</sup> rendering them less resilient to economic shocks and the adverse effects of climate change and disasters. For women in poor rural areas, structural transformation and commercialization have opened relatively fewer opportunities for employment off-farm than for men, increasing their economic vulnerability.

14. The Poverty Reduction Fund (PRF), under the Ministry of Agriculture and Forestry (MAF), has established itself as one of the main Government institutions working to reduce poverty in rural areas, implementing a series of three World Bank-financed projects by the same name, starting from 2003. The third project (PRF III - P157963) is currently under implementation. The PRF series improved access to infrastructure for well over a million rural people through construction of over 6,000 small infrastructure works. Close to 10,000 households had pursued new livelihood investments through PRF III as of 2020.

15. The PRF project series has gradually evolved, expanding the scope of interventions from rural infrastructure to community livelihoods interventions and introduced community nutrition activities. In parallel, it deepened its participatory approach to community investment decisions, strengthened its focus on district level capacity, sharpened its targeting approach to reach poorer areas. Changes have been incremental, based on piloted and rigorously evaluated new interventions. Geographic coverage has also shifted over time. PRF III contributes to the nutrition convergence agenda in four high-stunting provinces in the north (Oudomxay, Phongsaly, Huaphanh, Xiengkhuang).<sup>28</sup>

16. Two main strategy frameworks define the policy context of the project: MAF's 2021-2025 Strategy and the Government's Decree 348 (2017), implemented under MAF's oversight. MAF's Strategy defines agricultural production for domestic food security and nutrition as its first priority, seeking to balance the development of agricultural commodities for domestic and international markets. Under this strategy, MAF's 2021-2025 plan promotes learning through household groups and networks, as well as the establishment of registered producer groups, a first step towards the creation of farmer cooperatives, and access of these producer groups to formal credit. MAF considers adaptation to climate change a priority. Decree 348/GOL (2017) reflects a geographical expansion of the country's poverty reduction efforts. Under the decree's definition for the graduation of villages and districts from poverty, 93 districts were poor in 2022. These criteria include road access, availability of clean water and market access.

### C. Proposed Development Objective(s)

#### Development Objective(s) (From PAD)

To improve rural livelihoods and consumption of diverse foods for targeted vulnerable communities, and to respond promptly and effectively in case of Eligible Crisis or Emergency.

#### Key Results

Indicator 1: Percentage of Income-Generating Activities<sup>29</sup> (IGAs) implemented that are viable 1 year after having benefitted from financing under the project (total; women-owned IGAs; non-Lao-Tai-owned IGAs)

<sup>27</sup> FAO, 2019. Country Gender Assessment of Agriculture and the Rural Sector in the Lao PDR.

<sup>28</sup> Since 2020, the World Bank has been working with the Lao government and development partners to help ensure nutrition and food security through coordinated interventions across sectors (livelihoods, social assistance, improved childcare practices, access to health services, and water, sanitation, and hygiene).

<sup>29</sup> An IGA is defined as viable when it generates a gross operating profit ((gross operating profit = total revenue – total expenses).



Indicator 2: Number of project beneficiary households that have at least one additional source of income from project activities (total; female-headed households)

Indicator 3: Percentage change in travel time to drinking water, agricultural areas, markets, agricultural storages, drying platforms and processing site areas

Indicator 4: Percentage of children aged 6 to 23 months from community nutrition groups (CNGs) households consuming foods from five out of eight recommended food groups

Indicator 5: Number of direct beneficiaries (total; female; non-Lao-Tai).

#### D. Project Description

17. CLEAR is a community and local development (CLD) project that builds off the PRF series while taking advantage of Lao PDR's changing rural sector and evolving policy framework. Proven implementation mechanisms and multisectoral approaches of the PRF series are maintained. Activities will be successively implemented in two batches of clustered districts and villages, with a two-year project cycle in each village. The amount of the block grant is the same in each village.

18. The project targets some of the most vulnerable communities in Lao PDR, continuing to support four nutrition convergence provinces in the north (Huaphanh, Oudomxay, Phongsaly, Xiengkhuang) and expanding to three provinces in the south (Saravan, Savannakhet and Sekong). It will be implemented in 14 districts (two per province). PRF III beneficiary villages will be avoided. The geographic targeting is based on a data-driven exercise. Provinces were ranked based on a simple index including multidimensional poverty,<sup>30</sup> stunting prevalence,<sup>31</sup> vulnerability to climate-induced shocks and natural hazards,<sup>32</sup> and dimensions of deprivation directly relevant to the project (low connectivity, high reliance on agricultural incomes).<sup>33</sup> Two districts are selected in each province, based on poverty status<sup>34</sup> and operational feasibility (e.g., proximity, complementarity with other programs, etc.).

19. CLEAR tailors activities to three types of villages, defined according to their current vulnerability levels and market access potential. All project components will be implemented across all-villages. See Table 1. Approximately 32 villages will be selected within each district, prioritizing those considered poor based on PMT/Decree 348 data and graduation criteria, complemented with other available indicators such as distance from markets and absence of other programs. CLEAR will cover about 450 villages. It reflects synergies and complementarities with the main development projects in the same districts.

**Table 1: Village Typology Matrix and Overview of Activities by Village Type**

	Type I Food security level	Type II Intermediate level	Type III Transition level
Current status	Remote village Limited connectivity to market Exposed to food security shocks and climate change impacts	Village with improving connectivity to market Exposed to income shocks and climate change impacts	Less remote village with improved connectivity to market, exposed to market risks and unemployment risks and climate change impacts

<sup>30</sup> Multidimensional poverty, based on LECS 2018 in World Bank. 2020. "Lao People's Democratic Republic Poverty Assessment 2020: Catching Up and Falling Behind." World Bank, Washington, DC.

<sup>31</sup> Lao Social Indicator Survey II, 2017.

<sup>32</sup> Data from the Global Facility for Disaster Reduction and Recovery (GFDRR) database, available on thinkhazard.org.

<sup>33</sup> Share of households with agriculture-only incomes; share of villages without road access in the rainy season (Lao Expenditure and Consumption Survey 6, 2018/2019).

<sup>34</sup> Based on Decree 348 data and monetary poverty estimates at district level from World Bank 2022. Where are the Poor in Lao PDR Small Area Estimation: Province and District Level Results.



Activities by village type			
Community infrastructure	Basic access (e.g., access road spot improvement, bridges, drinking water)	Production oriented (e.g., drying platform, field access roads)	Groups' infrastructure needs (e.g. drying platform, processing site area, storage)
Livelihood groups	Self-help groups (without savings and credit)	Self-help groups (with savings and credit)	Self-help groups (with savings and credit); producer groups
Nutrition interventions	A – Social and behavior change communication (SBCC) activities B – Promotion of nutritious foods, adapted to village resources		
CLEAR community capacity building	Voluntary village application process after orientation training Community capacity strengthening program for selected villagers and local staff Hamlet and village participatory process		

**Component 1: Local Economic Development and Community Capacity Strengthening (US\$25.6 million)**

20. This component supports activities taking place at the level of the whole village community. Activities will strengthen community capacity to prioritize climate resilient village-level initiatives and related small infrastructure investments and organize their operation and maintenance. This will be done in a way that promotes participation of community members and attention to the needs of women, all ethno-linguistic groups and vulnerable groups.

21. Subcomponent 1.1: Participatory Village Development Planning (VDP). The VDP process will allow villagers to vote for a short list of small infrastructure investments, comparing proposals from the groups set up under Components 2 and 3 with other basic infrastructure needs, and reach an agreement on how to operate and maintain this infrastructure. Updated village development planning guidelines, incorporating recent best practice in the country and a clear process for incorporating climate and risk considerations, will be adopted. The institutionalization of this process will support district governments in incorporating village priorities into their sector plans. Villages will develop village profiles with information relevant to tailor activities to the village context.

22. Subcomponent 1.2: Community Capacity Strengthening. This subcomponent, taking place in parallel with Subcomponent 1.1, will equip key community representatives, including women and newly selected village facilitators, with the knowledge and skills to lead the community in developing a forward-looking, inclusive vision of local development and resilience. They will participate in training to acquire soft skills as well as practical project implementation skills, such as early warning to reduce disaster risks. Additional sessions, for women only, will focus on building self-confidence, resilience, and the ability to identify priority needs. Peer learning among training participants and the use of multimedia will be encouraged during and after the sessions.

23. Subcomponent 1.3: Climate-resilient Community Infrastructure. This subcomponent allocates block grants to beneficiary villages for the climate-resilient construction or renovation of the small infrastructure works selected through the VDP process. Climate-resilient small infrastructure will be implemented through a process of participatory design, procurement, construction, supervision and formal hand-over to the community. The range of eligible infrastructure includes: (a) agricultural and rural access roads, outside the district's rural road network, (b) drinking water and irrigation, (c) village facilities for climate-smart crop production or livestock and fish raising, (d) drying platforms and storage facilities, (e) small processing facilities, and (f) tree preservation (e.g., fencing) or tree planting. The Project



Implementation Manual (PIM) will include details on non-eligible infrastructure.<sup>35</sup> Prior to the construction, two villagers already with basic construction skills will attend training at a local vocation school and receive a kit of small tools for the community. Villages will be encouraged to use cash-for-work schemes for construction and maintenance as feasible.

### **Component 2: Community Livelihoods Enhancement (US\$7.2 million)**

24. This component supports group-level activities that promote income generation. Groups will be adapted to the socioeconomic situation of villages. In type II and type III villages, CLEAR will follow the PRF's process of supporting savings and credit groups, mostly composed of women, building financial literacy and diversified income-generation activities. In select type III villages with confirmed market opportunities, the project will support the emergence and capacity building of registered producer groups (PGs) and of producers of agricultural inputs. In type I villages, where capacity to develop self-sustainable savings and credit activities is inadequate as most group members, both men and women, are relatively poorer, the groups will engage in food production.

25. Sub-Component 2.1: Development and Management of Self-Help Groups (SHGs). This sub-component provides training and facilitation for step-by-step self-organization of members of different households into groups. SHGs will be engaged in saving and thrift activities and will be encouraged to pursue at least two income-generation and/or food production activities. They will draw from a list of on-farm and off-farm livelihood options. Elected group representatives (three per group) will form the village self-help group management committee (VSMC). The committee members will be trained in group management, record keeping, and fund rotation, with a simplified process in type I villages. Individual members will retain the option to use their small loans for income-generating activities if different from the group's priorities. Members with higher technical and financial capacity will be encouraged to develop individual or group enterprises, focusing on the production and sales of local agricultural inputs and/or on establishing a PG. Group principles including regular meetings will be key to promote peer learning.

26. Sub-component 2.2: Income Generation and Food Security Capacity Building. This subcomponent builds capacity among district staff and the project's young graduates, who will then deliver training to SHG members on diversification of income generation and food self-production sources. The project will develop a new series of technical training modules and training methods adapted to these beneficiaries, complementing existing training materials by MAF with new modules prepared with support from the university teams. The training modules will highlight climate-smart agriculture<sup>36</sup> such as the use of climate-resilient seed varieties, animal feed and fodder production from locally available sources, erosion control measures, the use of animal manure, non-timber forest products, sustainable harvesting or cultivation and the reduction of post-harvest losses. Specific modules would cover integrated pest management, improved marketability, prevention of animal diseases and mortality reduction. Capacity building will take the form of hands-on learning through in-village demonstrations by selected group

<sup>35</sup> Non-eligible infrastructure includes, for example, the rural road network that is under the responsibility of the Ministry of Public Works and Transportation; schools and health centers; river embankments, since these are complex projects to be designed jointly for several villages; irrigation canal lining since these are generally exposed to landslides; etc. Village infrastructure specifically serving the expansion of previous village facilities due to the arrival of households relocated less than 2 years prior or planned for relocation is another non-eligible activity. A full list of non-eligible infrastructure is included in the PIM.

<sup>36</sup> Climate-smart agriculture (CSA) is an integrated approach to managing landscapes (cropland livestock forests and fisheries) that address the interlinked challenges of food security and climate change. CSA aims to simultaneously achieve three outcomes: Increased productivity enhanced resilience reduced emissions.



members. Multimedia peer learning methods will be used.

27. Sub-Component 2.3: Delivery of Project Grants and Management of Productive assets. SHGs and local input suppliers are eligible for project seed grants. The SHGs' seed grant will be provided through the bank account of the VSMC, against submission of a microplan, while input suppliers and PGs will be required to submit a market-oriented business plan. In addition to encouraging individual activities, the SHG will engage in the maintenance of group productive assets such as drying platforms or storage and processing space. When these facilities are built through the Component 1 subgrants, formal handover to a relevant SHG will take place upon completion of the construction works, with clear definition of ownership, operation, and maintenance responsibilities, and a fee recovery system, outlined in the PIM.

### **Component 3: Community Nutrition Interventions (US\$4 million)**

28. This component will support improvements in the dietary intake (both in quality and quantity) of mothers and children in the 1,000-day window through the promotion of innovative nutrition practices. The component is based on five principles: (a) the introduction of proven timesaving in-village processed foods, (b) community contributions, (c) a results-based incentive for well-performing villagers, (d) harnessing the power of youth and social media, and (e) maximizing food sources in increasingly resource-constrained local food systems. Community resilience will be strengthened through maintaining a combination of foods from households' own production, food purchases and collection of forest food products. The food sources promoted will reflect the community's agro-ecological and cultural context.

29. Subcomponent 3.1 Promotion of demand for enhanced nutrition practices. The project will adopt an integrated social and behavioral change communication (SBCC) approach to deliver activities targeting individuals, family and peer networks, and the whole community. Women-led community nutrition groups (CNGs) will be established and trained in each community, consisting of pregnant women and mothers of children under two years, their children and other caretakers. These groups will meet once a month for practical group-based learning, food processing, cooking, discussions on SBCC modules in MAF's mandate (food production, food processing, food expenditure, wild food collection), and sharing messages on basic nutrition as well as gender equality. Each CNG will be equipped with a basic cooking and a food processing kit (including a small mill and drying nets).<sup>37</sup> Food subsidies to CNG members will cover the purchase of foods for two years, matching a community contribution. CNG members will also distribute rations to the poorest households in their community. Home visits by a young graduate and accompanying village facilitator will deepen delivery of messages to CNG members. Multi-media peer learning (MMPL) will complement other group activities. Young village women, after training, will capture and disseminate the group's success stories, starring local villagers, and using culturally appropriate ways of storytelling and local languages. Videos (or photos, in some very poor villages) will be shared during group meetings and on social media. Finally, an integrated community nutrition platform for coordination and regular meetings to influence village authorities, husbands, and SHG members will be supported. In nutrition convergence areas, community meetings will include use of child nutrition scorecards.<sup>38</sup>

30. Subcomponent 3.2 Promotion of community-sourced nutritious food. First, the subcomponent will support home nutrition gardening. Nutrient-dense crops suitable for cultivation in areas with limited water and land access will be promoted for home consumption and group cooking. The Lao Farmer

<sup>37</sup> The kit is expected to include a mill for the production of roasted rice-mung bean flours called "pre-mix for child feeding", powders of dried fish and frogs as well as leaf powders.

<sup>38</sup> It is expected the Reducing Rural Poverty and Malnutrition Project Phase II (P178883) will develop child scorecards with nutrition and health monitoring information, with inputs from other nutrition convergence projects.



Network (LFN) will train CLEAR and district agriculture and forestry office (DAFO) staff. They in turn will train three lead farmers from each CNG in setting up pesticide-free gardens and composting and provide them with initial seed and seedlings. Only organic production methods will be promoted, which will reduce the project's contribution to greenhouse gas (GHG) emissions. Agricultural fact sheets will be translated into audio clips and local languages. Second, goat dairy production and use will be supported to provide a key ingredient in child feed recipes, expanding the PRF III pilot. The project will train existing goat farmers in 100 villages in raising, feeding and milking indigenous goats. Both sets of activities will use a training-of-trainers approach for CLEAR staff, select CNG members or model goat farmers and DAFO officers, followed by training CNGs and SHGs, reliant on face-to-face and online/multimedia tools. Farmers raising goats will be provided with a simple milking set and milking record books to record daily milk yields.

#### **Component 4: Project Management, Capacity Building and Monitoring and Evaluation (US\$8.2 million)**

31. This component provides technical and operational assistance for the day-to-day management of the proposed project and its Monitoring and Evaluation (M&E) system. It covers hiring, training and remunerating national and district PRF staff as well as the costs of village facilitators; associated equipment and operating costs; accounting, procurement, financial management, internal controls, auditing, environmental and social safeguards, M&E, and other specialized support.

32. The component also supports activities geared towards further improving the sustainability of CLEAR approaches and principles by MAF, including through a review of how community-based poverty reduction interventions can be further embedded in MAF core programs, particularly using core MAF human resources in CLEAR implementation at provincial and district levels; a communication strategy on the role and results of PRF, and tools for outreach and fundraising; and preparation for additional phases of CLEAR or similar projects, should they be pursued.

#### **Component 5: Contingency Emergency Response Component (CERC) (US\$ 0)**

33. This component has an initial zero value but may be financed during the project to respond to an eligible crisis or emergency.

#### Legal Operational Policies

##### Triggered?

Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

#### Summary of Assessment of Environmental and Social Risks and Impacts

34. Overall, the project is expected to have positive environmental and social impacts by improving the livelihood opportunities and nutritional outcomes for poor communities in selected Provinces to enhance their resilience to shocks. The activities would build on the current ongoing PRFIII-AF and focus the poorest areas in the northern and central regions of Lao PDR based on the recent poverty assessment and migration including those most impacted by COVID-19, and those most likely to be affected by climate



change. The project would channel its block grants in a subproject approach to targeted villages to improve access to productive infrastructure and income generating opportunities. The project will support construction or rehabilitation of basic and climate resilient infrastructure and support to livelihood activities. Implementation of the CLEAR subprojects will be directly managed at the village level and the project will therefore build the capacity of local communities to plan, implement, and sustain these sub-projects.

35. Experience from similar set of activities and implementation arrangement financed under PRFIII suggested that these type of small-scale infrastructure works, and livelihood support activities can induce negative environmental and social risks and impacts. The project recognizes that 8 out of 10 ESSs (ESS 1, ESS 2, ESS 3, ESS 4, ESS 5, ESS 6, ESS 7 and ESS 10<sup>39</sup>) are assessed to be relevant to the project.

36. The social risk is classified as Moderate. Whilst the project aims to deliver a range of benefits, project activities have the potential to generate moderate, predictable, mitigatable social risks and impacts, that are low in magnitude. Social risks and impacts anticipated for this project include: (a) lack of stakeholder engagement; (b) risk of exclusion and discrimination particularly of ethnic minorities and vulnerable groups if not adequately represented in project activities; (c) risk of elite capture, (d) risks related to the labor and working conditions of project workers; (e) small scale land acquisition and/or access restriction, (f) risk of Sexual Exploitation and Abuse and Sexual Harassment (SEA/SIH) and (g) child labor. These risks and impacts are for the most part predictable and possible to mitigate during the lifetime of the project.

37. Environmental risk is classified as Moderate. The direct environmental risk and impact are expected from (1) physical construction and renovation civil works (noise, vibration, dust, generation and management of construction wastes); (2) occupational health and safety issue of project personnel who are implementing projects activities (injured from falling subject and other construction activities, road safety, and transmitted and infected with COVID-19); (3) potential involvement of project staff in consuming and trading wildlife and other NTFP while working and staying in remote village areas; (4) Community Health and Safety (CHS) of those involve in project activities and accident caused by project vehicle; (5) exposure to an unexploded ordinance (UXO) risk. In addition, indirect risk and impact are expected from (1) generation and management of solid waste during the operation of office facilities (including minor electronic waste from the used IT equipment procured by the project), (2) access to and extraction of natural resources by road users while using tertiary road supported by the project (including expansion of forestland, involving with illegal hunting and logging), (3) improper/unsafe use of pesticides, fertilizers for agricultural intensification and irrigation related subproject, (4) no protection of water sources for future water supply, (5) unsafe used of water tap built by the project which may lead the bad environment and illness in the village, and (6) potential fire at storage or processing facilities built for horticultural products and animal husbandry, solar driers supported by the project and other nearby facilities. However, these potential environmental impacts will be minor, localized, temporary and can be mitigated through the design and implementation of subprojects and environmental and social mitigation measures in compliance with ESF requirements.

38. Prior to appraisal, the client with the support from consultants, will develop, consult, and disclose

<sup>39</sup> ESS 1: Assessment and Management of Environmental and Social Risks and Impacts; ESS 2: Labor and Working Conditions; ESS 3: Resource Efficiency and Pollution Prevention and Management; ESS 4: Community Health and Safety; ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement; ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources; ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities; ESS 10: Stakeholder Engagement and Information Disclosure



an Environmental and Social Commitment Plan (ESCP), ESMF which will include guideline and principle for development and implementation of E&S mitigation measures to ensure that project activities are compliance with ESF requirements. This will include (a) Resettlement Policy Framework (RPF), (b) Labor Management Procedures (LMP) and (c) a negative list of activities not eligible for financing. The project will have to ensure adequate budget and staff for project E&S risk management, monitoring and reporting include a training which will be informed by the capacity needs assessment. All ESF related activities to be funded by the Client as part of the project budget.

39. The project is expected to involve different groups of stakeholders from national to village levels, including local communities, government line agencies, mass organizations and the private sector. The project's stakeholders and the level of their engagement will be identified and analyzed by the PRF during project preparation and a Stakeholder Engagement Plan (SEP), including a Grievance Redress Mechanism (GRM) will be prepared. Requirements of ESS7 on meaningfully involving ethnic groups in project activities will be included in the SEP and not in a standalone document

40. An Environmental and Social Commitment Plan (ESCP), drawn and agreed between the Bank and the Borrower, will set out the important measures and actions that will be required for the project to meet environmental and social requirements over the project's lifetime. These measures will be implemented within a specified timeframe and the status of implementation will be reviewed as part of project monitoring and reporting.

41. During the implementation stage, site specific E&S screening will be conducted following the screening procedure outlined which will be developed in the ESMF to identify environmental and social risk and impact, and mitigation measures for each proposed sub-project. For the preparation of the ESF instruments, the client will engage external consultants to support the PRF with the preparation of the required ESF instruments during project preparation. These will be financed from the Project Preparation Advance which is being prepared.

## E. Implementation

### Institutional and Implementation Arrangements

42. The Poverty Reduction Fund (PRF) agency will be responsible for implementation of the CLEAR project.<sup>40</sup> PRF has a mandate to implement MAF strategy, while allowing it to retain flexibility in terms of planning and budgeting. The PRF Board, chaired by the Minister of Agriculture and Forestry, has formally approved the design of CLEAR on February 27, 2023. The Board includes MAF departments (Planning and Finance, Rural Development and Cooperatives), other relevant ministries and the governors of participating provinces. It will provide oversight for both the on-going PRF III and CLEAR.

43. A project management unit (PMU) for CLEAR will be established at the central level under the PRF agency in MAF. The PRF Executive Director and the Deputy Executive Director will manage and provide oversight for both PRF III and CLEAR. Senior financial management and procurement officers, as well as support staff such as IT officers, will also work on both projects. Other technical specialists, such as those in charge of Components 1, 2 and 3 and M&E, are expected to be partly senior staff with experience gained through the PRF project, partly newly recruited staff. A communications and training specialist is

<sup>40</sup> The PRF is a legally established semi-autonomous entity, established and operated in accordance with the Decree of the Prime Minister (10/PM, 2012) with the status of a level two technical organization within MAF, as per Prime Minister's Decree No.99/PM, March 2017 on the Organization and Functionalities of the Ministry of Agriculture and Forestry.



added. A full-time E&S and Gender specialist will be recruited for the first two years of the project and intermittently in the following years. The PRF agency will implement CLEAR based on a Project Implementation Manual (PIM) and relevant technical guidelines. The PIM will include a detailed description of the project cycle, processes, and guidelines for activities under each component.

44. CLEAR will be implemented through district teams and several activities will be delivered by young graduates (YGS). The PMU will establish district teams in each project district and directly hire their staff. District teams will comprise a team leader, an M&E officer, an engineer, an agriculture and livelihoods officer, a nutrition officer, a financial management assistant, and procurement officer, and young graduates. One of the district team leaders for each province will be tasked with coordination at the provincial level. An E&S and gender specialist will be included to cover all districts in one province. Around one graduate per five villages will be employed. Half of the YGS will be responsible primarily for nutrition activities, the other half for agriculture and livelihoods (including support to SHGs with savings and credit). Recruitment will prioritize candidates fluent in at least one local language other than Lao. YGS, both men and women, are equipped with a motorbike each, and covered by travel and health insurance. To optimize logistics, reduce travel risks and allow longer village visits, it is foreseen that the young graduates travel to villages monthly.

45. The communities will take an active role in project decisions and implementation. The village implementation team (VIT), i.e., the village committee enlarged to include relevant community members such as elders, will lead the project's participatory process, with support from at least one village facilitator in each village. The village facilitator will be a local community member with a relatively higher education level and higher fluency in Lao. He or she will work as liaison with the PRF team for the three components. The PIM will reconfirm how consultations and communications are consistent with the stakeholder engagement plan, paying special attention to marginalized groups. Among mass organizations, the LWU and LYU at village level will be directly involved, starting with Component 3. The village self-help group management committee (VSMC) will manage the savings and uses of the project's seed grant through a commercial bank account. It will support the village committee in the management of Operation and Management (O&M) fees for community infrastructure and be directly in charge of O&M decisions in group activities. The village mediation committee will ensure downward accountability towards small infrastructure preparation, implementation, operation and maintenance.

46. CLEAR will actively mobilize district-level stakeholders, MAF colleges and agricultural faculties in universities and service providers as relevant. The district bureaus, including district agriculture and forestry office (DAFO), planning, health (overseeing drinking water schemes), and public works and transportation, will form the district's CLEAR Steering Committee (SC), in charge of reviewing VDPs, integrating village priorities into their sector plans, and supervising activities on the ground. The district vocational schools will be mobilized for the training of selected villagers in construction work. Technical level coordination with other on-going projects will also take place at district level. It may take the form of mutual contributions to capacity-building activities and/or exchanges of working tools. PRF will engage the country's five agricultural universities and civil engineering colleges. Experts and students from these organizations will contribute to activities that include the village profiles, the update of training modules, and village technical monitoring. Service providers will bring in additional expertise and capacity to launch activities.

47. Project implementation is organized in the form of two batches of around 225 villages each, since covering all villages at the same time would be logistically challenging. CLEAR will first be implemented in districts not covered by PRF III to avoid staff uncertainties about differences between the two projects.



Each village will undertake a two-year project cycle structured into a set of implementation steps. The timing of each step takes into account uneven availability of village participants during the slack and peak agricultural seasons, and the rainy season constraints for travel and construction works. The PIM will describe the project cycle. Managing implementation as a clear series of steps will also help each village strengthen ownership of the CLD approach in the community.

48. Digital tools will be leveraged. CLEAR will take full advantage of the country's high phone and internet network coverage, and the young generation's capacity to engage through digital tools. It will expand a capacity-building approach successfully introduced for local PRF staff in PRF III, combining face-to-face sessions with distance learning via a YouTube channel. The project provides weatherproof tablets to the young graduates, with software allowing off-line sessions, and smartphone credit to the village facilitators. Digital tools will also enhance peer-to-peer learning, within and across project villages, as well as with successful groups in similar environments elsewhere in the country.

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