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Report No: PAD5071

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT IN THE AMOUNT OF SDR 25.4 MILLION

(US\$34.2 MILLION EQUIVALENT)

AND

A PROPOSED SHORTER MATURITY LOAN OF SDR 8.1 MILLION

(US\$10.8 MILLION EQUIVALENT)

TO THE

LAO PEOPLE'S DEMOCRATIC REPUBLIC

FOR A

COMMUNITY LIVELIHOOD ENHANCEMENT AND RESILIENCE PROJECT

May 24, 2023

Social Sustainability and Inclusion Global Practice
East Asia and Pacific Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2023)

Currency Unit = Lao Kip (LAK)

US\$1 = LAK 17271.16

US\$1 = SDR 0.74

FISCAL YEAR

January 1–December 31

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ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AFN	Agriculture for Nutrition
AM	Accountability Mechanism
CCAP	Climate Change Action Plan
CERC	Contingent Emergency Response Component
CGAP	Country Gender Action Plan
CLD	Community and Local Development
CLEAR	Community Livelihood Enhancement and Resilience
CNG	Community Nutrition Group
CPF	Country Partnership Framework
DA	Designated Account
DAFO	District Agriculture and Forestry Office
DRR	Disaster Risk Reduction
EMAP	Early Marriage and Adolescent Pregnancy
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESS	Environmental and Social Standards
FAM	Financial and Administrative Manual
FM	Financial Management
FMM	Financial Management Manual
GBV	Gender-Based Violence
GCRF	Global Crisis Response Framework
GDP	Gross Domestic Product
GoL	Government of Lao PDR
GRS	Grievance Redress Service
HLO	High Level Outcome
IEG	Independent Evaluation Group
IFAD	International Fund for Agricultural Development
IFR	Interim Financial Report
IGA	Income-Generating Activity
IPF	Investment Project Financing
IRR	Internal Rate of Return
IT	Information Technology
LFN	Lao Farmer Network
LFP	Labor Force Participation
LWU	Lao Women's Union
LYU	Lao People's Revolutionary Youth Union
M&E	Monitoring and Evaluation
MAF	Ministry of Agriculture and Forestry
MIS	Management Information System
MMPL	Multimedia Peer Learning
MTR	Midterm Review
NDC	Nationally Determined Contribution



NPAN	National Plan of Action on Nutrition
NPV	Net Present Value
NSEDP	National Socioeconomic Development Plan
NTFP	Non-Timber Forest Product
O&M	Operations and Maintenance
PAD	Project Appraisal Document
PDO	Project Development Objective
PG	Producer Group
PIM	Project Implementation Manual
PPSD	Project Procurement Strategy for Development
PRF	Poverty Reduction Fund
PRFO	Poverty Reduction Fund Office
PT	Project Team
RFB	Request for Bids
RFQ	Request for Quotations
RMG	Road Maintenance Group
SBCC	Social and Behavior Change Communication
SEP	Stakeholder Engagement Plan
SHG	Self-Help Group
SOE	Statement of Expenditure
ToR	Terms of Reference
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UXO	Unexploded Ordnance
VDP	Village Development Plan
VIT	Village Implementation Team
VSMC	Village Self-Help Group Management Committee
WFP	World Food Programme
WOP	Without Project
WP	With Project
YG	Young Graduate

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Lao People's Democratic Republic	Community Livelihood Enhancement And Resilience	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P178545	Investment Project Financing	Moderate

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
15-Jun-2023	31-Dec-2027

Bank/IFC Collaboration

No

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

Component Name	Cost (US\$, millions)
Local Economic Development and Community Capacity Strengthening	27.60
Community Livelihoods Enhancement	7.95
Community Nutrition Interventions	4.75
Project Management, Capacity Building and Monitoring and Evaluation	4.70
Contingent Emergency Response	0.00

Organizations

Borrower:	Lao People's Democratic Republic
Implementing Agency:	Poverty Reduction Fund - Ministry of Agriculture and Forestry

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	34.20
IDA Shorter Maturity Loan (SML)	10.80

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount



Lao People's Democratic Republic	34.20	0.00	10.80	0.00	45.00
National Performance-Based Allocations (PBA)	34.20	0.00	10.80	0.00	45.00
Total	34.20	0.00	10.80	0.00	45.00

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2023	2024	2025	2026	2027	2028
Annual	0.00	4.50	12.50	12.50	12.50	3.00
Cumulative	0.00	4.50	17.00	29.50	42.00	45.00

INSTITUTIONAL DATA**Practice Area (Lead)**

Social Sustainability and Inclusion

Contributing Practice Areas

Agriculture and Food

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Moderate



9. Other	● Moderate
10. Overall	● Moderate

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[] Yes [✓] No

Does the project require any waivers of Bank policies?

[] Yes [✓] No

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).



Legal Covenants

Sections and Description

Subsidiary Agreement

Financing Agreement: Schedule 2, Section I.A

Recurrent, Continuous

The Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity under terms and conditions acceptable to the Association; and except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

Sections and Description

Institutional Arrangements

Project Agreement: Schedule, Section I.A

Recurrent, Continuous

The Project Implementing Entity shall: (i) at central level, establish by no later than two (2) month after the Effective Date a Project Team; (ii) at district level, establish, prior to commencement of Project activities in a respective district, a district steering committee and a district team; (iii) at village level, establish, prior to commencement of Project activities in a respective village, a village implementation team, a village SHG management committee, and a village mediation committee; all with composition, functions, staffing and resources satisfactory to the Association and set out in the Project Implementation Manual; and thereafter, maintain the said entities throughout the implementation of the Project.

Sections and Description

Sub-projects:

Project Agreement: Schedule, Section I.B

Recurrent, Continuous

The Project Implementing Entity shall: (i) make Sub-grants to Beneficiaries for financing Sub-projects under Parts 1.3 and 2.3 of the Project in accordance with eligibility criteria and procedures acceptable to the Association set out in the Project Implementation Manual; and (ii) enter into a Sub-grant Agreement with each Beneficiary under terms and conditions approved by the Association.

Sections and Description

Project Implementation Manual

Project Agreement: Schedule, Section I.C

By two months after the Effective Date, and then, Recurrent, Continuous

The Project Implementing Entity shall, by not later than two (2) months after the Effective Date, adopt the Project Implementation Manual in form and substance acceptable to the Association and thereafter, carry out the Project in accordance with the Project Implementation Manual, and not amend, waive or abrogate any provisions of the manual unless the Association has provided its prior no-objection thereof in writing.

**Sections and Description****Environmental and Social Standards****Financing Agreement: Schedule 2, Section I.B****Recurrent, Continuous**

The Recipient shall take, and shall cause the Project Implementing Entity, to take, all measures necessary to comply with, or all measures necessary to enable the Project Implementing Entity to comply with the provisions of Section I.E of the Schedule to the Project Agreement.

Project Agreement: Schedule, Section I.E**Recurrent, Continuous**

The Project Implementing Entity shall ensure that the Project is implemented in accordance with the Environmental and Social Standards and the Environmental and Social Commitment Plan (including the management tools and instruments referred to therein) in a manner acceptable to the Association; and not amend, abrogate or waive any of their provisions unless the Association agrees otherwise, and report on their status of implementation as part of the project reports.

Sections and Description**Annual Work Plans and Budgets****Project Agreement: Schedule, Section I.D****Recurrent, By December 15 annually**

The Project Implementing Entity shall, (a) prepare and furnish to the Association for its no-objection no later than December 15 of each year an annual work plan and budget (AWPB) for the Project for the following Fiscal Year in a manner and substance satisfactory to the Association, covering the activities and expenditures proposed for the subsequent year of Project implementation, and the source(s) of financing of such activities and expenditures; which plan and budget shall be of such scope and detail as the Association shall have reasonably requested, except for the Annual Work Plan and Budget for the first Fiscal Year which shall be furnished to the Association prior to the commencement of the relevant activities under the Project; (b) thereafter implement the activities under the Project during the relevant Fiscal Year in accordance with such plan and budget as agreed with the Association.

Sections and Description**Contingent Emergency Response****Financing Agreement: Schedule 2, Section I.C****In case of an Eligible Crisis or Emergency**

The Recipient shall cause the Project Implementing Entity to adopt a satisfactory CERC Manual and Emergency Action Plan for Part 5 of the Project and, in the event of an eligible crisis or emergency, ensure that the activities under said part are carried out in accordance with such manual and plan, and all relevant safeguard requirements.

Sections and Description**Completion Report****Project Agreement: Schedule, Section II.A.3**



Once, three months after the Closing Date.

The Project Implementing Entity shall prepare and furnish to the Recipient a completion report in form and substance satisfactory to the Bank.

Sections and Description

Mid-term Review

Project Agreement: Schedule, Section II.A.2

Once, 28 month after the Effective Date.

The Project Implementing Entity shall prepare, under terms of reference acceptable to the Association, and furnish to the Association no later than 28 months after the Effective Date, a consolidated mid-term review report for the Project, summarizing the results of the monitoring and evaluation activities carried out from the inception of the Project, and setting out the measures recommended to ensure the efficient completion of the Project and to further the objectives thereof.

Conditions

Type	Financing source	Description
Disbursement	IBRD/IDA	<p>Financing Agreement: Schedule 2, Section III.B</p> <p>(i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (2); and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and</p> <p>(ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.</p>



I. STRATEGIC CONTEXT

A. Country Context

1. The Lao People's Democratic Republic (Lao PDR) is a landlocked country of 7.3 million people.¹ Despite being among the fastest-growing economies in the world before COVID-19, Lao PDR's growth model was already showing its limitations. Economic growth averaged about 7 percent over the two decades to 2019, but the economy's growth pattern was capital-intensive, resource-driven, and debt-fueled. Economic growth had been steadily decelerating from 8 percent in 2013 to 5.5 percent in 2019. Growth was predominantly driven by large foreign investments in hydropower, mining, and construction (of transport infrastructure), which provided few job opportunities. The domestic private sector has been hampered by an unfavorable business environment, particularly by limited competition and transparency. The financial sector is dominated by state-owned banks, and limited credit has flowed to the private sector.
2. Economic growth was severely affected by the COVID-19 pandemic but is starting to recover gradually. Real GDP growth declined sharply from 5.5 percent in 2019 to 0.5 percent in 2020², owing to the wide-ranging economic impacts of COVID-19 – including the collapse of international tourism. Growth was estimated at 2.7 percent in 2022, as the recovery in the services sector benefited from increased international and domestic tourism. Transport started to benefit from the operation of the Lao-China railway and a dry port. The post-pandemic recovery offers an opportunity to increase the share of public revenue in GDP. However, the recovery has been undermined by macroeconomic instability, with high inflation and a sharp currency depreciation weakening incomes, consumption, and investment.
3. The World Bank assesses Lao PDR to be in external and overall debt distress under the Low-Income Countries Debt Sustainability Framework. Lao PDR is facing both solvency and liquidity challenges, owing to significant financing needs, limited financing options, low foreign exchange reserves, and considerable depreciation pressures. A single bilateral creditor accounts for nearly half of the external public debt. The energy sector, mostly represented by Electricité du Laos, accounts for about 30 percent of total public and publicly guaranteed debt. There are also contingent liabilities associated with public-private partnerships, and fiscal risks related to the non-guaranteed borrowing of state-owned enterprises that have not been adequately quantified yet. The ratio of debt service (i.e., principal and interest) to domestic revenue increased from 35 percent to 61 percent between 2017 and 2022. Meanwhile, combined public spending on education and health declined from 4.2 percent of GDP to an estimated 2.6 percent between 2017 and 2022. In the absence of debt service deferrals, which have provided temporary relief since 2020, interest payments would have overtaken social spending levels in 2022.³ Debt sustainability is contingent on the outcome of ongoing debt negotiation with key creditors as covered in the Debt Sustainability Analysis (DSA).
4. The Lao kip weakened significantly in 2021-2022, which helped drive consumer price inflation to record levels. The kip depreciated by 79 percent against the US dollar between June 2021 and March

¹ Lao Statistics Bureau (as of 2021).

² Bank Staff estimates. The Lao authorities have estimated GDP growth in 2020 at 3.3 percent.

³ Debt service deferrals (of principal and interest owed to China) have provided important temporary relief between 2020-2022. These deferrals have accumulated to about 8 percent of GDP.



2023. A weakened kip has fueled domestic inflation and exacerbated external debt service costs, since most debt is denominated in US dollars. In the year to March 2023, inflation reached 41 percent. High inflation significantly undermines the purchasing power of households. The kip/USD exchange rate appears to have stabilized since end-2022 as the Bank of Lao PDR tightened monetary policy and introduced administrative measures to manage the exchange rate. However, limited foreign exchange liquidity and low foreign reserves contribute to foreign exchange rationing by banks and a parallel exchange rate market premium.

5. Food price inflation is creating an additional burden in the context of existing malnutrition challenges. Most households responded to food price inflation by reducing food consumption, as well as switching to cheaper, self-produced or wild food.⁴ In December 2022, an estimated 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).⁵ Climate change impacts, notably flooding and drought, are projected to exacerbate food insecurity in the country, as outlined in the Nationally Determined Contribution (NDC).⁶

6. These new economic challenges compound underlying weaknesses in inclusive and sustainable development in Lao PDR. As noted above, strong GDP growth in the last decade did not lead to commensurate job creation and poverty reduction gains. Economic growth was largely natural resource driven, debt fueled, and unequal. It was not accompanied by significant job creation, especially off-farm. Labor force participation (LFP) declined from 84 percent in 2012 to 72 percent in 2018, with youth unemployment quadrupling to 21.8 percent during that period. Overall, growth has been more favorable to the non-poor, with a rise in inequality and a widening consumption gap between geographic areas of the country.⁷ The national poverty rate declined from 24.6 percent in 2012 to 18.3 percent in 2018, primarily due to rising urban incomes and farm incomes in the north of the country.

7. Living standards remain unequal across geographic areas and ethnic groups, with widening gaps. While poverty reduction was faster in rural than urban areas during this period, a large gap remained, with rural poverty at 23.8 percent and urban poverty at 7 percent in 2018.⁸ Disparities between and within provinces grew during 2012–2018. Poverty declined primarily in the north and south, while in the central region—previously the wealthiest—it declined only slightly.⁹ Despite faster progress regionally, several provinces in the north and south (for example, Oudomxay and Sekong) continue to display some of the highest levels of monetary and non-monetary deprivation in the country. 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 many display evidence of poor nutrition.¹⁰ In

⁴ World Bank. 2023. *Monitoring Household Welfare in Lao PDR: Round 6 Brief*.

⁵ WFP (World Food Programme). 2022. *Lao PDR: Food Security Monitoring*. December 2022.

⁶ <https://unfccc.int/sites/default/files/NDC/2022-06/NDC%202020%20of%20Lao%20PDR%20%28English%29%2C%2009%20April%202021%20%281%29.pdf>.

⁷ World Bank. 2022. *Where Are the Poor in Lao PDR Small Area Estimation: Province and District Level Results*.

⁸ Poverty analysis relies on the latest nationally representative household survey, which was conducted in 2018.

⁹ Overall trends in multidimensional poverty mirrored consumption poverty trends from 2012 to 2018. There are relevant exceptions such as Phongsaly. While the consumption poverty rate in Phongsaly province is among the lowest in Lao PDR, multidimensional poverty is high—partly due to remoteness and limited access to basic infrastructure.

¹⁰ There are also lowland districts with a large rural poor population but lower poverty incidence. These are not included in CLEAR (World Bank. 2020. *Where Are the Poor in Lao PDR? Small Area Estimation: Province and District Level Results*).



2018, 32.7 percent of Mon-Khmer people and 38.4 percent of Hmong-Lu-Mien were poor. The Hmong-Lu-Mien are 10 percent of the population but represent 19 percent of the poor.

8. A lack of livelihood diversification is one cause of vulnerability which hinders sustainable welfare progress. Agriculture-only households are more likely to have lower consumption and to be poor. While overall poverty rates decreased, the share of poor households that depend only on farming increased from 71 percent in 2012 to 79 percent in 2018.¹¹ Nonfarm job creation has been limited, constraining opportunities for diversification of incomes, and thus increasing risks of impoverishing income shocks for rural households.¹² Diversification of agricultural production, further movement toward 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.

9. High levels of childhood chronic undernutrition also continue to hamper long-term human and economic development. Low nutrient intake and nutritional deficiencies among pregnant mothers and infants under two years lead to chronic malnutrition and have long-term consequences for cognitive development, making interventions during the first 1,000 days of life (from conception to age two) crucial. In 2013, it was estimated that malnutrition had resulted in an annual loss of 2.4 percent of GDP.¹³ About 33 percent of children under five years were stunted in 2017,¹⁴ among the highest levels in the East Asia and Pacific region. Child stunting affects several groups disproportionately: children from poor families, non-Lao-Tai ethno-linguistic groups and rural households and from upland areas of the country. Stunting rates did not improve as rapidly as monetary poverty reduction in the four northern provinces covered by the World Bank's nutrition convergence approach since 2020,¹⁵ which have among the highest stunting rates in the country (44 percent in 2022). Underconsumption of protein-rich food is a significant driver. Behavioral barriers are a compounding factor. 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 (see Annex 2).

10. Lao PDR is highly exposed to disasters and risks arising from climate change, with marginalized communities at even greater risk.¹⁶ The risks of disasters linked to climate hazards have been underscored by events in 2011 (back-to-back tropical storms), 2013 (extreme flooding), 2015 (severe drought), 2018 (flooding), and 2019 (tropical storms).¹⁷ Annual expected losses from floods alone range between 2.8 percent and 3.6 percent of GDP.¹⁸ Climate models show a trend of consistent warming and an increase in

¹¹ World Bank. 2020. *Lao PDR's Poverty Assessment 2020: Catching Up and Falling Behind*. Washington, DC.

¹² Ibid.

¹³ Bagriansky, J., and Voladet S. 2013. *The Economic Consequences of Malnutrition in Lao PDR: A Damage Assessment Report*. Commissioned by National Economic Research Institute and United Nations Children's Fund (UNICEF).

¹⁴ 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 by height-for-age. Children whose height-for-age is more than 2 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 3 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).

¹⁵ Four high-stunting provinces in the north (Oudomxay, Phongsaly, Huaphanh, and Xiengkhuang) have received coordinated interventions across sectors (livelihoods; social assistance; improved childcare practices; access to health services; and water, sanitation, and hygiene) in the same geographic areas to address nutrition and food security challenges. See paragraph 23.

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

¹⁷ UN Office for Disaster Risk Reduction. 2019. *Disaster Risk Reduction in Lao PDR: Status Report 2019*.

¹⁸ GFDRR. 2019. Post-Disaster Needs Assessment: 2018 Floods, Lao PDR.



the intensity of heavy rains, altering the Mekong hydrological system, with floods increasing in frequency.¹⁹ Such events are projected to have significant impacts on the country's ecosystems, community infrastructure, population health, productivity of labor, and agricultural livelihoods (reduced crop yields and adverse impacts on livestock). These in turn will adversely affect 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 hazards and climate shocks and stressors. Such shocks typically affect the poor disproportionately and exacerbate existing inequalities, given their greater reliance on climate-sensitive agricultural livelihoods and more limited access to resources and information to support coping and adaptation strategies.²⁰

11. Against this backdrop, strengthening the resilience of poor rural communities through improved and more diverse livelihoods as well as access to nutritious food is more critical than ever. A lack of diversity in livelihoods within a village community 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 require 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 the negative impacts of shocks and limit the need to resort to negative coping mechanisms. In good economic times, they will sustain improvements in productive assets, enhance well-being and provide a foundation for development.

B. Sectoral and Institutional Context

The Rural Context in Lao PDR

12. Improving rural and agricultural livelihoods will continue to be a critical element for advancing sustainable poverty and vulnerability reduction in the upland areas of Lao PDR. While around two-thirds of the country's population live in rural areas, they represent 88 percent of the poor. Almost all of the poor live in agricultural households. About half of poor agricultural households (or 41 percent of the poor) can be characterized as living in remote areas, mostly in upland villages; only 64 percent of this group live in villages with all-weather road access.²¹ Livelihoods in upland villages combine self-consumption, sales, and remittances from seasonal or permanent migration. A recent assessment, under the ongoing Poverty Reduction Fund (PRF) III project covering upland areas in northern Lao PDR, found that households typically derive 40 percent of their food from their agricultural production, and 40 percent from wild food collection.²² 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.

13. Agricultural production is in transition, which climate and market shocks are likely to affect. Upland land use generally combines small patches of paddy land, rainfed or with gravity irrigation, with rotational agriculture on typically 1 hectares of sloped land annually. Crop rotations have become very short, around

¹⁹ Prime Minister's Office. 2021, July. *National Strategy on Disaster Risk Reduction (NSDRR), 2021–2030*.

²⁰ The World Bank Group and the Asian Development Bank. 2021. *Climate Risk Country Profile: Lao PDR (2021)*.

²¹ World Bank. 2019. *Lao People's Democratic Republic Poverty Assessment 2020: Catching Up and Falling Behind*. World Bank, Washington, DC. See also World Bank, 2021. *Lao Transport Corridor Connectivity Assessment*.

²² Solver Laos 2023 for PRF. *Women Nutrition Groups Assessment (in a sample of 10 representative project villages)*.



three years, due to land shortages.²³ Villages are already transitioning their practices, with government support, to fencing part of the communal fallows for livestock use (although this requires reliable water sources). In the rotation, the predominant hybrid maize crop, a cash crop for 90 percent of farmers (nationwide), implies the annual use of external inputs,²⁴ while higher input and transportation costs have started to substantially reduce margins. Cassava cultivation has been rapidly 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, exacerbated by climate change, are increasingly likely to affect households' production of self-consumed foods. One year of drought affects village food security in the following year, since the self-produced rice seed is of reduced quality.²⁵ Communities display awareness of these changes and affirmed their own interest in diversifying crops, livestock, and off-farm income sources.²⁶

14. 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. Some 70 percent of villages in poor districts in the north already have access to the internet. Smartphones are common among the young generation, even when the signal does not reach the village itself. Across provinces, 72 percent of villages in the north and 74 percent in the south had road access in 2019. Satellite images show that a significant proportion of villages in poorer districts still do not have road access, which hinders not just access to markets but also to health care and other 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 ongoing relocation of isolated, small settlements into larger villages with road access under the government's rural development policy. The socioeconomic impacts of the policy have been uneven and contested. Active development of hydropower and mining further drives rural displacement. A significant proportion of villages in remote districts are not long-standing, stable communities.

15. Despite these common features, villages differ markedly across a range of features, with implications for appropriate models for strengthening resilience. Geographical remoteness, connectivity to markets and services, ethnicity, dependence on forest resources, the presence of remaining unexploded ordnance (UXO), 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.²⁷ These are typically a mix of small communities of around 30 to 100 households and larger consolidated villages comprising several hamlets.²⁸ 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.²⁹ In these villages, building community resilience requires that dependency on a single cash crop or animal raising activity be reduced, and that their capacity to seize opportunities and engage with commercial operators be strengthened. The more remote villages with limited agricultural land will retain low capacity to enter commercial value chains other than for dry, high-

²³ Cramb, Rob, ed. 2020. *White Gold: The Commercialization of Rice Farming in the Lower Mekong Basin*. Palgrave MacMillan.

²⁴ UNCTAD. 2020. *Analyzing the Maize Value Chain for Export in Lao People's Democratic Republic*.

²⁵ Ministry of Agriculture and Forestry (MAF), communication to the PRF III midterm review (MTR) mission.

²⁶ Based on consultations during project preparation.

²⁷ 2020 Third Agricultural Census.

²⁸ Laos Statistics Bureau, 2021 population online data, by province.

²⁹ World Bank Group. 2022. *Developing the Agribusiness Potential in the Laos-China Railway Corridor*.



value products. In these villages, paths toward resilience are likely to take the form of diversified and more climate resilient agriculture, non-timber forest products (NTFPs) for self-consumption and sales, and off-farm activities.

16. 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. This is expressed in the 2016 Local Administration Law, which establishes nationwide three levels of local administration: provincial, district, and village. While the provinces retain the responsibility for defining development strategies, district governments are implementation units across all sectors. The village is the basic development unit. The village cluster, or *kum-ban*, previously given a growing role in local development, has not emerged as an institutionalized unit. While responsibilities have been delegated to these three levels of government, financing and decision-making remain centralized.

17. The increased strength of village level institutions is an important feature of rural local governance. 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 and community platforms, such as those strengthened by the PRF series (see paragraphs 21–22), are seen 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 further. Village administration is led by a locally elected village chief, who is assisted by deputy chiefs and heads of village hamlets. National-level government mass organizations represent civil society in villages through the Lao Women's Union (LWU), the Lao Front for National Development, and the Lao People's Revolutionary Youth Union (LYU). These organizations operate through local citizen committees and networks to support and enhance the implementation of the Government of Lao PDR (GoL)'s priority policies and rural development activities. Traditionally, however, participation in local institutions tends to be dominated by older men, with limited voice for youth and women. Furthermore, ethno-linguistic minority groups face barriers in engaging with the local administration and are at significant risk of being excluded from development initiatives, in part due to language and capacity constraints.

18. Ingrained gender norms prescribe women's versus men's roles in the community, limiting women's ability to influence local decision-making. Women's representation in community decision-making is low. Only an estimated 3 percent of village chiefs are women. Women's responsibilities for childcare and the household, in addition to other livelihood activities, limit the time they have available to engage in other activities.³⁰ The LWU has a village-level body, which is the main avenue for women's participation in village committees. But even when women and LWU members do join community meetings, active and effective participation that results in the ability to influence decisions, is limited.³¹ At the community level, women are often not trusted to have the skills to analyze problems and propose solutions; therefore, men tend to dominate community meetings.³² Language barriers and illiteracy pose an additional disadvantage for

³⁰ Lao PDR PRF, Impact Evaluation, 2016. Lao Expenditure and Consumption Survey (LECS) 2018 data confirm women spend four times more time than men on household and care activities.

³¹ FAO. 2018. *Country Gender Assessment of Agriculture and the Rural Sector in Lao People's Democratic Republic*. Vientiane.

³² Lao PDR PRF, Impact Evaluation, 2016.



women, especially non-Lao-Tai women, whose literacy rates are about half those of Lao-Tai women.³³ See Annex 2 for detailed gender analysis.

19. Gender inequalities persist also in economic opportunities, especially among non-Lao-Tai ethnic groups, despite women's significant role in the rural economy. Female LFP, which is lower than male LFP, dropped from 81.8 percent in 2012 to 66 percent in 2018.³⁴ A gender earnings gap, not apparent in 2012, had emerged by 2018. Women tend to work 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 time as men on household chores, limiting their ability to engage in both formal and informal work.³⁵

20. Women's livelihoods and responsibilities are more directly dependent on natural resources or sectors particularly vulnerable to climate change, including food production and family nutrition. Despite their significant role in agriculture, they have unequal access to micro-level agricultural investments.³⁶ Female-headed households have less household labor and productive assets than male-headed households and less diversified crop production, 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. It has also disadvantaged women in non-Lao-Tai ethnic groups, who may have limited Lao language skills and lack experience conducting business in a cash economy.³⁷ (See Annex 2).

Policy and Program Instruments for Rural Development

21. The PRF, under the MAF, is one of the main government institutions working to reduce poverty in rural areas and has implemented 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 of projects improved access to infrastructure for well over 1 million rural people, through the construction of more than 6,000 small infrastructure works. As of 2020, close to 10,000 households had pursued new livelihood investments through PRF III. PRF has in the past accessed other sources of funding, including from the Swiss Agency for Cooperation and Development, the Department of Foreign Affairs and Trade (Government of Australia), and the Japanese Social Development Fund.

22. The PRF project series has evolved over time, gradually expanding the scope of intervention and refining the implementation modalities. Starting with a focus on the provision of basic community infrastructure and local capacity strengthening, the PRF series has gradually evolved to reflect the importance of multisectoral approaches to poverty reduction. Over time, it has complemented rural infrastructure with community livelihoods interventions and nutrition activities (see Table 1). In parallel,

³³ LECS 2018 data.

³⁴ Compared to a 9-percentage point decline in male labor force participation, from 87.4 percent to 78.4 percent during the same period.

³⁵ LECS 2018.

³⁶ FAO. 2019. *Country Gender Assessment of Agriculture and the Rural Sector in the Lao PDR*.

³⁷ Government of Lao PDR, Ministry of Planning and Investment and Statistics Bureau. 2018. *Lao PDR Labour Force Survey 2017*. Vientiane.



it has deepened its participatory approach to community investment decisions, strengthened its focus on district level capacity, and sharpened its targeting approach to reach poorer areas. Changes have been incremental, based on piloted and rigorously evaluated new interventions (see Section F). Geographic coverage has also shifted over time, although some districts have benefitted from support over several phases as the scope of activities expanded.

Table 1. Evolution of PRF Project Series

	PRF	PRF II	PRF III	PRF III Additional Financing (AF)	Community Livelihood Enhancement and Resilience (CLEAR)
Period	2002–2011	2011–2016	2016–2020	2020–ongoing	2023–2027
Amounts (including loan, grant, donor and GoL co- financing)	US\$42 million	US\$90.9 million	US\$54.3 million	US\$23 million	US\$45 million
Project Development Objective (PDO)	To assist the recipient in its ongoing efforts to alleviate poverty throughout its territory by [...community infrastructure,... local capacity...].	To help improve the access to and the utilization of basic infrastructure and services for the project's targeted poor communities.	To improve access to basic services for the project's targeted poor communities.	To improve access to community-prioritized basic services as well as to support the production and consumption of nutritious foods in the project's targeted poor communities.	To improve rural livelihoods and consumption of diverse foods for targeted vulnerable communities and respond promptly and effectively in case of eligible crisis or emergency.
Period	2002–2011	2011–2016	2016–2020	2020–ongoing	2023–2027
Geographic coverage	28 districts in 7 provinces	38 districts in 10 provinces (6 overlap with PRF I); expansion through the AF	44 districts in 10 provinces	12 districts in 4 northern provinces, (10 districts overlap with PRF III)	14 districts. 4 northern provinces maintained (different villages); adds 3 provinces
Evolution in scope	n.a.	<ul style="list-style-type: none"> • Deepens community and local development (CLD) approach • Pilots nutrition and livelihoods activities 	<ul style="list-style-type: none"> • Adds component on nutrition-enhancing livelihoods, building on PRF II pilot • Pilots road maintenance 	<ul style="list-style-type: none"> • World Bank nutrition convergence • Expands livelihoods and nutrition focus 	<ul style="list-style-type: none"> • Strengthens livelihoods and nutrition activities • Customizes activities to village type



	PRF	PRF II	PRF III	PRF III Additional Financing (AF)	Community Livelihood Enhancement and Resilience (CLEAR)
Infrastructure, participatory planning	<ul style="list-style-type: none"> Focus on kum-bans and villages Basic services infrastructure (schools/health facilities) 	<ul style="list-style-type: none"> Focus on kum-bans and villages Productive infra and school/health facilities 	Same	Same	<ul style="list-style-type: none"> Focus on villages Productive and/or nutrition-sensitive infrastructure only
Local capacity strengthening	Province, district, <i>kum-bans/villages</i>	Same	Same	Shifting focus from province to district	District and village
Livelihoods	Limited. Some livelihood activities within the community strengthening component.	Same. The AF pilots establishment of self-help groups (SHGs), support through seed funding.	<ul style="list-style-type: none"> Yes. Nutrition Enhancing Livelihood Development component Supports SHGs to develop nutrition-sensitive livelihood activities 	<ul style="list-style-type: none"> Yes. As PRF III, expanded Support SHGs and producer group (PGs) for increased food production Set up Farmer Nutrition Groups, SBCC on agriculture-nutrition links, and pilot new nutrition activities 	Yes. Continues and expands activities into dedicated livelihoods component.
Nutrition	Limited	Same. The AF pilots village nutrition centers, social and behavior change communication (SBCC).			Yes. Continues and strengthens PRF III activities, with adjustments based on PRF III assessment.

23. The PRF III project contributes to the nutrition convergence agenda. The PRF III, which will continue to be implemented through the initial phases of CLEAR, has strengthened the series' focus on nutrition and narrowed the geographic coverage to four provinces with high stunting rates in the north (Oudomxay, Phongsaly, Huaphanh, and Xiengkhuang). This is in line with the government's Bank-supported nutrition convergence program. Since 2020, the GoL has been working with the World Bank and other 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) in the same geographic areas.

24. Two main strategy frameworks further define the policy context of the proposed project: MAF's Agriculture Development Strategy 2025 and the GoL Decree 348 on the Criteria for Poverty Graduation and Development (2017), implemented under MAF's oversight. First, 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 promotes learning through household groups and networks, as well as the establishment of



registered PGs, a first step toward the creation of farmer cooperatives, and access of these PGs to formal credit. Consistent with the 2030 National Green Growth Strategy, MAF considers adaptation to climate change a priority. Second, Decree 348/GOL (2017) reflects a significant geographical expansion of the country's poverty reduction efforts. Under the decree's definition of criteria for the graduation of villages and districts from poverty status, 93 districts were listed as poor in 2022. These criteria include road access, availability of clean water, and market access. The decree also formalizes the identification of poor households for targeted policies.

C. Relevance to Higher Level Objectives

25. The operation is in line with the expected outcomes and approach of the FY2023–26 World Bank Group's Country Partnership Framework (CPF; Report No. 177311-LA). The operation is aligned with two CPF High Level Outcomes (HLO): (a) HLO 2 - Improved labor incomes of vulnerable households, contributing to Objective 4: Increased connectivity through climate-resilient infrastructure and Objective 5: Expanded use among women and children of practices and services beneficial to nutrition and (b) HLO 3 - Sustainable livelihoods through better management of natural resources, contributing to Objective 9: More productive and climate adapted agriculture. It is also expected to indirectly support Objective 8: Improved and climate-adaptive management of forests, biodiversity and protected areas, as diversification and sustainability of income-earning opportunities and job creation in specific landscapes can help reduce pressure on biodiversity and natural resources and boost communities' resilience. Considering the persistent development challenges and governance and institutional weaknesses, the proposed operation (a) builds on a program (the PRF series) with a long track record of successful implementation, (b) limits complex inter-agency coordination efforts, and (c) draws on evidence from evaluations of earlier stages of PRF implementation and more recent assessments of PRF III to help adjust and refine approaches (summarized in Section F).

26. The project is aligned with the World Bank's Green, Resilient and Inclusive Development (GRID) approach and the Global Crisis Response Framework (GCRF), which supports countries in responding to the impacts of the multiple ongoing crises since 2020. The project will contribute to the GCRF's Pillar 1 - Responding to food insecurity by promoting nutrition-sensitive livelihood activities and infrastructure that support sustainable food production among poor rural communities. The project will also contribute to Pillar 3 - Strengthening resilience by investing in climate-resilient community infrastructure and supporting diversification of livelihood sources among agricultural households. These investments, targeting some of the most vulnerable rural communities in the country, are aimed at improving their ability to withstand shocks while promoting long-term sustainable socioeconomic development.

27. This project also aligns with the World Bank Group's Climate Change Action Plan (CCAP) 2021–25 and Action Plan on Adaptation and Resilience. It contributes to the CCAP by focusing on strengthening the resilience of project beneficiaries and investments. In line with the Action Plan on Adaptation and Resilience, it integrates climate risks and opportunities in the project's design and implementation and builds social resilience.

28. The project contributes to two of the four priority gender gaps in the World Bank's Country Gender Action Plan (CGAP) for FY22–26: equal opportunities for men and women to participate in livelihood activities and wage jobs and participation of women in planning and decision-making at the local level. The CGAP is aligned with the GoL's National Action Plan for Gender Equality 2021–2025 and is expected



to contribute to the Ninth National Socioeconomic Development Strategy (NSEDP)'s objective of increasing women's representation in village leadership positions to at least 10 percent.

29. The project will contribute to implementation of the Ninth NSEDP, MAF's Five-Year plan and the National Green Growth Strategy.³⁸ The NSEDP defines directions for rural development and poverty alleviation, with an emphasis on promoting sustainable and climate-resilient food production systems; food quality, safety, and nutrition; and agricultural commercialization. The project will contribute to three out of four programs in the Ninth Five-Year Agriculture, Forestry and Rural Development Plan (2021–2025), which outlines MAF's vision in implementing the Ninth NSEDP: food security, commodity farming and rural development, and poverty alleviation. The Green Growth Strategy emphasizes the role of PRF in (a) developing rural transport and communication infrastructure resilient to natural disasters, seen as key to enable rural areas to become a place of production and processing of quality food to supply urban centers; (b) providing training on livelihoods and skills development related to food production; and (c) facilitating access to micro-finance for rural households. The project's emphasis on disaster-resilient rural infrastructure is also highlighted by the National Strategy on Disaster Risk Reduction 2021–2030 (NSDRR).

30. The project is aligned with the National Nutrition Strategy (2016–2025) and National Plan of Action on Nutrition (NPAN) (2021–2025). The latter stresses that segments of the Lao PDR population continue to suffer from food insecurity, undernourishment, and limited access to nutritious foods. Agricultural interventions outlined under the strategy focus on production of diversified foodstuffs, processing and storage, and retail marketing of nutrition food. These are aligned with the MAF strategy. The NPAN also highlights the role played by natural disasters in exacerbating food insecurity.³⁹

31. Finally, this project contributes to Lao PDR's National Strategy on Climate Change.⁴⁰ The National Strategy on Climate Change (2010) includes 'awareness, education and community participation leading the way' as a guiding principle of climate action for the country. In line with this principle, this project engages communities actively to strengthen their resilience to climate-related shocks through livelihood diversification and improved agricultural productivity, food security, and nutrition behaviors.

II. PROJECT DESCRIPTION

A. Project Development Objective

32. The proposed PDO is 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.

33. The PDO uses the following definitions:

- (a) "Rural livelihoods" under the project denotes access to on-farm and off-farm income-generating activities and productive infrastructure. Rural livelihoods will be considered

³⁸ Secretariat for Formulation of National Green Growth Strategy of the Lao PDR. 2018, December. National Green Growth Strategy of the Lao PDR to 2030.

³⁹ Prime Minister's Office. 2021, October. National Plan of Action on Nutrition Lao People's Democratic Republic, 2021–2025.

Embassy of Sweden, Vientiane, Lao PDR. Swedish International Development Agency (SIDA), Asia Department. 2004. Country Analysis, Lao PDR. Art. no.: SIDA3684en, page 53. Retrieved March 3, 2022, from www.sida.se/publications.

⁴⁰ <https://www.undp.org/laopdr/publications/national-strategy-climate-change-lao-pdr>.



improved when they rely on more sustainable income generating activities and increased income diversification.

- (b) “Consumption of diverse food” reflects the quality of the diet in terms of diversity. The focus is on minimum dietary diversity for children between 6 and 23 months. It is defined by the consumption of at least five of the eight food groups defined by international standards.⁴¹
- (c) “Vulnerable communities” are defined in terms of entire villages.⁴² Communities are considered vulnerable when they are in provinces with high prevalence of stunting⁴³ and climate-related shocks,⁴⁴ and are classified as poor based on Decree 348 multidimensional criteria.⁴⁵

34. The achievement of PDO-level results will be measured through five indicators:

- (a) Indicator 1: Percentage of Income-Generating Activities⁴⁶ (IGAs) implemented that are viable 1 year after having benefitted from financing under the project (total; female-owned IGAs; non-Lao-Tai-owned IGAs)
- (b) Indicator 2: Number of project beneficiary households that have at least one additional source of income from project activities (total; female-headed households; non-Lao-Tai-headed households)
- (c) Indicator 3: Percentage change in travel time to drinking water, agricultural areas, markets, agricultural storage, drying platform and processing site areas
- (d) Indicator 4: Percentage of children aged 6 to 23 months from community nutrition group (CNGs) households consuming foods from five out of eight recommended food groups
- (e) Indicator 5: Number of direct beneficiaries (total; female; non-Lao-Tai).

B. Project Components

35. CLEAR is a Community and Local Development (CLD) project that builds on the PRF series while reflecting Lao PDR’s changing rural sector and evolving policy framework (see Section F).

36. Proven implementation mechanisms and multisectoral approaches of the PRF series will be maintained. Activities will be successively implemented in two batches of clustered districts and villages,

⁴¹ Food groups: (a) breastmilk; (b) grains, roots, and tubers; (c) legumes and nuts; (d) dairy products (infant formula, milk, yogurt, cheese); (e) flesh foods (meat, fish, poultry, and liver/organ meats); (f) eggs; (g) vitamin A rich fruits and vegetables; and (h) other fruits and vegetables.

⁴² Vulnerable communities include but are not limited to vulnerable or marginalized groups (for example, women, ethno-linguistic minorities).

⁴³ Stunting prevalence among children under 5 years is over 40 percent, based on Lao Social Indicators Survey (LCIS) 2017. Malnutrition data are not available countrywide below the province level.

⁴⁴ Flood and landslide risk classified at level 3 or 4 based on the Global Facility for Disaster Reduction and Recovery (GFDRR) database, available on thinkhazard.org.

⁴⁵ Villages are classified as poor when they display deprivation in at least one of eight criteria for poverty graduation, according to Decree 348. While the project will seek to cover primarily poor villages, it may include non-poor villages near poor villages, within districts classified as poor based on Decree 348. This may be required to leverage complementarities and avoid duplication with other similar projects in the same geographic areas.

⁴⁶ An IGA is defined as viable when it generates a gross operating profit (gross operating profit = total revenue - total expenses).



with a two-year project cycle in each village, to reduce logistical constraints and costs. Each village will participate in CLEAR's first three components that respectively support (a) activities at the level of an entire village, that is, community-level capacity building and small, community-owned, climate-resilient infrastructure and productive facilities; (b) livelihoods diversification and improvement, including strengthening livelihood resilience to climate and other shocks, with productive equipment owned by individual group members; and (c) nutritional improvements among targeted families, including those affected by food insecurity exacerbated by climatic shocks and stressors. These three sets of interventions were already part of PRF III. After an orientation step, each community will identify priorities within a set of eligible investments that will be incorporated into existing or new village development plans. Village groups will be established in relation to each component. Activities will be designed and implemented in the form of subprojects. Young graduates (YGS) (see paragraph 88), with knowledge of local languages wherever possible, will continue to be hired for delivery of relevant capacity building activities, facilitation, and data entry.

37. CLEAR's strategy departs from the latest PRF project in five ways. First, CLEAR deepens the focus on solutions that build community resilience. These include disaster and climate resilient building standards used in the construction/refurbishment of small infrastructure and a greater focus on increasing the climate resilience and diversification of livelihood sources and diets. Second, the participatory village planning process is significantly enhanced, capitalizing on the presence of relatively better-educated community members who will act as village facilitators—particularly critical in non-Lao-Tai communities where social and linguistic barriers are present. Third, and in line with lessons from PRF III, CLEAR strengthens links between components for the achievement of sustainable outcomes. Innovations successfully launched in PRF III on a small scale, such as multimedia to share information and knowledge through photos and videos by beneficiaries in their own languages, will be expanded. Fourth, in line with Decree 348, the project's coverage extends to districts and villages based on new poverty and vulnerability data (paragraphs 39–40). These tend to be also most vulnerable to economic and climatic shocks. The project also strengthens interventions to ensure social and gender inclusion. Fifth, it adapts interventions to the development levels and market potential of villages, defining three village types (paragraph 41). Table 2 below summarizes which elements in project design are proven existing features in PRF III, which ones are innovations introduced in PRF III on a small scale that will be expanded, and which ones are new activities.

38. Community capacity and resilience to shocks will be enhanced through stronger links between components. The PRF participatory planning process and capacity strengthening program, under Component 1, are defined to also identify livelihood and nutrition priorities while leaving time for households to set up groups and refine these priorities under Components 2 and 3. Small facilities for livelihood improvement will be built under Component 1 to benefit from the village's CLD process and then transferred to the household groups supported under Component 2, with clear responsibility arrangements. Component 3 will take the lead in developing improved communication strategies, and good practice will be extended to activities budgeted under Components 1 and 2. The Project Implementation Manual (PIM) will be structured in a format that highlights the project's cross-cutting approach, rather than as a set of stand-alone components.



Table 2. CLEAR Activities Compared to PRF III

Component	Existing PRFIII Activity	Expanded CLEAR Activity	New CLEAR Activity
1	<ul style="list-style-type: none"> • Village development plans (VDPs) • Participatory small infrastructure (basic access and/or production oriented) 	<ul style="list-style-type: none"> • Climate and disaster resilient rural infrastructure • Village skilled construction workers • Road management groups 	<ul style="list-style-type: none"> • Subcomponent 1.2. Community capacity enhancement program • Village profiles before VDP
2	<ul style="list-style-type: none"> • Village self-help group management committees (VSMCs) with bank account • Savings and credit groups • Registered PGs 	<ul style="list-style-type: none"> • Peer learning through hands-on demonstrations • Multimedia peer learning (MMPL) 	<ul style="list-style-type: none"> • Diversification and increased resilience of income generation activities (including off-farm or NTFPs) SHGs without savings and credit • Local input suppliers
3	<ul style="list-style-type: none"> • SBCC through women-led community nutrition groups (CNGs) and MMPL • Community-sourced nutritious foods 	<ul style="list-style-type: none"> • Goat dairy • Coordination with LWU and LYU 	<ul style="list-style-type: none"> • Local adaptation of nutritious foods including NTFPs • Increased target audience under SBCC (village authorities, husbands) and take-home food rations for the poor

39. The project targets some of the most vulnerable communities in Lao PDR, continuing to support four convergence provinces in the north and expanding to three provinces in the south. CLEAR will be implemented in two districts in each of seven provinces. Four provinces in the north that are already benefitting from the World Bank-supported nutrition convergence interventions (Huaphanh, Oudomxay, Phongsaly, Xiengkhuang) will continue to be covered. As improvements in nutrition require long-term efforts, high levels of vulnerabilities persist, and many villages have not yet been covered, moving away from these areas would not be justified. Three new provinces will be added in the south (Saravan, Savannakhet and Sekong). Out of a total of 14 CLEAR districts,⁴⁷ at least six districts will be part of the second phase of nutrition convergence supported by World Bank-financed projects across sectors.⁴⁸ PRF III beneficiary villages will be avoided, to avoid confusing implementation processes and ensuring benefits are shared with more communities in need. The three CLEAR components will be rolled out in all project villages, starting with districts not implementing PRF III. For those few districts with PRF III and other nutrition convergence operations, earlier rollout of nutrition interventions will be considered to maximize the numbers of young child beneficiaries.

40. The geographic targeting is based on a data-driven exercise that first identified provinces and then districts and villages. Provinces were ranked based on a simple index including poverty (multidimensional poverty index, from the latest World Bank Poverty Assessment, using the latest national household

⁴⁷ Should there not be enough villages in selected districts meeting eligibility criteria for selection, villages in a nearby poor district will be added to reach the target number of villages. District staff from the originally selected districts may deliver project activities across two districts in these cases. This is expected to be the case in Huaphan province, where villages in Sone district will be included to complement villages in Et.

⁴⁸ Geographic targeting process for convergence projects other than CLEAR are still ongoing so district overlap is yet to be confirmed.



survey),⁴⁹ nutrition outcomes (stunting prevalence),⁵⁰ vulnerability to climate-induced shocks and natural hazards,⁵¹ and dimensions of deprivation directly relevant to the project (low connectivity, high reliance on agricultural incomes).⁵² This evidence-based exercise confirmed the need to include the existing nutrition convergence provinces. Two districts are selected in each province, based on poverty status (based on Decree 348 data and monetary poverty estimates at district level)⁵³ and operational feasibility (for example, proximity to each other, complementarity with other programs, at least one district per province with access to a bank branch enabling withdrawals). Approximately 32 villages will be selected within each district, among those considered poor based on proxy means test/Decree 348 data and graduation criteria, complemented with other available indicators such as distance from markets and absence of other programs. The objective is to select around 450 villages to ensure an allocation per village that can lead to visible impact of the investment.

41. CLEAR tailors activities to three types of villages, defined according to their current vulnerability levels, which will simplify processes for lower capacity villages (see Table 3). The project acknowledges that a ‘one size fits all’ approach will not be adequate to achieve the intended impact, given villages’ different starting socioeconomic conditions and market access potential. Each selected village will be classified based on Decree 348 indicators, complemented with data available through other existing reports, on food security, average incomes, road access, drinking water supply, and time to access markets. Community representatives will be required to validate their classification at the orientation stage. Small infrastructure options under Component 1 will be similar in the three village types, but type I villages are expected to allocate a larger share of the project grant to small basic infrastructure because they have higher needs for improved road access and drinking water supply. Rural infrastructure investments will reduce transport costs of agricultural inputs and products and improve access to inputs, markets, processing sites and storages. Component 2 will differ markedly among the three village types. While improvements in both self-consumed and marketable products will be promoted in the three village types, there will be an increasing focus on the latter in type II villages, while activities in type III villages will focus on market-oriented production (see Component 2, paragraph 52). Type III villages, after having further built capacity through CLEAR, may become eligible to access agrobusiness development projects supported with financing from the World Bank or another development partner.

42. Inclusion in the project of a small number of type III villages, which are relatively less poor but still vulnerable, will allow exchanges of lessons and knowledge with villages at a lower stage of economic development. All villages will undertake a similar set of activities under Component 3, although the range of foods promoted is expected to vary among the three types. Unlike in the PRF suite, sustainable uses of NTFP will be supported, both for food under Component 3 and income generation under Component 2 and will play a more prominent role in most type I villages. Table 3 below summarizes the village typology matrix.

⁴⁹ World Bank. 2020. *Lao People’s Democratic Republic Poverty Assessment 2020: Catching Up and Falling Behind*. World Bank, Washington, DC.

⁵⁰ Lao Social Indicator Survey II, 2017.

⁵¹ Data from the Global Facility for Disaster Reduction and Recovery (GFDRR) database, available on thinkhazard.org.

⁵² 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).

⁵³ World Bank 2022. *Where Are the Poor in Lao PDR Small Area Estimation: Province and District Level Results*.

**Table 3. 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	<ul style="list-style-type: none"> • Remote village • Limited connectivity to market • Exposed to food security shocks and climate change impacts 	<ul style="list-style-type: none"> • Village with improving connectivity to market • Exposed to income shocks and climate change impacts 	<ul style="list-style-type: none"> • Less remote village with improved connectivity to market, exposed to market risks and unemployment risks and climate change impacts
Activities by village type			
Community infrastructure	<ul style="list-style-type: none"> • Basic access (for example, access road spot improvement, bridges, drinking water) • Relatively higher share of village allocation amount 	<ul style="list-style-type: none"> • Production oriented (for example, drying platform, field access roads) 	<ul style="list-style-type: none"> • Groups' infrastructure needs (for example, drying platform, processing site areas, storage)
Livelihood groups	<ul style="list-style-type: none"> • SHGs (without savings and credit) 	<ul style="list-style-type: none"> • SHGs (with savings and credit) 	<ul style="list-style-type: none"> • SHGs (with savings and credit) and PGs
Nutrition interventions	<ul style="list-style-type: none"> • A - SBCC activities • B - Promotion of nutritious foods, adapted to village resources 		
CLEAR community capacity building	<ul style="list-style-type: none"> • Voluntary village application process after orientation training • Community capacity strengthening program for selected villagers and local staff • Hamlet and village participatory process 		

43. The design of CLEAR includes built-in synergies and complementarities with the main development projects that will be implemented in parallel in the same districts. The World Food Programme (WFP) and International Fund for Agricultural Development (IFAD) Agriculture for Nutrition Project (AFN II) will take place in five of CLEAR's seven provinces and some of the same districts. CLEAR will ensure that there is no overlap in villages, in coordination with district authorities, WFP and IFAD. However, capacity strengthening and other technical assistance at the district level may have benefits spilling over to other projects. Building planning and agricultural extension capacities in the district government is a priority in the scope of AFN II, under the *Sam Sang* policy, while CLEAR's focus is on the village community level in application of Decree 348. AFN II employs IFAD's public-private producer partnership approach to value chains. CLEAR is not investing in value chain development but is expected to facilitate connections between CLEAR-supported groups and AFN II enterprise partners. CLEAR, when defining the location of improvements in village access infrastructure, would prioritize improvements that also serve AFN II villages. Nutrition SBCC messages will be consistent across the two projects. Similarly, where relevant, CLEAR will develop synergies between type III villages and World Bank-supported agricultural value chain development projects such as the upcoming Smallholder Green Agriculture Competitiveness Project (P179146), sharing capacity building and market access opportunities.

44. CLEAR will also coordinate the relevant nutrition interventions with other World Bank operations that are part of the nutrition convergence approach with respect to (a) geographic coverage of the same provinces, building on existing PRF coverage of northern provinces; (b) harmonize SBCC strategy, action plan, and tools for consistent messaging; (c) align selected monitoring and evaluation (M&E) indicators (for example, individual minimum dietary diversity for children aged 6-23 months and community-



managed platforms using village score cards for a dialogue around accountability; and (d) exchange data and lessons.

Component 1: Local Economic Development and Community Capacity Strengthening (US\$27.6 million)

45. 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 operations and maintenance (O&M). 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. Priority will be given to initiatives that resolve obstacles to food security, improved nutrition, and/or income generation while being inclusive of these groups. The design, operation and maintenance of small infrastructure will incorporate low-carbon, climate resilience features such as functionality, durability, and safety. This component is aligned with GCRF's Pillar 3 - Strengthening Resilience.

Subcomponent 1.1: Participatory Village Development Planning (VDP)

46. Under this subcomponent, each village will follow a step-by-step process to prioritize needs and opportunities. The VDP process will identify a complete list of prioritized village needs, which may be covered by CLEAR or other funding sources. The process will allow villagers to vote for a short list of small infrastructure investments to be financed under CLEAR, 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.

47. The institutionalization of this process will support district governments in incorporating village priorities into their sector plans. While a similar sequence of steps will be implemented in the three types of villages, the VDP guidelines will offer simplified investment options for type I villages, as well as more detailed options for type III villages. Before VDP preparation, teams from agricultural universities (see paragraph 91) will be invited to develop village profiles in a representative sample of villages. These will cover information relevant to tailor activities across components to the village context (for example, food sources, climate-related characteristics, and disaster risks). Village profiles will increase awareness about projected climate change impacts among communities and inform the selection of investments under all components accordingly. The VDP process will start during the first year of implementation within each village batch after SHGs have identified their priorities.

Subcomponent 1.2: Community Capacity Strengthening

48. This subcomponent, taking place in parallel with Subcomponent 1.1, will equip key community members, including women and newly selected village facilitators, with the knowledge and skills to lead the community towards inclusive local development. A sequence of training sessions will be organized for groups of participants from neighboring villages who play key roles in their community. This out-of-village training will be based on the World Bank's '*Community Driven Development transformative grassroots*



leadership training' manual,⁵⁴ adapted to the country and targeted audience. Participants will acquire soft skills, for example, in meetings facilitation, as well as practical project implementation skills, such as early warning to reduce disaster risks and ways to strengthen resilience to economic and climatic shocks. 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. This activity will be phased in gradually, starting with pilots in a subset of districts in year 1, and later adapted and expanded to all districts.

Subcomponent 1.3: Climate-resilient Community Infrastructure

49. 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. Low-carbon and climate-resilient small infrastructure will be implemented through a process of participatory detailed design, procurement, construction, supervision, and formal hand-over to the community, with support from the PRF teams. The range of eligible infrastructure includes (a) agricultural and rural access roads, which are not part of the district's rural road network (b) drinking water⁵⁵ and irrigation; (c) village facilities for climate-smart crop production or livestock and fish raising; (d) drying platforms and flood resistant storage facilities; (e) small processing facilities; and (f) tree preservation (for example, fencing) or tree planting. The PIM will include details on non-eligible infrastructure.⁵⁶ Type I villages are expected to prioritize basic access infrastructure, while type III villages will prioritize production-related infrastructure. For relevant types of infrastructure, formal handover to a SHG will take place upon completion of the construction works, with clear definition of ownership, operation, and maintenance responsibilities, and a fee recovery system, to be outlined in the PIM.

50. PRF's existing disaster risk reduction (DRR) approach has been enhanced, from screening and siting to supervision and maintenance, to ensure that the infrastructure reflects current and future climate and disaster risks. Before the construction works, two villagers who already have basic construction skills will attend short training at a local vocational school and receive a kit of small tools for the community. In addition to hiring these skilled workers, villages will be encouraged to use cash-for-work schemes for construction unless hiring a contractor is required. Villages maintaining access and production roads may also set up regular road maintenance teams to ensure the assets' durability and resilience against climatic hazards through a project-funded cash-for-work scheme targeting poor men and women, as done under PRF III.

51. Component 1 will finance community force account grants for small infrastructure (including skilled construction workers training cost and toolkits), technical assistance for the village profiles, travel and meeting costs for participatory development planning in the villages and districts, preparation and

⁵⁴ See https://collaboration.worldbank.org/content/sites/collaboration-for-development/en/groups/community-driven-development-global-solutions-group/documents.entry.html/2021/12/14/cdd_grassroots_leadershiptrainingmanual-9ee1.html.

⁵⁵ CLEAR funds water source protection from sanitation waste and from livestock, while the district health department organizes villages' access to other projects that specifically fund sanitation.

⁵⁶ 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 four years before or planned for relocation is another non-eligible. A full list of non-eligible infrastructure is included in the PIM.



delivery of capacity building program (including training of trainers), refresher training for district engineers, small infrastructure survey and design costs, and hiring and remunerating technical staff to oversee the activities.

Component 2: Community Livelihoods Enhancement (US\$7.95 million)

52. This component supports group-level activities that promote income generation. Groups will be adapted to the socioeconomic and climatic situation of villages. In type II and type III villages, CLEAR will follow PRF's process of supporting savings and credit groups, mostly composed of women, building financial literacy, and diversified, climate-resilient income-generation activities. In select type III villages with confirmed market opportunities, the project will support the emergence and capacity building of registered PGs and of producers of climate-smart 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 poorer, the groups will engage in food production to have adequate food for consumption and income generation. This component is aligned with GCRF's Pillar 1 – Responding to Food Insecurity.

Subcomponent 2.1: Development and Management of Self-Help Groups (SHGs) and Producer Groups (PGs)

53. This subcomponent 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, to promote diversification of crops and livestock production and use of more climate-resilient seed variety to address the exacerbation of food and nutrition insecurity due to climate hazards like flooding. They will draw from a list of on-farm and off-farm livelihood options, based on the village profiles and considering the district plans. To promote sound financial management (FM), elected group representatives (three per group to prevent elite capture) will form the 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 IGAs 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, climate-smart agricultural inputs and/or on establishing a PG. The PIM provides detailed guidelines for group formation, training, and activities in each village type. Group principles including regular meetings will be key to promote peer learning regarding income generation and self-consumption. These principles are adapted in type I villages.

Subcomponent 2.2: Income Generation and Food Security Capacity Building

54. This subcomponent builds capacity among district staff and the project's YGs, who will then deliver training to SHG members on diversification of income generation and food self-production sources. During the first year of implementation, the project will develop a new series of technical training modules and training methods adapted to these beneficiaries. Existing training materials developed under MAF will be complemented with new modules prepared with support from the university teams. The training modules will highlight climate-smart agriculture⁵⁷, including the use of climate-resilient seed varieties, animal feed

⁵⁷ 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, and reduced emissions.



and fodder production from locally available sources, erosion control measures, the use of animal manure, NTFP 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 members. To invite active participation of the young generation and increase the efficiency and effectiveness of learning, the MMPL methods developed under Component 3 will be expanded to Component 2 activities. These methods will also ensure attention to the specific features of livelihoods in the southern provinces.

Subcomponent 2.3: Delivery of Project Grants and Management of Productive Assets

55. SHGs, PGs 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 micro plan, will be used to purchase crop and livestock inputs (e.g., seeds, chicks, feed, livestock housings materials, etc.). Input suppliers and PGs will be required to submit a market-oriented business plan; seed grants will be used to buy individual crops and livestock inputs as well as to finance group-based investment (e.g., digital weigh equipment, transportation of outputs, bulk feed preparation and supply, installation of drip irrigation system, vaccines, housing materials, marketing meetings expenses, etc.). In addition to encouraging individual activities, the SHGs and PGs will engage in the maintenance of group productive assets such as drying platform or storage and processing space.

56. Component 2 will finance training and meeting costs for SHGs and PGs, development and delivery of technical manuals and training for staff, travel costs, seed grants to groups, and hiring and remunerating technical staff to oversee the activities.

Component 3: Community Nutrition Interventions (US\$4.75 million)

57. 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 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, for example, production areas such as homestead gardens, living fences, upland rice fields, lowland rice fields, and types of crops and recipes, will be tailored to the community's agro-ecological and cultural context. This component is aligned with GCRF's Pillar 1 - Responding to Food Insecurity.

Subcomponent 3.1: Promotion of demand for enhanced nutrition practices

58. 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 through three channels: (a) community mobilization (for example, community meetings, peer groups), (b) interpersonal communication (for example, home visits), and (c) mass communication (for example, social media). Women-led 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 at least once a month for practical group-based learning, food processing, cooking (implementing the simple and innovative technology cookbook developed under PRF and approved by the Ministry of Health's National Nutrition Center and MAF), discussions on SBCC modules in MAF's mandate (food production, food processing, food expenditure, wild food collection, climate change adaptation related to nutrition), and sharing of messages on basic nutrition as well as gender equality. The latter will include discussions on risks and protective factors around early marriage and adolescent pregnancy (EMAP) (which increases risk of child stunting) and spousal communication (with a focus on promoting reduction in women's drudgery and time poverty). Each CNG will be equipped with a basic cooking and food processing kit (including a small mill and drying nets).⁵⁸ Grants to CNG members will cover the purchase of ingredients for two years, matching a community contribution. CNG members will distribute produced nutrient powder ratios to the poorest households in their community. Home visits by a YG 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, featuring 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. MMPL activities will take place in partnership with the LYU and Click, a social enterprise, while other activities will be carried out in coordination with the LWU, as an established PRF practice.

59. Finally, an integrated community nutrition platform for coordination and regular meetings to influence village authorities, husbands, and SHG members will be supported, with the aim of creating an enabling environment for individual nutrition behavior changes and coordinate with other projects. These community meetings will use child nutrition scorecards⁵⁹ where available to alert the entire community of the evolving nutrition situation. They will also include messages on climate change, its future impacts and linkages with food and nutrition security, to promote strategies to support adaptation. Special annual campaigns such as for adolescent girls, building on the experience of the United Nations Population Fund (UNFPA) in the country, will address early marriage and adolescent pregnancies, which are a key driver of child malnutrition.

Subcomponent 3.2: Promotion of community-sourced nutritious food

60. First, the subcomponent will support home nutrition gardening. Tested nutrient-dense, climate-resilient crops suitable for cultivation in areas with limited water and land access will be promoted for home consumption and group cooking. The Lao Farmer Network (LFN), which is already working closely with PRF/MAF, 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. These farmers will train other CNG members with results-based incentives, as CNG members adopt practices introduced by the training. They will also set up shade houses in each village for year-round production. The LFN will provide technical supervision in a selected number of villages, with virtual support and assistance in the production of regular M&E reports. Agricultural fact sheets will be translated into audio clips and local languages. Second, goat dairy production and use will

⁵⁸ 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, and leaf powders.

⁵⁹ 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.



be supported to provide a key ingredient for child feed recipes, expanding the PRF III pilot. The project will train goat farmers in 100 villages in raising, feeding and milking goats. The training will be conducted in partnership with Lao Buffalo Dairy, a social enterprise in Luang Prabang, and AgCoTech Laos. It will consist first in a training for model goat farmers, CLEAR and DAFO staff, followed by training of CNGs and SHGs, supported by online/multimedia tools. Farmers raising goats will be provided with a simple milking set, mineral blocks, and milking record books to record daily milk yields.

61. Component 3 will fund training for CLEAR staff and villagers, service providers for technical inputs (MMPL, goat dairy), development and dissemination of SBCC materials, CNG and community meeting costs, food preparation ingredients and equipment, IT equipment for multi-media peer learning, equipment for goat milking, agricultural inputs for home nutrition gardening and greenhouses, incentives for village champions and partner volunteers, and hiring of technical experts to oversee the activities.

Component 4: Project Management, Capacity Building and Monitoring and Evaluation (US\$4.7 million)

62. 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 of national and district PRF staff as well as the costs of village facilitators; associated equipment and operating costs; and accounting, procurement, FM, internal controls, auditing, environmental and social safeguards, M&E, and other specialized support.

63. The component also supports activities geared toward 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. This component is aligned with GCRF's Pillar 3 - Strengthening Resilience.

Component 5: Contingent Emergency Response (US\$0)

64. The initial value of this Contingent Emergency Response Component (CERC) is zero, but it may be financed to respond to an Eligible Crisis or Emergency. The three village types are equally eligible for CERC in an emergency or crisis. CERC activities would build on the country's existing DRR strategy.

65. The PIM will include a list of eligible goods and equipment and describes the process to launch and manage the CERC, in line with the CERC Environmental and Social Management Framework (ESMF). In anticipation of the potential need to launch CERC activities, the project's DRR capacity-building activities for district staff, PRF staff, and communities will build knowledge on this process and disseminate information on contacts to be mobilized in such an event.

C. Project Beneficiaries

66. CLEAR will benefit some of the most vulnerable communities in rural Lao PDR. By covering approximately 450 villages, with an average population of around 480 people (based on average for poor districts in selected provinces), about 216,000 beneficiaries will be reached. This corresponds to close to



half of the population in the 14 targeted districts. Given its targeting approach (paragraphs 39-40), CLEAR reaches the most vulnerable areas of the country (high incidence of poverty, weak nutrition outcomes, limited connectivity, and exposure to climate-related hazards). Non-Lao-Tai represent 75 percent of the estimated beneficiaries, based on population composition in covered districts. Additional implementation mechanisms for outreach and inclusion of remote hamlets and marginalized community members will also ensure full access for non-Lao-Tai groups to project benefits in mixed communities. Women will also benefit significantly, both through measures ensuring their equal access across project activities and as main targeted beneficiaries for nutrition interventions and SHGs.

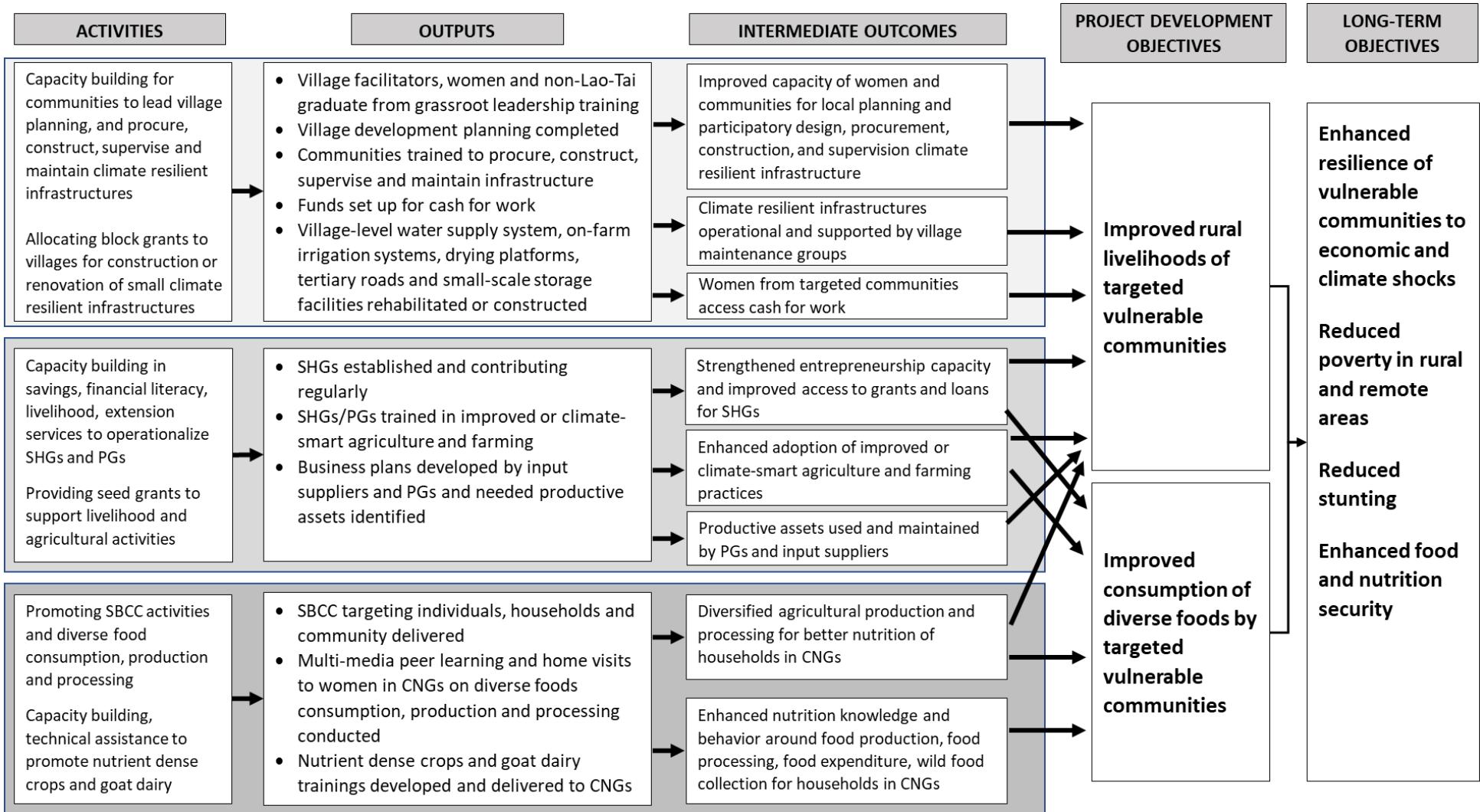
67. The project will also develop the capacity of district authorities and PRF. Building on the PRF series, CLEAR will continue to develop the capacity of district authorities to plan, implement, and monitor local development processes in partnership with the village communities. In addition, MAF is expected to benefit from capacity-strengthening activities under Component 4, such as the review of opportunities to embed community-based poverty reduction programs within MAF programs, and communication and outreach support to showcase results across the government and the wider development community.

D. Results Chain

68. The Theory of Change for CLEAR is presented in Figure 1. The figure summarizes the activities that will lead to achievement of the project objectives. It also includes the long-term impacts to which the project is expected to contribute.

69. The Theory of Change is based on the following problem statements: (i) non-Lao-Tai ethno-linguistic groups engage in low-productivity farming in remote areas, face barriers in engaging with the local administration, and face the risk of being excluded from rural development programs; (ii) women's representation in community decision-making is low and social norms discourage women from voicing their needs and concerns; (iii) only about 64 percent of households in project areas live in villages with all-weather roads and face limited access to services and economic opportunities; (iv) stunting affects about one third of children in Lao PDR, with poor, non-Lao-Tai, rural children in upland areas most affected; (v) villages in Lao PDR face high and increasing vulnerability to climate change, environmental degradation, and shocks leading to negative impacts on the ecosystems, community infrastructure and agricultural livelihoods (reduced crop yields and adverse impacts on livestock).

70. The Theory of Change, and achievement of the project's objectives, depend on the following critical assumptions: (i) women in community nutrition groups are willing to use multimedia tools; (ii) non-Lao-Tai are interested in taking loans for undertaking IGAs; (iii) communities are willing to participate in O&M activities to sustain climate resilient infrastructure; and (iv) district extension services have adequate capacity to provide technical advice and services in agricultural and livestock sector.

**Figure 1. Theory of Change**



E. Rationale for Bank Involvement and Role of Partners

71. The World Bank's support for CLEAR builds on its long-term engagement in the PRF project series. The PRF projects supported by the World Bank have proven successful in delivering intended outcomes in rural poverty alleviation and development for 20 years, through well-established implementation mechanisms as well as gradual innovation (paragraphs 21–22 and Section F). The World Bank combines highly contextual expertise and global knowledge of implementation of CLDs that place it as a valuable partner for the GoL in a multisectoral CLD project such as CLEAR. World Bank engagement also enables linkages with four other World Bank-funded nutrition convergence projects.

72. Several partners contribute to the poverty alleviation, rural and agriculture development, and nutrition agendas in Lao PDR, many working directly with MAF. The World Bank and PRF will coordinate with these partners during project implementation and seek opportunities for close partnership. Close collaboration will be particularly important with the WFP-IFAD's AFN II project (paragraph 43), which will operate at scale in five of CLEAR's provinces, as well as the Netherlands Development Organization and its program Lao Upland Rural Advisory Service. As part of the World Bank's multisectoral effort on nutrition convergence, CLEAR will also coordinate with other relevant partners (for example, UNICEF).

F. Lessons Learned and Reflected in the Project Design

73. The design of CLEAR incorporates lessons learned from PRF I and PRF II evaluations, as summarized in the following box. Enhancing actual community participation, designing methods to overcome language and cultural barriers, and building SHGs on the basis of existing mutual help groups are key factors for project impact. These evaluations confirmed how small rural infrastructure remains a priority investment need. CLEAR also builds on a lesson learned from the Completion and Learning Review of the World Bank Group's 2017-2021 Country Partnership Framework: project designs using existing delivery mechanisms have a higher chance of timely implementation and impact. Recent assessments from the PRF series, as well as experience from other CLD programs in the region, provide additional lessons on the detailed design of each component.

Table 4: Lessons Learned from PRF I and PRF II Evaluations

CLEAR design element	Summary of evaluation findings
Community participation	Before formalization of the Sam Sang policy in 2016, PRF I and II operated at kum-ban level. Villagers mostly gained increased voice in the selection of project activities. Evaluations revealed the need for enhanced attention to actual participation in other activities and decisions. It was too early to observe progress in village-level capacity to manage public investment, but village-level contact persons were already key resources.
Inclusion	Linguistic and cultural barriers to the engagement in project activities were repeatedly highlighted as a priority issue, most prominent for women and some ethnic groups. The use of simple voting tools in the selection of village activities was effective, and women as well as poorer community members appreciated being able to participate. However, evaluations pointed to the need for more proactive approaches to women's empowerment, inclusion of non-Lao-Tai populations and targeting of the poor.



CLEAR design element	Summary of evaluation findings
Rural infrastructure	Village access to safe water was confirmed to generate significant poverty reduction benefits. Similarly, improved village access roads and field access roads that reduced travel time generated significant improvements for beneficiary communities. The quality of infrastructure was already a strong point. The range of infrastructure options to choose from was however too limited to respond to community needs.
Self-help groups and livelihoods	Existing mutual self-help support groups were found to be an important opportunity to foster participation at the village level. Mobilizing these groups was recommended. Providing microloans required significant implementation capacity within the PRF and was therefore not appropriate in PRF I and II. Trader presence increased in the remote villages once road access has improved so that other market access investments were not a priority.
M&E	The evaluations demonstrated how community-driven development projects require a solid and comprehensive M&E framework and MIS at the start of the project.

Sources (1) IEG 2016. PRF I Project Performance Evaluation. (2) WBG, SDC and Australian Aid 2016. PRF II Impact Evaluation. (3) IEG 2016. The Challenge of Engaging Communities in Lao PDR: Lessons from the Poverty Reduction Fund Project.

74. CLEAR remains anchored in principles of participatory planning and implementation at the village level. These principles have helped to effectively build community ownership of project activities, as confirmed in the MTR assessment of PRF III beneficiaries' satisfaction. The VDP process that was defined more than 10 years ago has shown room for improvement in scope and process; Inviting community members, including women, to serve as village facilitators is an approach that has proven successful in other programs in the region to reach communities at risk of exclusion.

75. There was a need to adjust the PRF core activities to the diversity of villages and better leverage synergies between rural infrastructure, improvements in food, and agricultural production. Undertaking a similar menu of activities in all villages and implementing them as stand-alone components have been a powerful means to build PRF's capacity for effective outreach to many villages. Further extending this outreach is feasible, provided activities are adjusted to the needs and capacity of villages and interaction between components generates gains in efficiency.

76. An independent technical audit⁶⁰ of PRF-financed village works financed between 2016 and 2021 found that all roads and buildings were still in use at the time of the audit in 2022. About 8 percent of works undertaken by a contractor were in poor condition, compared to none of those built with community labor, thereby confirming that mobilizing community labor for relevant projects is an adequate choice to generate additional local ownership and incomes without compromising quality of infrastructure. PRF's initial experience in DRR when building small infrastructure is a good starting point for climate-resilient small infrastructure in CLEAR. Building further on experience from comparable upland areas, small infrastructure will be sited in less exposed sites, and spot improvement of existing roads will focus on critical exposed segments. Technical supervision during construction will be enhanced, the PRF technical audit having identified design features that require further attention. What remained to be improved was villages' capacity to undertake maintenance of infrastructure. CLEAR will expand the

⁶⁰ Lao Consulting Group. 2022. *Technical Assessment and Outcomes Survey of Small Infrastructure*.



training scheme in construction and maintenance for skilled community members that was successfully piloted in PRF III.

77. PRF III has confirmed capacity in the villages to set up SHGs and the relevance of their savings and credit functions. In the MTR SHG assessment, women described high motivation to join these groups; take part in regular meetings; have a safe, accessible place to keep their savings; and access small loans for income generation activities or emergency needs, with reimbursement cycles adapted to the seasonality of household incomes.⁶¹ Beneficiaries signaled a need for more diversified income sources.

78. CLEAR will continue to support selected successful, market-oriented SHGs to establish PGs, given positive findings in the PRF III's MTR SHG assessment. Conversely, this assessment found that FM remained a distinct weakness in the majority of SHGs. In type I villages and among poorer households, CLEAR therefore supports SHGs with production improvements as entry points, building their readiness for savings and credit. There is successful experience of such groups in comparable rural environments in the region.

79. The results of the midline nutrition convergence survey (2022) indicate that continued focus is needed on improving nutrition knowledge, behaviors, and related norms. In this survey, the proportion of 6-to-23-month-old children meeting minimum diet diversity (MDD, measured here looking at four out of seven food groups)⁶² declined from 37.5 percent in 2020 to 34 percent in 2022 in nutrition convergence areas. However, the combined delivery of PRF III and other nutrition convergence interventions, had a positive impact on MDD, with 12.7 percentage point higher outcomes than where health project interventions were implemented alone. The survey also highlighted how improvements in households' diets did not imply that their younger members accessed diversified foods.⁶³ These findings, consistent with 2016 analysis,⁶⁴ confirm that intensive tailored counselling for mothers and engagement of village-level workers are key to behavior change. CLEAR's nutrition component is based on these principles. As recommended in the MTR assessment of nutrition groups, nutritious foods will be adjusted to best fit local environments and practices.

80. An impact evaluation found that women Road Maintenance Group (RMGs)⁶⁵ members, in spite of increased incomes and decision-making⁶⁶ within the household, had not improved their ability to influence livelihood investments. To address these barriers more purposefully, CLEAR's Subcomponent 1.2 will strengthen women's confidence to participate in local decisions, and community leaders' skills to employ inclusive approaches in decision-making. Measures to address competing demands on women's time, such as community provision of childcare during project activities, will be incentivized.

⁶¹ About 99 percent of project villages established savings and credit SHGs, with three to four groups per village, and 13 members per group on average; in mid-2022, half of them displayed very good performance while the other half showed medium to good performance. Seed grant had been allocated to around 60 percent of members, and repayments were expected by end-2022. Less than 3 percent of the groups had been elevated to PG status, with 11 members per group on average.

⁶² This measure differs from updated international methodology, which considers five out of eight food groups.

⁶³ These are descriptive results and not the results of the impact evaluation, which are pending.

⁶⁴ World Bank. 2016. *Nutrition in Laos: Causes, Determinants and Bottlenecks*.

⁶⁵ RMGs were mostly in charge of village access roads.

⁶⁶ World Bank Group, East Asia and Pacific Gender Innovation Lab. 2020. *Impact Evaluation of Laos Road Maintenance Groups Program*. Increase in decision-making was significant in one dimension: increasing the likelihood that they are final decision-makers in at least one decision.



81. CLEAR's approach to working in multiethnic environments builds on good practice in the region. As recommended in the ESMF and Stakeholder Engagement Plan (SEP), communications will account not only for presence of non-Lao-Tai languages but also for cultural diversity. Community meetings will take place in the local language routinely, using project-trained village facilitators as needed. Recruitment of YGs will prioritize language skills. Full use will be made of short videos as means to overcome language barriers and to represent the various ethno-linguistic groups and their specific cultural landscapes.

82. CLEAR seeks to nurture the inclusion of communities' more vulnerable members in a culturally appropriate manner. Elite capture by some of the households and exclusion of parts of the hamlets are addressed as specific risks. Participatory planning in CLEAR will start at hamlet level, confirm the Decree 348's list of poor households, and seek solutions for the inclusion of these households.

83. The project incorporates lessons from World Bank-financed CLD projects that strengthen climate resilience in the Philippines, Indonesia, Bangladesh, and Kenya. In Kenya, the Financing Locally Led Climate Action Program (P173065) defined eight principles for locally led adaptation. Several of these experiences as well as the Principles for Locally Led Adaptation developed by the Global Commission on Adaptation (January 2021) are reflected in the design of CLEAR: devolving decision-making for adaptation to the local level, addressing the structural inequalities that drive vulnerability of marginalized groups and women, investing in the capacity of local institutions, and integrating scientific and local/traditional knowledge to enable adaptive management.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

84. The PRF entity will be responsible for implementation of the CLEAR project. The PRF entity, initially directly under the Prime Minister, then under a multi-ministry administrative Board, is now a semi-autonomous body within MAF.⁶⁷ This status gives PRF the 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, formally approved the design of CLEAR on February 27, 2023. The Board includes MAF departments (Planning and Cooperation and Rural Development), other relevant ministries, and the governors of participating provinces. It will provide oversight for both the ongoing PRF III and CLEAR.

85. The PRF agency will implement CLEAR based on a PIM and relevant technical guidelines. The PIM will include a detailed description of the project cycle, processes, and guidelines for activities under each component.

86. Most project implementation arrangements are tested arrangements under the PRF projects. One new feature is the establishment of an additional Project Team (PT) at the central level under the PRF agency in MAF, which will be specifically in charge of the CLEAR project. Two options were compared: a shared PT for both CLEAR and PRF III or two separate PTs. The latter option was selected for timely and

⁶⁷ The PRF is a legally established semiautonomous 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 the Prime Minister's Decree No. 99/PM, March 2017, on the Organization and Functionalities of the Ministry of Agriculture and Forestry. The MAF mandate was updated through Decree No. 603/PM, October 2021.



effective implementation. A dedicated PT will have the capacity to manage CLEAR's workplans, service provider contracts, local human resource recruitment and logistical arrangements, and M&E under CLEAR's project operational manual—all these are elements that differ from PRF III. Coordination between a single PT and the district teams of both projects would overstretch implementation capacities. The Executive Director and Deputy Executive Director will provide oversight to both PTs. The senior technical specialist/consultants, who have long term experience in a specific component or technical aspect of PRF, will be fully engaged on one of the two projects. Hiring new consultants will bring in new expertise and ensure continuity of PRF human resources in the longer term. Senior FM and procurement officers, as well as support staff such as information technology (IT) officers, will work on both projects. A communications and training specialist is 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.

87. CLEAR will be implemented through district teams, similarly to PRF III. The PT will establish new 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, a procurement officer, and YGs. Two new features are introduced: one of the two district team leaders for each province will be tasked with coordination at the provincial level, and an E&S and gender specialist will be included to cover all districts in one province. These new features will facilitate efficiency gains, reduce the risk of planning and budgeting delays, and facilitate faster implementation of the project's first activities. This is similar to the project management structure of other projects taking place in parallel such as the WFP-IFAD AFN II.

88. YGs are a critical element in the delivery of project activities on the ground, a feature retained from PRF III. CLEAR is expected to employ around one YG per five villages, about half of whom will be female. Half of the YGs will be responsible primarily for nutrition activities and 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 will be provided with the use of a motorbike each and covered by travel and health insurance. To optimize logistics, reduce travel risks, and allow longer village visits than under PRF III, it is foreseen that the YGs travel to villages monthly in teams and overnight in close-by central villages. Dedicated CLEAR YGs will be hired also for districts where PRF III YGs are active, to ensure each YG is not responsible for more than four villages.

89. The communities will take an active role in project decisions and implementation. The village implementation team (VIT), that is, 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. Committee members, village facilitators, and other select community members will join the community capacity strengthening program. The village facilitator, a new feature of the CLEAR project, 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 SEP, paying special attention to marginalized groups. Among mass organizations, the LWU and LYU at the village level will be more directly involved than under PRF III, starting with Component 3. The 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 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 toward small infrastructure preparation, implementation, and O&M.



90. CLEAR will actively mobilize district-level stakeholders. The district bureaus, including DAFO, planning, health (overseeing nutrition and drinking water schemes), and public works and transportation, will form the district's CLEAR Steering Committee, in charge of reviewing VDPs, integrating village priorities into their sector plans, and supervising activities on the ground. DAFO staff will advise the CLEAR district team on income generation activities and locally adapted practices while benefitting from training programs offered by CLEAR. The district vocational schools will be mobilized for the training of selected villagers in construction work. Technical-level coordination with other ongoing projects, such as AFN2, will also take place at the district level where relevant and will be enhanced compared to PRF III. It may take the form of mutual contributions to capacity-building activities and/or exchanges of working tools.

91. CLEAR will continue to mobilize universities and service providers and invite their more active involvement in the participatory planning and in Component 2. PRF, as an agency under MAF, has privileged access to colleges under MAF and agriculture faculties of four universities in Lao PDR. It also has successful experience in engaging with 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 before the PRF teams roll them out.

92. Project implementation is organized in the form of two batches of around 225 villages each. This arrangement, already successfully tested in the PRF series, ensures that all villages access all components, while reducing logistical challenges. 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 first activities of the second batch will start in year 2 of the project. Behavior change activities in nutrition, that require a longer period of time to become effective, will be prioritized for early roll-out in each batch. The timing of each step considers uneven availability of village participants during the slack and peak agricultural seasons, animal life cycles and constraints during the rainy season for travel and construction works. The project cycle covers Components 1, 2, and 3, facilitating effective synergies. 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.

93. Village-level processes have been simplified compared to PRF III to enable CLEAR to serve the three types of villages in an adapted manner, without increasing implementation workloads. Simplification includes three main elements. The amount of the block grant is the same in each village, regardless of the village type or size. Technical assistance is packaged by district, covering all villages within one district, delivered by district teams. The menu of eligible activities is a simple tool listing infrastructure and livelihoods options, aimed to support the participatory selection of investments. This menu also defines best options for the ownership of equipment and goods that the village community, groups, or their members purchase with support from the village block grant.

94. Digital tools will be leveraged further. CLEAR will take full advantage of the country's high phone and internet network coverage and the younger generation's capacity to engage through digital tools. It will expand a capacity-building approach successfully introduced for local PRF staff in the AF phase of PRF III, combining face-to-face sessions with distance learning via a YouTube channel. The project provides weatherproof tablets to the YGs, with software allowing offline 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.

B. Results Monitoring and Evaluation Arrangements

95. CLEAR's PT within PRF has the overall responsibility for M&E. The PT will (a) manage or conduct evaluations of outcomes and impacts, (b) track progress against annual work plans and the Results Framework, (c) monitor processes, (d) document and incorporate lessons learned into project implementation, and (e) identify implementation bottlenecks and alert relevant parties to adopt solutions. The PT is responsible for submitting progress reports every six months, a midterm report (MTR), and an end-of-project final evaluation to the PRF Board and the World Bank. The PT will also develop the project M&E manual as part of the PIM that will (a) identify M&E roles and responsibilities, (b) provide detailed common references for Results Framework indicators and M&E plan, (c) define the characteristics of the project monitoring and tools, (d) identify additional indicators to track progress (results chain) to be included in the management information system (MIS), (e) detail the purpose and type of evaluations and studies, and (f) provide a format for project reports. The M&E manual will also enable PT functions such as monitoring complaints and collecting best practices and results stories.

96. Results Framework. The Results Framework (RF) includes tailored indicators to capture progress and results, with disaggregation in terms of gender and participation of non-Lao-Tai. It pays particular attention to the sustainability and resilience of livelihood improvements and infrastructure investments, food production and consumption, and the quality of capacity development. To enable deeper understanding of operational challenges and outputs, the project will track additional indicators not captured in the Results Framework. These indicators will be described in the M&E manual.

97. Monitoring of inputs, outputs, selected outcomes, and processes. The project will develop and maintain a simple and interactive monitoring system for regular reporting and learning at all levels (village, district, and central). Monitoring data and qualitative information will be entered into a web-based MIS, which will serve as the main source of information for semi-annual and annual reports submitted to Steering Committees. Data will be entered on tablets/phones at the village level by the village facilitator with support from YGs and district teams. It is expected that some villages will be unable to enter information digitally at the village level. In these cases, the YGs will be in charge of data entry. To ensure data quality, regular data auditing will be conducted by central and district project staff. The PT will also explore how to effectively use Kobo Toolbox to regularly monitor infrastructure construction progress and quality (particularly with the use of pictures) while considering network connectivity issues.

98. Evaluations. Several evaluations (external and internal) are planned to capture progress on the RF indicators and other relevant implementation insights, summarized in table 5. A mix of qualitative and quantitative evaluations will capture the viability of income generation activities, beneficiaries' satisfaction and ownership of local development plans, the sustainability of SHGs, the adoption and impact of the agricultural practices promoted, changes in knowledge of positive nutrition behaviors, and gender equality outcomes. Based on lessons from the PRF suite, CLEAR will conduct independent technical audits of infrastructure, to complement information from the MIS. Kobo Toolbox/Google Forms will also be used for assessing skills adoption. Improvements in nutrition behaviors will also be evaluated through joint surveys with other World Bank-financed nutrition convergence projects, to ensure alignment and minimize cost.

**Table 5. Overview of evaluations**

Evaluation	Frequency	Methodology	Internal/External
Climate resilient infrastructure	MTR and End Line	Technical Audit	External
Income Generating Activities	MTR and End Line	Mix of quantitative and qualitative evaluations	External
Nutrition	MTR and End Line	Quantitative evaluation (likely impact evaluation) in coordination with nutrition convergence projects where applicable	External
Nutrition and Women's Empowerment	MTR	Qualitative evaluations / Focus Groups	External
Beneficiaries Satisfaction	MTR and End Line	Mix of quantitative and qualitative evaluations	Internal
Improved and/or climate smart agricultural and livestock practices adoption	Yearly starting Y2	Qualitative evaluation post training, using a checklist to assess adoption	Internal
SHGs Sustainability	Yearly starting Y2	Qualitative evaluation, using a checklist based on SHGs key sustainability criteria	Internal
Cropping Diversity for nutrition	Yearly starting Y2	Qualitative evaluation, using the checklist of recommended crops.	Internal

99. Learning. The PT will promote internal learning by organizing annual learning forums to exchange lessons and best practices among those responsible for M&E activities. Regular national-level fora for project staff and partner agencies will be organized to exchange experiences and lessons learned. This will include sharing success stories, case studies, and audio-visual materials.

C. Sustainability

100. CLEAR builds on PRF's strong ownership and MAF's priorities. It is aligned fully with MAF's most recent strategy for the districts listed as poor under Decree 348; it combines food production, market-oriented agriculture, rural infrastructure improvements, and sound environmental management. PRF commissioned assessments and audits that contributed to the lessons learned. MAF's department heads have attended all formal mission meetings during project preparation. With the approval of the draft CLEAR design by the PRF Board on February 27, 2023, MAF provided guidance to the World Bank's task team on design options, encouraging adaptive arrangements for different and evolving contexts, addressing food system issues comprehensively, and paying balanced attention to agricultural and off-farm income generation. Despite the strong ownership, institutional and financing sustainability challenges associated with PRF's status as a project-based institution remain. PRF's efforts to advance its own institutionalization will continue and will be supported through activities in Component 4. This is in line with PRF's ambition to gain financial sustainability as a multi-donor platform and firm up recognition of its poverty reduction expertise in the country's remote areas.

101. The enhancement of local capacities is at the basis of CLEAR's approach to post-project sustainability. Project activities build capacity at various levels: the village's formal community (the village committee implementation team), the VSMC, community groups, individual group members and their households, and newly developed local input suppliers. The project nurtures peer-to-peer learning within and across the communities and engages the younger generation and women. CLEAR also strengthens



district capacity and processes, especially for DAFOs. These concerted efforts are likely to continue to deliver outcomes after the project's completion.

102. The technical audit of PRF infrastructure confirms the quality and utilization of subprojects years after construction, though sustainable operation of rural infrastructure remains a challenge. CLEAR combines several levers to build awareness and capacities in the communities for self-management of small infrastructure. These include dedicated training on O&M, villages making their own decisions about when and how to collect and manage fees in line with the government's strategy, and ensuring that each village has two skilled workers able to undertake simple maintenance works. Solutions for the maintenance of rural roads, especially tracks leading to agricultural areas, remain to be developed step by step with project support, in an environment where regulatory responsibilities are undefined and village authorities lack a budget and bank account. The increased attention on ensuring infrastructure is resilient to climatic events embeds a further element of sustainability in the project.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

103. The CLD approach of the proposed project was carefully designed, combining building blocks from earlier and more recent PRF projects to ensure operational feasibility. The World Bank's 2020 Poverty Assessment confirmed how public investment in connectivity continues to be a key poverty reduction lever in remote villages.⁶⁸ The newly introduced SHGs without savings and credit are consistent with the government's agricultural extension practice and will gain from incorporating PRF's successful approach to building group capacity. The use of multimedia communication builds on successful experience in nutrition improvement activities under the PRF III, as does the newly added hands-on training in income generation. Public sector financing is an appropriate solution given the low presence of the private sector in these areas and barriers for villagers to access credit. The World Bank's added value is to support MAF in mobilizing PRF's field delivery capabilities to cover both remote and less remote villages. CLEAR builds capacity in avoiding a one-size-fits-all approach, through a simplified set of adjustments in project implementation between those villages that have the potential to modern value chains through cooperatives (named PGs) and those that do not. CLEAR is also a vehicle to keep enhancing attention to nutrition in all village types, consistent with MAF's mandate.

104. An economic and financial analysis has been conducted during the design of the project. The methodology was a cost-benefit analysis that estimated the costs and benefits of the project and the project-supported activities from the perspective of beneficiaries (financial analysis) and from the perspective of society and the economy (economic analysis), to assess the viability of the proposed investments.

105. The analysis indicates that all three project components contribute to project benefits, although the benefits expected from Component 3 could only be partly quantified at design stage due to insufficient data. The component's activities, together with a focus on SBCC, are expected to increase the production, access to, and consumption of nutritious foods. In turn, improvements in micronutrient intake and the

⁶⁸ World Bank. 2020. *Lao People's Democratic Republic Poverty Assessment 2020: Catching Up and Falling Behind*. Washington, DC.



nutritional quality of diets will decrease infant and child mortality and morbidity and will support the health, education, and productivity of children throughout their lives.

106. Different models were prepared to represent the project activities proposed by the project. For each model, a without-project (WOP) situation was compared to a with-project (WP) situation. A model is profitable if the beneficiaries can derive more income following the project investments. While the models focus on the core investments, other activities such as community capacity building, technical and managerial training for SHGs also contribute to project benefits. The rural infrastructure investments and the activities financed through small SHG loans will depend on demand by beneficiaries. The models represent a range of potential activities mostly based on the investments that took place under PRF II and PRF III; see figure 1.

Table 6. Description of Models

	Model	Unit of Production	Notes	Households per Unit	Life Span	Investment Size, LAK
Community infrastructure	Water	Community		72	10	149,000,000
	Irrigation	Community	13 ha per scheme ⁶⁹	51	10	201,660,000
	Road	Community	5 km per road	85	10	297,988,000
SHGs	Pig fattening	Household	2 cycles of 2 pigs per year	1	10	3,920,000
	Poultry	Household	20 hens	1	10	1,880,000
	Weaving	Household		1	10	1,058,000
PGs	Banana-stem cutter	Group	Poultry feeding	1	10	21,638,400
Nutrition	Mills	1 mill	Infant porridge mix	1	5	865,700

107. The financial analysis shows that the proposed activities are profitable overall, with positive net present values (NPVs) and internal rates of return (IRRs) above the discount rate of 10 percent. The infrastructure investments are all profitable, particularly the water supply schemes, as they result in important time savings for fetching water.

108. **The SHG models show somewhat lower financial viability.** The costs of inputs and labor have increased significantly, most notably the price of cereals, and more so than the costs of the outputs, from when livelihood activities were modelled in 2019 for the design of the AF of the PRF III. The financial viability of these activities has therefore decreased. The pig and poultry models nonetheless remain profitable if households manage to sell the animals at an appropriate time, during celebrations when there is high demand for meat. The viability of these models also depends significantly on the assumptions for the WOP situation, in other words, whether the households have alternative sources of income or wages. Weaving, for example, is only profitable if the activity does not replace any other source of income (wage or activity), so that the WOP situation margin is zero. It is also important to emphasize that the

⁶⁹ 13 ha per scheme, but some of these were previously irrigated.



models consider the opportunity cost of labor as a cost and that results would also change based on how the opportunity cost is valued.⁷⁰

Table 7. Results of the Financial Analysis

Model	NPV, @10%, LAK	NPV, @10%, US\$	IRR (%)
Water	598,087,835	34,522	88
Irrigation	547,416,533	31,597	64
Road	727,379,786	41,985	59
SHG, pig fattening	257,125	15	22
SHG, poultry	823,397	48	36
SHG weaving	110,359	6	13
PG banana-stem cutter	82,434,689	4,758	n.a.
Mills	11,831,771	1,367	n.a.

109. The economic analysis covers a 20-year period and includes all the activities previously described. It confirms that the project is profitable and will generate economic development impacts. The NPV is LAK 905 billion, corresponding to US\$52 million, and the economic rate of return is 50.1 percent. The infrastructure investments account for the vast majority of the benefits.

110. These findings have been incorporated into the design of the project. Access to road and water supply are financially and economically sound investments in remote villages. The improvement of small irrigation schemes is equally viable and therefore part of Component 1, although the small areas of paddy fields call for special attention to food deficit households that do not farm paddy fields. In livestock activities, strategies for maximizing the use of locally available feeds are particularly relevant to mitigate high feed and cereal costs. Simple tools such as banana-stem cutters exist to develop the use of local feeds while making efficient use of labor. This approach to crop and livestock production, limiting the use of external inputs to those that allow critical food access improvements, will be applied throughout Component 2. NTFPs, cost-efficient activities that do not require external inputs at the production stage, are included in the range of promoted activities.

B. Fiduciary

(i) Financial Management

111. The FM capacity assessment was carried out in accordance with the World Bank Operational Policy and Bank Directive on Investment Project Financing (IPF) dated October 1, 2018, to determine if the existing FM capacity and FM arrangements within the Poverty Reduction Fund entity, the main implementing entity for the project, are adequate and sufficient to implement the project and to provide the World Bank reasonable assurance that funds will be used for the intended purposes. Under the World Bank's Policy, the borrower and the project are required to maintain FM arrangements, including planning and budgeting, accounting, internal controls, funds flow, financial reporting, and auditing arrangements, acceptable to the World Bank. The current assessment builds on the 2019 assessment of the PRF central

⁷⁰ For coherence purposes, the opportunity cost of labor has to be the same in the infrastructure investments that result in time savings and the livelihood investments that typically involve additional work requirements.



office for preparation of the Additional Financing (AF) for PRF III, and sampled PRF districts that will be involved in implementation of the project. The assessment involved the use of questionnaires, interviews, discussions, and reviews of ongoing performance of the PRF central office.

112. The PRF is a legal autonomous entity, established and operated in accordance with the Decree of the Prime Minister (10/PM, 2012) as amended under the Prime Minister's Decree No. 99/PM, March 2017, on the Organization and Functionalities of the Ministry of Agriculture and Forestry, and Decree No. 603/PM, October 2021. The PRF Board, chaired by the Minister of Agriculture and Forestry and with provincial governors as members, will provide oversight to all PRF-managed projects including CLEAR. The PRF central office, under the leadership of the Executive Director, will continue to carry out strategic oversight, coordination with and reporting to the GoL, and the general quality control and monitoring of the project implementation. The PRF District Office, under the oversight of the District Governor, will coordinate with the Provincial Government and will continue to collaborate with district authorities in supporting bottom-up planning processes, preparation and implementation of subprojects, and monitoring and follow-up activities during and after subproject implementation. The District Governor will continue to chair the District Coordination Committee and endorse CLEAR subprojects proposed by communities following the confirmation of their alignment with the GoL's strategy for rural development and poverty reduction.

113. The PRF central office's senior FM and procurement staff will be responsible for both CLEAR and PRF III. Through the PRF central office's financial management and procurement units, FM staff will operate with clearly differentiated accounts, accounting books and procurement plans. FM and procurement staff contracts will specify the proportion of their time that is allocated to CLEAR versus PRF III. CLEAR's district FM and procurement officers will respond directly to these central units. These arrangements reinforce implementation capacities since CLEAR's FM and procurement procedures are similar to those in use under PRF III. They also allow the project to fully benefit from senior expertise available in the PRF central units.

114. The assessment undertaken concludes that the initial FM risk rating is High. While the PRF central office's finance team has extensive experience, financial management capacity is lower at the district and village levels. However, the risk rating is reduced to Substantial after considering the proposed mitigation measures included in the project design, as well as measures to be taken during implementation (described in the following risks section).

115. An annual work plan and budget will be prepared each year by the PRF central office to be submitted for no-objection by the World Bank. A modified cash basis of accounting shall be used to record the project's receipts and expenditure. Project transactions shall be recorded using A Complete and Comprehensive Program for Accounting Control (ACCPAC) accounting software. An unaudited interim financial report (IFR) shall be prepared on a quarterly basis based on an agreed format. The IFR shall be submitted to the World Bank no later than 45 days after the end of each period. The project will be subject to an annual audit to be conducted by an independent and qualified audit firm. The audit report and Management Letter are to be submitted to the World Bank no later than six months after the end of the reporting period. The audit will also cover at least 10 percent of each category of grants provided during the audit period.



116. Based on the Substantial residual FM risk, the World Bank FM team will conduct a regular implementation support mission at least twice a year to review the adequacy of FM arrangements at the central and district levels, compliance with the Financial Management Manual (FMM), and that the articulated mitigation measures above are working. Field visits will also include spot-checks to confirm that beneficiary households received funds and used them for the intended purposes, review of subproject documents, and review of the existence of relevant infrastructure.

(ii) Procurement

117. The project will be implemented by MAF through the existing PRF organizational structure and its institutional arrangements. Its concerned divisions, such as Engineering, Nutrition and Community Development, Agriculture and Livelihood, Monitoring and Evaluation, and Finance and Administration, will perform their respective roles in strategic planning, project implementation, and coordination and support of the activities. The PRF entity has over 20 years of experience implementing World Bank-financed projects.

118. A procurement assessment of implementing agency capacity was carried out by World Bank staff in March 2022. Based on the assessment, it was found that PRF had adequate capacity to carry out procurement following World Bank Procurement and Consultant procedures. PRF's procurement performance for the PRF III has been rated as 'Satisfactory'. Furthermore, it was indicated that there were adequate numbers of local suppliers/contractors to participate in the tenders within the values envisaged under the CLEAR project. A detailed Procurement Plan has been agreed for the first 18 months and will be used to monitor implementation.

119. The World Bank Procurement Regulations for IPF Borrowers (November 2020) will be applied. As required under the Procurement Regulations, PRF will prepare a Project Procurement Strategy for Development (PPSD) to inform fit-for-purpose procurement arrangements in the Procurement Plan that will cover at least the first 18 months of implementation of the project. The PPSD was submitted and agreed upon with the World Bank before the project's decision meeting, alongside the Procurement Plan. Request for Bids (RFB) (international market approach) and selection of consultants involving international competition under the project shall use the World Bank's standard procurement documents. For procurement of goods and works through RFBs (national market approach) and Request for Quotations (RFQs), the harmonized standard open bidding documents dated July 2021 and RFQs dated July 2021, as agreed with the World Bank, shall be used.

C. Legal Operational Policies

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

D. Environmental and Social

120. The project is expected to have positive environmental and social impacts by improving the



livelihood opportunities and consumption of nutritious food for vulnerable communities in selected provinces to enhance their resilience to shocks. Building on the ongoing PRF III, the project will improve access of targeted communities to productive infrastructure and income-generating opportunities through block grants. Notwithstanding the anticipated positive impacts of the project, its support to small-scale infrastructure and livelihood activities can induce some environmental and social risks and impacts. Relevant Environmental and Social Standards (ESS) include ESS1, ESS2, ESS3, ESS4, ESS5, ESS6, ESS7, and ESS10.⁷¹

121. The social risk is assessed as Moderate. 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 or access restriction; (f) risk of sexual exploitation and abuse and sexual harassment (SEA/SW); and (g) child labor. These risks and impacts are low to moderate, and for the most part, predictable and possible to mitigate during the lifetime of the project. SEA/SW risk potentially arising from small-scale construction was assessed as low through the SEA/SW scoring tool, given that the majority of the labor will be provided by local communities themselves, minimizing inflow of workers. YGs from outside the community will include a mix of women and men and work in conjunction with village facilitators taking place in public areas, thus limiting SEA/SW risk. There was no evidence of risk by YGs in PRF III.

122. Environmental risk is assessed as Moderate. The direct environmental risk and impact are expected from (a) small physical construction and renovation civil works (noise, vibration, dust, and generation and management of construction wastes); (b) occupational health and safety of project personnel implementing project's activities (injury from falling and other construction activities, road safety, and transmission of and infection with COVID-19); (c) potential involvement of project staff and workers in consuming and trading wildlife and other NTFPs while working and staying in remote village areas; (d) community health and safety of those involved in project activities and accidents caused by project vehicles; and (e) exposure to an UXO risk, especially the activities related to earthworks in the provinces along the border of Vietnam. In addition, indirect risk and impacts may occur from (a) natural disasters; (b) 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); (c) access to and extraction of natural resources by road users while using tertiary road supported by the project (including expansion into forestland, becoming involved with illegal hunting and logging); (d) improper/unsafe use of pesticides and fertilizers for agricultural intensification and irrigation-related subproject; (e) no protection of water sources for future water supply; (f) unsafe use of water tap built by the project, which may lead to bad environment and illness in the village; and (g) potential fire at storage or processing facilities built for horticultural products and animal husbandry, solar dryers supported by the project, and other nearby facilities. However, these potential environmental risks and impacts can be mitigated through the design and implementation of subprojects that consider environmental aspects and by applying standard environmental and social mitigation measures.

⁷¹ ESS1: Assessment and Management of Environmental and Social Risks and Impacts; ESS2: Labor and Working Conditions; ESS3: Resource Efficiency and Pollution Prevention and Management; ESS4: Community Health and Safety; ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement; ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources; ESS7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities; ESS10: Stakeholder Engagement and Information Disclosure



123. These environmental and social risks and impacts will be managed through an Environmental and Social Commitment Plan, an SEP, including a grievance redress mechanism for project stakeholders, and an ESMF. These environmental and social instruments have been developed, consulted on, and disclosed. The ESMF includes guidelines and principles for development and implementation of environmental and social mitigation measures to ensure that project activities are compliant with Environmental and Social Framework (ESF) requirements. The ESMF also includes (a) the Resettlement Policy Framework (RPF); (b) Labor Management Procedures, including grievance mechanism for workers; and (c) a negative list of activities not eligible for project financing. Measures to address issues concerning ethnic minorities as per ESS7 are integrated into the SEP and ESMF. The draft ESCP, SEP, ESMF, RPF, and LMP at appraisal completion were disclosed locally on May 3rd, 2023 on the PRF website which is accessible in a form and language understandable to project-affected parties and other interested parties as set out in ESS10 and disclosed by the World Bank on May 5th, 2023. The project will ensure adequate funds and staff to implement, monitor, and report on environmental and social risk management.

124. The ESF documents have been built on the safeguard instruments applied for the ongoing PRF III-AF. The PRF team have experience implementing the World Bank's safeguards but will require additional support around new aspects introduced with the World Bank's ESF. The project will include a budget for capacity building and training informed by a capacity needs assessment. Training in environmental and social risk management for local communities, who will be responsible for construction of small works, will be included.

E. Gender

125. There are marked gender inequalities relevant to the project, including around maternal health and nutrition outcomes, access to IGAs, and decision-making at the local level. These gender gaps and their drivers are described in paragraphs 9, 20 and 18, respectively (see also Annex 2). Project activities address these three gender gaps through full-fledged gender results chains with outcome-level indicators:

- (a) Unequal vulnerabilities in health and nutrition will be addressed, improving outcomes for women and for disadvantaged population groups. The first gender results chain will be pursued under Component 3. This gender inequality will be addressed through strengthened nutrition-related SBCC and capacity building on food production and processing. The project expects to improve pregnant and lactating women's knowledge of positive nutrition behaviors, improve/increase dietary intake, and contribute to maternal and child nutrition, with a focus on areas with lagging nutrition performance. Progress will be measured with the following indicator: Percentage of children aged 6 to 23 months from community nutrition groups consuming food from five out of eight food groups.
- (b) Inequality in access to economic opportunities, particularly IGAs. The second gender results chain will be pursued, as is the case in PRF III, by targeting and supporting women in forming and joining SHGs. In a context, detailed in paragraph 20, of more limited engagement in income-generating opportunities, Component 2 will offer significant opportunities for women, through developing the activities that they traditionally perform and diversifying the range of activities they engage in. The project will aim to achieve a high share of female producers adopting improved and climate-smart agricultural and livestock practices. The SHGs will also enable women, who have less access to credit, to manage their savings and



borrow to establish and grow their activities. Progress will be measured against the following indicators: female individuals using small loans from SHGs and female-owned IGAs that are viable one year after financing under the project.

- (c) Inequality in community leadership positions and participation in local decision-making will be tackled through a phased rollout of a community capacity strengthening training program (Subcomponent 1.2). Women with existing and new project-supported responsibilities in the community will take part in dedicated training sessions to develop their leadership and communication skills, self-confidence, and planning and decision-making skills. A particular focus will be placed on inclusion of non-Lao-Tai women. The training materials are suitable for illiterate audiences and will be tailored to local languages and contexts. Other village decision-makers and selected project staff will receive training focused on strengthening inclusive decision-making with a particular focus on gender equality. It is expected that these interventions, combined with strengthened outreach, communication, and inclusive participatory planning processes, will lead to more active participation of women and an increase in the share of female beneficiaries who feel VDPs reflect their needs. The relevant intermediate indicators are number of key community members graduating from the community strengthening training program and percentage of VSMC members who are female.

Table 7. Results Chains Relevant to Narrowing of Gender Gaps

Analysis	Action(s)	Indicators
Unequal vulnerabilities in health and nutrition between women and men due to women's reproductive role.	The project will support activities to improve nutrition knowledge, targeting 1,000 days households (focus on pregnant women and mothers of children through deepened SBCC promoting improved nutrition behaviors; interventions to stimulate access to locally produced nutritious food, through trainings and demonstrations).	(i) Percentage of children aged 6 to 23 months from CNG households consuming food from five out of eight recommended food groups
Inequality in access to economic opportunities. Women are less likely to be engaged in paid work and earn less than men.	Women will be encouraged to form and join SHGs. SHGs will give them access to input and skills for the pursuit of IGAs and improve their livelihoods/earnings.	(i) Percentage female beneficiaries owned income-generating activities (IGAs) implemented that are viable 1 year after having benefitted from financing under the project (ii) Number of female producers adopting improved and climate-smart agricultural and livestock practices (iii) Number of women using loans from SHGs (iv) Number of project beneficiary women head of households that have at least one additional source of income from project activities



Analysis	Action(s)	Indicators
Inequality in community leadership in local decision-making. Women remain underrepresented in decision-making at the community level.	Grassroots leadership training will be piloted, to help strengthen and build leadership skills among men and women and promote women leaders to participate in community decisions. Inclusion of women through outreach, quotas, and training, in participatory planning and village committees.	(i) Percentage of female beneficiaries who feel village development planning reflected their needs (ii) Number of women key community members graduating from the CLD grassroot leadership training (iii) Percentage of Village Group Management Committee members who are female

126. Gender considerations will be integrated in all components and captured in a Gender and Social Inclusion Action Plan, which will be included in the PIM and will be regularly monitored and updated by the PRF PT. Good gender mainstreaming practices will continue to be employed, as in PRF III, such as engagement of female facilitators, gender-sensitive arrangements for village meetings, setting of quotas, and collaboration with the LWU.

F. Citizen Engagement

127. The project is participatory in nature. As noted in Subcomponent 1.1, Village Development Plans will be developed following a participatory planning process, whereby community members will be able to vote on infrastructure investments. To build the capacity of communities to undertake this participatory process, under Subcomponent 1.2, the project will provide training to community representatives, including women and newly selected village facilitators, on community-driven development and grassroots leadership. The training will cover a range of skills, including meetings facilitation, to enable trainees to lead the community in developing a forward-looking, inclusive vision of local development and resilience. The project will also establish a Grievance Redress Mechanism (GRM) for project stakeholders, in addition to a dedicated grievance mechanism for workers. The Results Framework includes two indicators to monitor the effectiveness of the citizen engagement mechanisms: percentage of beneficiaries who feel village development planning reflected their needs (disaggregated by gender and ethno-linguistic group), and percentage of registered grievances that are addressed timely according to agreed procedures.

V. GRIEVANCE REDRESS SERVICES

128. Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project-affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information



on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

VI. KEY RISKS

129. The overall residual risk is rated as Moderate. While some key risks might affect the development outcomes, mitigation measures have been taken as described below.

130. Macroeconomic: Substantial. Lao PDR is assessed to be in external and overall debt distress under the Low-Income Countries Debt Sustainability Framework.⁷² The Lao economy has been showing signs that its growth is stagnating due to an unfavorable business environment and due to lack of infrastructure compared with its neighbors. The situation has been aggravated by the COVID-19 lockdowns. High public debt service obligations have left the GoL with very limited fiscal space, forcing a compression in spending. They have also increased demand for foreign exchange, contributing to a significant depreciation of the Lao kip against the US dollar in 2021-2022. Coupled with the global trend of inflation, the currency depreciation is also expected to negatively impact the price of goods and services to be procured under the project. However, the macroeconomic risks are expected to be mitigated to some extent, since project activities are not dependent on government counterpart funds or large international procurements, and the project will promote basic agricultural commodities with low levels of agricultural inputs, which are mostly for domestic consumption. CLEAR promotes low-input crop production and livestock, thus inflation in the cost of agricultural products should have more limited impacts. Optimized travel logistics for field staff and the use of digital tools will further reduce disruptions caused by inflation. The block grant allocation per village is set at a level that ensures impact even at current rates of inflation. Finally, the revolving funds will likely be impacted by inflation, but SHG members will be trained to factor inflation into their savings practices. SHGs in type I villages may be given the option to repay loans in kind, as detailed in the PIM.

131. Fiduciary: Substantial. The project procurement assessment concluded that the related procurement risks were Moderate, and there was no requirement for procurement training on the PPSD preparation. See paragraphs 118 and 119 above. However, the FM assessment found Substantial residual risks for the project. While the PRF central finance team has extensive experience, district project teams and savings and credit groups have distinctly lower financial management capacity. This may lead to delays in fund transfers and weak compliance. Delays in block grants and seed grants reaching intended beneficiaries would negatively impact the achievement of the PDO. Weak community level accountability and transparency leading to misuse of block grant funds would affect project outcomes and increase mistrust in the subnational delivery model. Mitigation measures consist of the following: (a) one additional FM officer will be recruited to support the PRF central finance team and for capacity building and support of the district finance teams; (b) in each district, a qualified finance assistant/accountant will be recruited to handle the FM work and will support villages in FM matters; (c) training will be provided to all district offices and VITs before funds flow to those levels, with support from YGs; (d) transfers for SHGs will be made directly to village community bank accounts against submission of a microplan; (e) a list of non-eligible infrastructure investments is included in the PIM; (f) PRF central FM team will conduct regular financial spot checks at the village level; and (g) continuous training will be provided to enhance

⁷² Lao People's Democratic Republic Joint World Bank-IMF Debt Sustainability Analysis, May 2023.



understanding of procedures and ability to complete the required financial records and submitting reports on time. Qualified auditors should be engaged within six months of project effectiveness. They would audit annually a sample of at least 10 percent of infrastructure subprojects and other districts grants. According to the World Bank's Access to Information Policy, audit reports will be made public.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Lao People's Democratic Republic
Community Livelihood Enhancement And Resilience

Project Development Objectives(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.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
To improve rural livelihoods and consumption of diverse foods for targeted vulnerable communities						
Percentage of Income Generating Activities (IGAs) implemented that are viable 1 year after having benefitted from financing under the project (Percentage)		0.00	0.00	0.00	30.00	50.00
female-owned (Percentage)		0.00	0.00	0.00	30.00	50.00
non-Lao-Tai-owned (Percentage)		0.00	0.00	0.00	30.00	50.00
Number of project beneficiary households that have at least one additional source of income from project activities (Number)		0.00	350.00	6,565.00	6,915.00	13,140.00
of which female headed		0.00	10.00	10.00	10.00	10.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
(Percentage)						
of which non-Lao-Tai (Percentage)	0.00	60.00	65.00	70.00	75.00	
Percentage change in travel time to drinking water, agricultural areas, markets, agricultural storages, drying platform and processing site areas. (Percentage)	0.00	50.00	50.00	50.00	50.00	50.00
Children 6–23 months from community nutrition groups households consuming foods from five out of eight recommended food groups (Percentage)	21.00		27.00			33.00
Total direct beneficiaries (Number)	0.00	48,000.00	108,000.00	156,000.00	216,000.00	
of which female (Percentage)	0.00	50.00	50.00	50.00	50.00	50.00
of which non-Lao-Tai (Percentage)	0.00	75.00	75.00	75.00	75.00	75.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Local Economic Development and Community Capacity Strengthening						
Number of key community members graduating from the CLD transformative grassroot leadership	0.00	900.00	2,025.00	2,700.00	4,050.00	



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
training (Number)						
of which female (Percentage)	0.00		60.00	60.00	60.00	60.00
of which non-Lao-Tai (Number)	0.00		75.00	75.00	75.00	75.00
Percentage of beneficiaries who feel village development planning reflected their needs (Percentage)						
female (Percentage)	0.00		70.00	75.00	80.00	80.00
non-Lao-Tai (Percentage)	0.00		70.00	75.00	80.00	80.00
Percentage of audited climate resilient infrastructures judged by the auditors as conforming to disaster risk reduction procedures and technical specifications (Percentage)						
0.00			0.00	60.00	70.00	80.00
Percentage of functional climate-resilient infrastructures with communities conducting regularly maintenance activities (Percentage)						
0.00			0.00	0.00	70.00	80.00
Community Livelihoods Enhancement						
Percentage of Village Self-Help Group Management Committee members who are female (Percentage)						
0.00			50.00	55.00	60.00	70.00
Total amount of SHGs savings mobilized (Amount(USD))						
0.00			14,000.00	50,000.00	83,000.00	117,000.00
Number of individuals using loans from SHGs (Number)						
0.00			6,480.00	8,100.00	17,280.00	18,360.00
of which female (Number)	0.00		5,500.00	6,880.00	14,680.00	15,600.00
of which non-Lao-Tai (Number)	0.00		3,880.00	5,265.00	12,096.00	13,770.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Number of producers adopting improved and/or climate smart agricultural and livestock practices (Number)	0.00		3,240.00	5,400.00	9,400.00	12,960.00
of which female (Number)	0.00		2,754.00	4,590.00	7,990.00	11,010.00
of which non Lao-Tai (Number)	0.00		1,944.00	3,510.00	6,580.00	9,720.00
Number of households specializing in production of local inputs (Number)	0.00		0.00	60.00	80.00	80.00
Community Nutrition Interventions						
Total volume of home-made nutrient powders to enhance diets in the 1,000-day window produced (in kgs) (Number)	0.00		4,860.00	11,340.00	20,250.00	30,780.00
Number of nutrition videos produced by women-led CNG and disseminated for peer learning (Number)	0.00		470.00	2,360.00	4,250.00	7,560.00
Percentage of targeted nutrition households growing at least 3 of the projects recommended crops (Percentage)	0.00			40.00	55.00	70.00
Percentage of convergence villages conducting community nutrition meetings informed by children scorecards twice a year (Percentage)	0.00			50.00	60.00	70.00
Project Management, Capacity Building and Monitoring and Evaluation						
Percentage of registered grievances that are addressed timely according to agreed procedures	0.00		75.00	80.00	85.00	85.00



Indicator Name (Percentage)	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Percentage of Income Generating Activities (IGAs) implemented that are viable 1 year after having benefitted from financing under the project	It captures the percentage of IGAs implemented by SHGs' members that are sustainable 1 years after financing. An IGA is defined as viable when it generates a gross operating profit. IGAs are undertaken by members of SHGs and PGs. The indicator will concern more type II and III villages.	Mid Term Review (MTR) and Year 4	Independent survey.	Independent survey of a sample of IGAs that have benefited from financing for at least 1 years. The sustainability of IGAs is defined by the gross operating profit (gross operating profit = total revenue – total expenses).	Consulting firm.
female-owned	See parent indicator. The indicator measures the share of women-owned IGAs viable 1 year after project benefits. It aims to ensure that women-owned and men-owned IGAs are equally likely to be viable.				



non-Lao-Tai-owned	See parent indicator. The indicator measures the share of non-Lao-Tai-owned IGAs viable 1 year after project benefits. It aims to ensure that non-Lao-Tai-owned and Lao-Tai-owned IGAs are equally likely to be viable.				
Number of project beneficiary households that have at least one additional source of income from project activities	It captures the number of project beneficiary households that have at least one additional income from project activities. It helps assess the diversification of income of the household, which will contribute to its resilience. Additional sources of income include cash for work (at least 1 week), households in viable IGAs and PGs. The project will pay particular attention to analyzing data per type of activity such as crop, livestock, processing, inputs production and non-agricultural activities.	Annual starting in year 2.	MIS / Project monitoring reports.	Data collected at village level using checklists and MIS. The number of households for the indicator will be accounted in the MIS. A sample of the beneficiaries' households identified in the MIS will be evaluated by an independent evaluation to provide more in-depth analysis and cross-check the data reported in the MIS.	M&E Team/Technical Experts (Infrastructure and Livelihood).
of which female headed	See parent indicator. It aims to ensure female-headed households are as likely to				



	access an additional source of income. The target is set based on average share of female-headed households.				
of which non-Lao-Tai	See parent indicator. It aims to ensure non-Lao-Tai households are as likely to access additional income sources as Lao-Tai households by year 4 of the project, with measures to ensure inclusion improving over time.				
Percentage change in travel time to drinking water, agricultural areas, markets, agricultural storages, drying platform and processing site areas.	It assesses the percentage change in the estimated motorcycle travel time (in terms of minutes) from the village center to access to the nearest agricultural areas, markets, agricultural storages, drying platforms and processing sites. The assessment of the time travel will be tailored to the type of infrastructures in the M&E manual.	Annual starting in year 2.	MIS / Project monitoring report.	The travel time is estimated by focus groups at the center of the village. The baseline is measured once the community has identified the infrastructures to be financed through participatory planning. The updated travel time is measured at completion of infrastructures using the methods.	Technical infrastructures and Safeguards Experts/ M&E Team
Children 6–23 months from community nutrition groups households consuming foods from five out of eight	It captures the change in children (aged 6 to 23 months) with minimum	MTR and Year 4.	Independent survey.	Independent survey of a random sample of the population of the	Consulting firm.



recommended food groups	dietary diversity among beneficiaries of CNGs. The minimum food diversity is defined by a consumption of at least 5 out of the 8 food groups (using a classification of food groups based on international recommendations) during the 24 hours preceding the time of interview. The baseline is derived from the nutrition convergence phase I midline survey (December 2022).			children (aged 6 to 23 months) of mothers who are enrolled members of the women nutrition groups.	
Total direct beneficiaries	It assesses the extent to which the project is reaching out beneficiaries and particularly excluded groups such as women and ethnic minorities. The project will pay particular attention to double counting.	Annual.	MIS / Project monitoring report.	Regular data entry in the MIS. Beneficiaries are accounted for when they are actively benefiting from the project. The project will pay particular attention to double counting.	Village Facilitator / M&E Team / Technical Experts.
of which female	see parent indicator				
of which non-Lao-Tai	see parent indicator				



Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of key community members graduating from the CLD transformative grassroot leadership training	It assesses the improved skills in leadership and empowerment developed across villages, among key community members and women in decision-making roles.	Ongoing	Training certificates/ Training reports/MIS	The beneficiaries are accounted for when they have completed successfully all the modules of the training. Then, data are reported in training reports and MIS.	Trainers/ Livelihood experts
of which female	see parent indicator				
of which non-Lao-Tai	see parent indicator				
Percentage of beneficiaries who feel village development planning reflected their needs	This indicator assesses the quality of community participation and ownership of the investments identified in the local development plans. This indicator is also used to measure progress on the gender gap in terms of women participation in local decision-making.	Yearly starting year 2	Independent qualitative evaluations	It is assessed based on an independent qualitative evaluation of a project beneficiaries' sample. A set of parameters will be used to assess the indicator	consultants
female	see parent indicator				
non-Lao-Tai	see parent indicator				
Percentage of audited climate resilient infrastructures judged by the auditors as	It measures the quality of climate resilience	Yearly starting at	Independent Technical	Independent Technical Audit of a sample of	consulting firm



conforming to disaster risk reduction procedures and technical specifications	infrastructures and if they are conforming to disaster risk reduction and technical specifications for each type of infrastructure, it will have a specific focus on resilience. Independent technical audits will be conducted regularly to assess this indicator. Infrastructures are considered climate resilient when it includes site risk assessment, detailed siting, enhanced technical standards mitigating impact from rainstorms, prior definition of O&M and two-way early warning in the event of a disaster.	the MTR	Audit of Infrastructure Reports	completed infrastructures. It will entail reviewing if disaster risk reduction processes have been implemented and technical specifications have been adequately defined and implemented. It will also assess the functionality/usage of the infrastructures and if maintenance activities are conducted regularly up to standards. This technical audit is also used to measure the indicator below.	
Percentage of functional climate-resilient infrastructures with communities conducting regularly maintenance activities	It assesses the sustainability of completed infrastructures, as communities' maintenance activities are essential for the resilience of infrastructures. Checklist defining required maintenance activities and frequencies will be developed per type of	Yearly starting at MTR	Independent Technical Audit of Infrastructure Reports.	It will entail reviewing if disaster risk reduction processes have been implemented and technical specification have been adequately defined and implemented. It will also assess the functionality/usage of the infrastructures and	Consulting firm



	infrastructure in the PIM.			if maintenance activities are conducted regularly up to standards.	
Percentage of Village Self-Help Group Management Committee members who are female	It assesses the percentage of female beneficiaries in management/leadership position in village group management committee. It measures progress on gender gap on women leadership.	Yearly	MIS/Review of minutes and attendance of management committee	Regular data entry in the MIS	Village Facilitator/YG/Social Safeguards Expert/Technical Experts/M&E Experts
Total amount of SHGs savings mobilized	It measures the capacity of SHGs at mobilizing savings. Savings are regularly recorded by SHGs during their meetings. Estimates in USD are based on exchange rate at time of project approval.	Estimated to Yearly	Review of SHGs records/MIS/ Project Monitoring Reports	Data on savings are regularly entered in the MIS by the Village Resource Person from SHGs own records.	Village Resource Person /M&E Experts/ Livelihood Experts
Number of individuals using loans from SHGs	It measures the number of SHGs members that have managed to obtain small loans from their SHGs revolving fund. The project will pay particular attention to avoid double counting of individuals.	Yearly	Review of SHGs records/ MIS/ Project Monitoring Reports	Data on savings are regularly entered in the MIS by the Village Resource Person from SHGs own records.	Village Resource Person / M&E Experts/ Livelihood Experts
of which female	see parent indicator				
of which non-Lao-Tai	see parent indicator				



	It refers to a change of practice that was introduced/promoted by the project. It is a change in practices from current use. Climate-smart agriculture is an integrated approach to managing landscapes--cropland livestock forests and fisheries--that address the interlinked challenges of food security and climate change. The list of climate smart agricultural and livestock practices to be disseminated will be detailed in the PIM.	Yearly starting Y2	Qualitative evaluation of PGs post training/ Review of the records of trainings/ Data entry in Kobo Toolbox or Google Forms	Qualitative evaluation of producers following training on improved and climate smart agricultural and livestock practices. The level of adoption will be measured 3 months after training/dissemination of the practice.	Livelihood and Extension Services Experts/M&E Experts
of which female	see parent indicator				
of which non Lao-Tai	see parent indicator				
Number of households specializing in production of local inputs	It measures the contribution to support low external input sustainable agriculture. This would include seedlings, seeds and young animals for sale (piglets/chicks) in project villages	Yearly starting Y2	SHGs and PGs records/MIS	Review of SHGs/PGs records and data are entered regularly in the MIS	YG/ Experts Livelihood/ M&E Experts
Total volume of home-made nutrient powders to enhance diets in the 1,000-day window produced (in kgs)	It assesses the volume of food processed by nutrition groups using the newly learned practices. Food	Bi-annually starting Y2	Nutrition groups logbook/ MIS	Village resource persons or YG enters monthly data in the MIS from the logbook	Village resource persons/YG/Nutrition Experts



	processed is defined as pre-mix or fish powder or leaf powder.			of nutrition groups. Nutrition groups use a scale to measure all the food they process and records the data in their logbook.	
Number of nutrition videos produced by women-led CNG and disseminated for peer learning	It is a proxy indicator to measure the increased knowledge and awareness of beneficiaries. It will help measure the engagement and ownership of community in terms of nutrition capacity building activities and knowledge dissemination.	Annual starting Y2	Nutrition groups logbook/ MIS	Data entered monthly in the MIS at village level once learning videos have been produced and disseminated for peer learning	Village Resource Person/District Nutrition Experts will review data entered
Percentage of targeted nutrition households growing at least 3 of the projects recommended crops	It assesses the level of cropping diversity of nutrition households benefiting from nutrition garden activities. The list of nutritious crops will be added in the PIM and it is expected that beneficiaries should grow at least 3 of the crops from this list to be accounted for this indicator.	Annual starting Y2	Project Qualitative Annual Evaluation of nutrition gardens	Qualitative evaluation of a sample of nutrition households participating in nutrition gardens using the checklist of recommended crops by the project. YP will collect data with district nutrition experts	district nutrition experts/National Nutrition and M&E Experts
Percentage of convergence villages conducting community nutrition meetings informed by children scorecards twice a year	This indicator captures the percentage of community nutrition meetings informed by CSCs in selected	Annually from year 2.	MIS	Data entered quarterly in the MIS at village level by Young Graduates after the	Young Graduates, district nutrition specialists, national nutrition and



	convergence districts. CSCs are provided by HANSA2/RRPM2 to the CLEAR team.			community nutrition meeting takes place.	M&E specialists.
Percentage of registered grievances that are addressed timely according to agreed procedures	It assesses the efficiency of the project at addressing grievances. Grievances are received through messages on paper, phone/text and during meetings.	Yearly	MIS	The project will record grievances and track when, how and by whom they are addressed. PRF MIS grievance register grievances when they are received and the social safeguards expert follow regularly progress.	Village Facilitator/YG/Social Safeguards Expert/Technical Experts/M&E Experts

**ANNEX 1: Implementation Arrangements and Support Plan**

COUNTRY: Lao People's Democratic Republic
Community Livelihood Enhancement And Resilience

Implementation Arrangements

1. The project's institutional and implementation arrangements are described in section III.A in the main body of the PAD. Below are additional details pertaining financial management and disbursement, procurement, and implementation support.

Financial Management

2. **FM organization and staffing.** Although the PRF central finance team will continue to be responsible for FM and disbursement building on the PRF III experience, FM staff at the district level still face challenges. Close monitoring from the PRF central finance team is needed to ensure timely use of funds and financial reporting and compliance with internal controls and policies. The PRF central finance team capacity could be stretched managing both the current IDA project and the CLEAR project. Therefore, to ensure compliance and timeliness of reporting, one accountant shall be assigned and be working within three months of the project becoming effective. The accountant could be from the existing PRF central office (PRFO) FM team or a new recruitment and will also provide technical support to district finance teams. In case of new recruitment, it was agreed that PRFO FM team will re-evaluate the need after one year of the CLEAR project implementation. The CLEAR project will be implemented in seven provinces, three of which are new for PRF (Saravan, Savannakhet and Sekong). CLEAR will operate in two districts in each province, a total of 14 districts (450 villages). A qualified and experienced finance assistant/accountant will also be recruited to handle the FM work in the new districts. For the old district where the PRF III activities are ongoing, the FM person will remain at the district and will handle both the FM work for PRF III and CLEAR. The hiring and the ToR will be subject to approval by the World Bank.

3. **Budgeting and planning.** A budget shall be prepared annually and cover the period of the Government fiscal year, that is, January to December. The budget shall be broken into budgets for components/subcomponents/activities and by expenditure category and shall also be divided into quarters so that quarterly expenditure can be compared to for monitoring purposes. Any significant variances between budget and actual expenditures shall be explained and the information used to review and revise the budget accordingly. Review of budgets will take place at least every six months. Approval is required for any subsequent revisions for increase or decrease in the overall annual budget. The project annual budget and work plan shall be submitted to the World Bank for 'no-objection' by mid-December each year. Details of the timeline for preparation and approval of the project annual budget, including review and revision, will be elaborated in the FMM.

4. **Accounting policies and internal controls.** The existing FMM, including all subgrants manuals, used in the PRF III will be adapted and improved for the use under the CLEAR project. The FMM will be reviewed and revised to reflect the specific reporting requirements of funds flow instructions, with more details on budgeting procedures, monitoring, and reporting of use of funds and audit requirements necessary to show accountability of transactions. The FMM should clearly define the roles and



responsibilities of FM personnel in the central and district offices and at the village/community level. The revised FMM shall be completed before project effectiveness.

5. **Accounting and financial reporting requirement.** Cash basis of accounting shall be used by the project to prepare financial statements. ACCPAC accounting software shall be used to record transactions at all levels and produce project IFR. The FMM includes all key accounting policies and procedures, budgeting, recording, financial reporting, auditing, and disbursement arrangements. An unaudited IFR shall be prepared every quarter and submitted to the World Bank no later than 45 days after the end of each period.

6. **Auditing requirement.** The project financial statements shall be audited annually by independent qualified auditors with ToR acceptable to the World Bank. A sample of at least 10 percent of block grants must be selected as part of the project's annual audit on a risk-based basis. The project's annual financial statements shall be audited in accordance with International Standards on Auditing. The audit report (audited financial statements) shall be disclosed on the PRFO's website to comply with the World Bank's Policy on Access to Information.

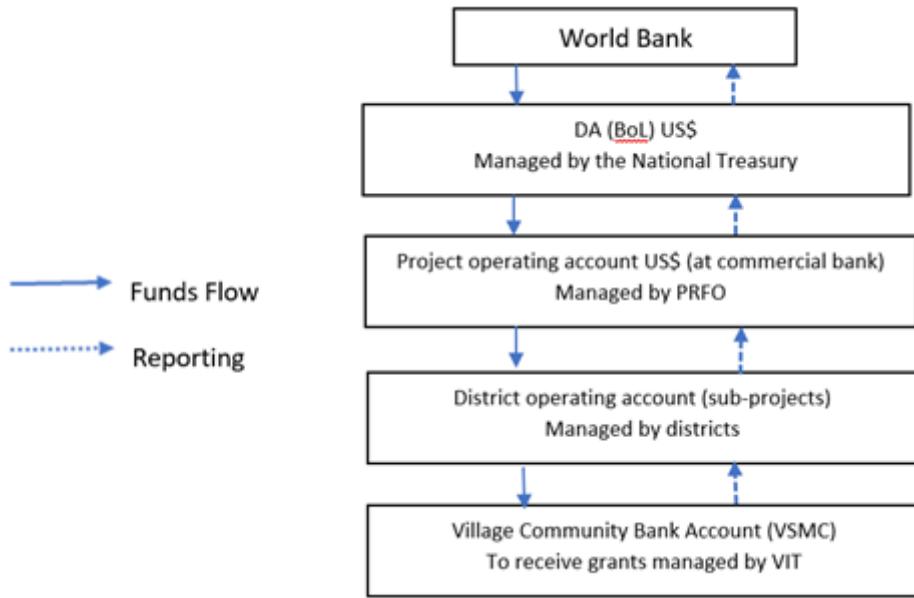
7. **Document retention.** All accounting and supporting documentation shall be retained by the PRFO where the transaction occurs and maintained in a systematic manner that allows authorized easy access. Original supporting documents shall be retained during the life of the project or until at least the later of (a) one year after the World Bank has received the audited financial statements covering the period during which the last withdrawal from the credit was made or (b) two years after the closing date.

8. **Supervision plan.** Based on the substantial FM risk, the World Bank FM team shall conduct an implementation support mission at least twice a year. This shall include review of the adequacy of FM arrangements at the central and district levels, compliance with the FMM, and that the articulated mitigation measures above are working. Field visit shall also include spot-checks to confirm that beneficiary households received funds and used them for the intended purposes, review of subproject documents, and review of the existence of relevant infrastructure.

9. **Funds flow.** Funds will flow from IDA to the Designated Account (DA), denominated in US dollars that will be opened at the Bank of Lao PDR, managed by the National Treasury. A Project Operating Account will be opened at a commercial bank, managed by the PRFO, to facilitate day-to-day operation. Districts will also open bank accounts to receive funds for operations. For block grants, funds will flow directly from the DA to the VIT bank accounts (through PRFO account) once disbursement conditions are fulfilled in accordance with the relevant manuals. The existing bank district and VIT bank accounts will be retained and continued to be used under CLEAR. Detailed requirements and procedures for requesting and reporting of funds used shall be elaborated in the FAM.



Figure 1.1. Funds Flow



10. **Operating costs.** A Project Operating Account will be opened at a commercial bank with a ceiling of US\$1million. This ceiling can be revised based on the implementation experience and approval by the Ministry of Finance (MOF) in accordance with the MOF regulations. Large payments should be paid from the reimbursement or through direct payment. Small payments are supposed to be paid from Designated Account. The funds flow arrangement to participating districts will remain the same as in PRF III.

11. **Block grants and other grants.** The existing bank account will be used to receive funds relating to block grants and grants under Subcomponent 1.3 (Block grants), Subcomponent 2.3 (SHG and PG grants) and Subcomponent 3.1 (CNG grants). FM procedures relating to these grants implemented at the village level are documented in the Community Financial Management Guide and the Infrastructure Livelihood and Nutrition Grants. These existing manuals, with some revisions, are acceptable to be used under the CLEAR project. Disbursement and reporting procedures will remain the same. For reporting the expenses in the Statement of Expenditures (SOE), once the grants are transferred from PRFO Central to the village bank account (through the district account as the pass-through account), it will be considered as expenditures and able to be reported in the SOE. The PRF FM team shall internally monitor the advances for clearance. Procedures on receiving and reporting of the block grant funds are elaborated, adapted, and already in place in the respective block grants manuals to ensure that funds are used for the intended purposes.

Disbursements and Allocation of the Proceeds

12. Applicable disbursement methods for this project include advance, reimbursement, direct payment, and special commitment. The minimum amount of reimbursement, direct payment, and special commitment is US\$200,000.



13. A DA denominated in US dollars will be opened at the Bank of Lao PDR, managed by the National Treasury (figure 1.1). The DA will have a variable ceiling. Funds will be advanced to the DA based on six months cash forecast approved by the World Bank. Reporting of payment from the DA will be quarterly, using the SOE. Disbursement will be made as described in table 1.1:

Table 1.1. Disbursement Categories

Expenditures Categories	IDA credit amount (US\$, millions)	SML amount (US\$, millions)	Percentage of Expenditures to Be Financed (inclusive of taxes), %
(1) Goods, works, non-consulting services, consulting services, block grants, seed grants, operating costs and training and workshops	34.2	10.8	100 100% of disbursed amount with respect to Block Grants and Seed Grants
(2) Emergency expenditures	0	0	100
Total	34.2	10.8	100

14. The project will have a disbursement deadline date (final date on which the World Bank will accept application for withdrawal from the recipient or documentation on the use of the credit proceeds already advanced by the World Bank) of four months after the closing date of the project. This 'Grace period' is granted to permit the orderly project completion and closure of the credit account through submission of applications and supporting documentation for expenditures incurred on or before the closing date. Expenditures incurred between the closing date and disbursement deadline date are not eligible for disbursement. All documents for expenditure forwarded to the World Bank for disbursements will be retained and be made available to the external auditors for their annual audit, and to the World Bank and its representatives if requested. If the auditors or the World Bank implementation support missions find that disbursements made were not justified by the supporting documentation or are ineligible, the World Bank may, at its discretion, require the recipient to (a) refund an equivalent amount to the World Bank or (b) provide substitute documentation evidencing other eligible expenditures.

Fraud and Anticorruption

15. The project includes community-/village-level participation in the determination of priority projects to be financed at the community level. Citizen participation will help strengthen the demand for accountability for the use of funds at the village levels. During implementation, the FM team will assess the adequacy of this arrangement, including advising on setting up a hotline for individuals to report anonymously on allegations of fraud and corruption.

16. The World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants' dated October 15, 2006, and revised in January 2011, will be applicable in addressing fraud and corruption issues should they arise. Guidelines cover fraud and corruption that may occur in connection with the use of loan proceeds during the preparation and implementation of a project financed, in whole or in part, by the World Bank. These guidelines cover fraud and corruption in the direct diversion of loan proceeds for ineligible expenditures, as well as fraud and corruption engaged in for influencing any decision as to the use of loan proceeds. All such fraud and



corruption is deemed, for these guidelines, to occur “in connection with the use of Loan proceeds.” These guidelines apply to the PRFO and all other persons or entities which either receive loan proceeds for their own use (for example, ‘end users’), persons or entities such as fiscal agents responsible for the deposit or transfer of loan proceeds (whether or not they are beneficiaries of such proceeds) and persons or entities that take or influence decisions regarding the use of loan proceeds. All instances of fraud and corruption shall be referred to the World Bank’s Integrity Vice Presidency for investigation.

Procurement

17. Procurement under the project will be carried out in accordance with the World Bank Procurement Regulations for IPF Borrowers (November 2020). Lao harmonized standard open bidding documents dated July 2021 and RFQs dated July 2021, as agreed with the World Bank, shall be used for procurement of works, goods, and non-consulting services with values under the RFB (national market approach) and RFQ, respectively. The World Bank Standard Procurement Documents will be used for all RFBs (international market approach) and for the selection of consultants involving international competition under the project. The RFB (international market approach) package has not been foreseen at the project preparation stage.

18. The PRF Procurement Unit will manage, coordinate, and monitor all procurement activities and communicate with the World Bank with regard to procurement activities. Various PRF divisions will provide inputs to technical assistance activities within their mandates. The responsibilities and flow of procurement activities implemented at the national, district, and village levels under the project are summarized in the following diagrams.



Figure 1.2. At National Level (for Works, Goods and Non-Consulting Services)

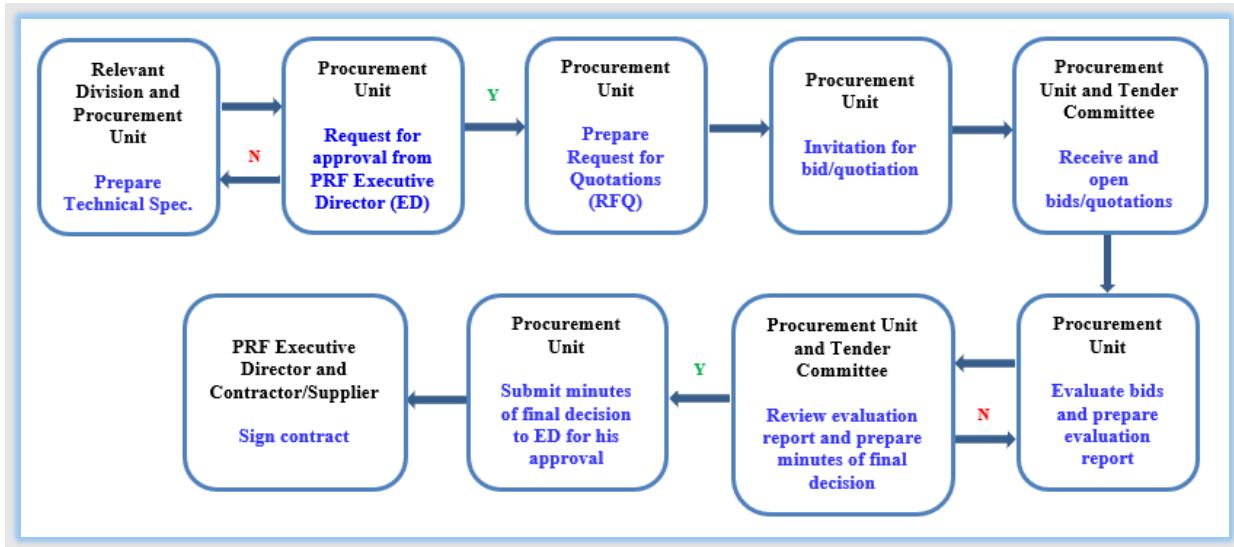


Figure 1.3. At National Level (for Consulting Services)

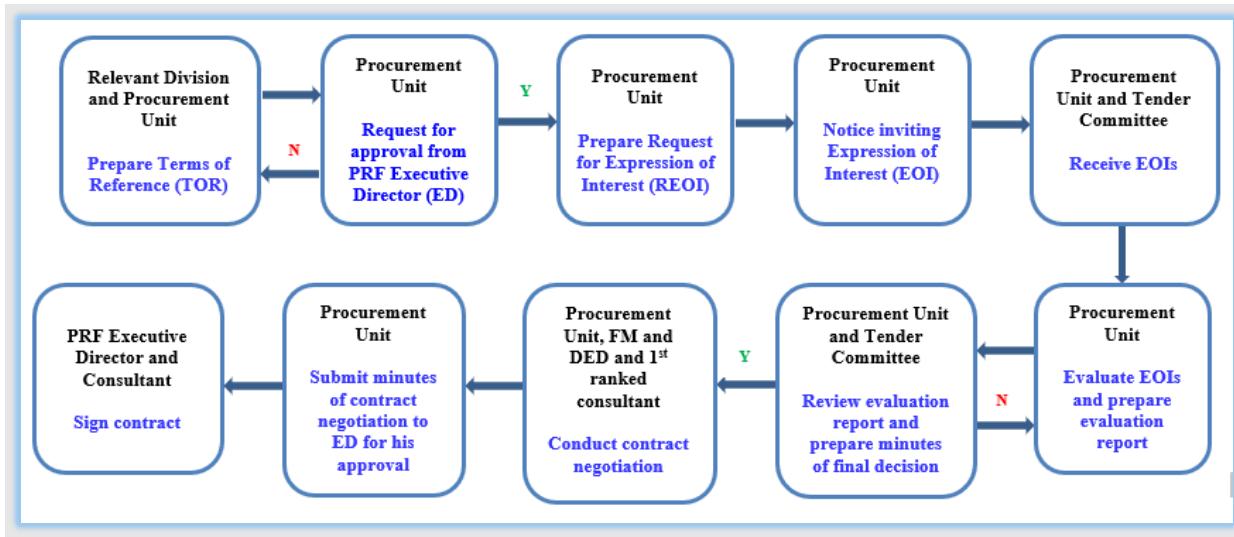




Figure 1.4. At District Level (for Works only)

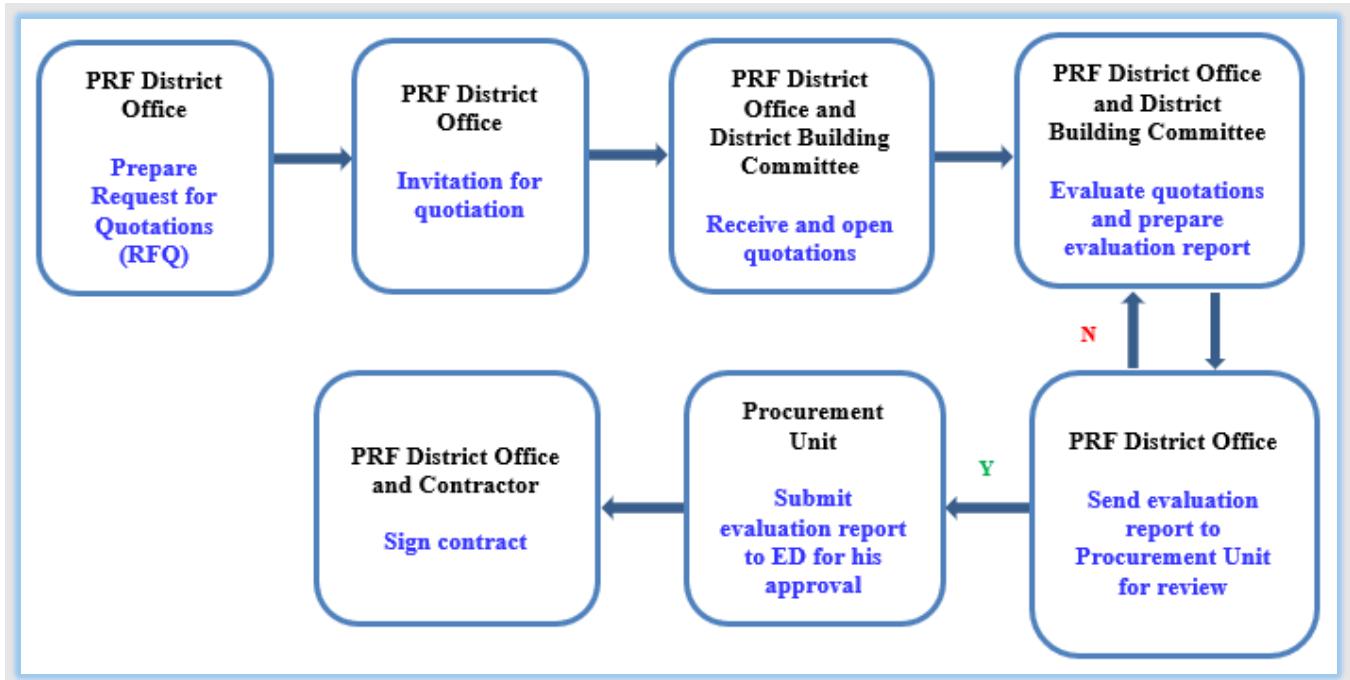
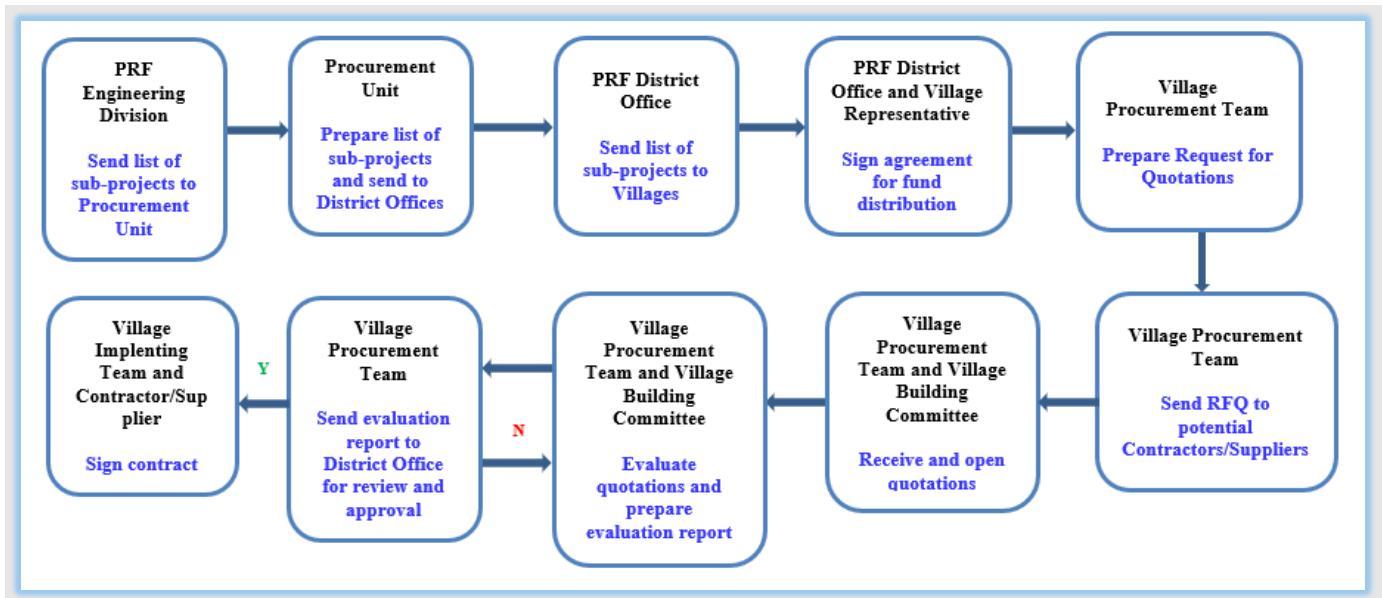


Figure 1.5. At Village Level (for Subproject)



19. The World Bank carried out the procurement capacity and risk assessment of PRF in accordance with the guidelines on 'Revised Instruction for carrying out assessment of agency's capacity assessment to implement procurement, setting of prior review thresholds and procurement supervision plan' in March 2022.



20. PRF has more than 20 years of experience implementing World Bank-financed projects since 2002. The assessment found that the Procurement Unit in the PRF Central Office will be retained to manage and oversee all project procurement activities including procurement of civil works, goods, and services, ensuring all procurement processes are carried out in compliance with the World Bank procurement rules and regulations; providing training to project procurement staff at the district levels and to the village procurement team; supervising and providing guidance to project staff and the village procurement team; approving release of payment for civil works, goods, and services as per the contracts signed; preparing the Procurement Plan; preparing monthly/semi-annual/annual procurement reports; and developing community procurement manual/guidelines and related forms for use in the community procurement process. For the proposed project, the existing PRF procurement team will continue to implement procurements, as there will be no risk for procurements conducted at the Central Office, but at the community level, there may be risk at work limited exposure to World Bank procurement procedures among the new village procurement team could result in delays in procurement processing and contract delivery.

21. The overall procurement risk is rated as Moderate. The major risks and mitigation measures are summarized as in table 1.2.

Table 1.2. Procurement Risk Mitigation Measures

No	Risk/Problem	Proposed Risk Mitigation Measure	Responsibility	Deadline
1.	Delays in procurement process	(a) Careful procurement planning and scheduling, procurement advanced as much as possible (b) Procurement monitoring using STEP (c) Closer coordination between the Procurement Unit, Executive Director and IDA, and supervisions and follow-up by IDA	PRF PRF PRF, World Bank	During project implementation
2.	Limited experience of village procurement team in the selected villages with World Bank Procurement Regulations	(a) Procurement training provided by the district procurement and PRF procurement officers (b) World Bank procurement staff will join provide training to the district procurement and PRF procurement officers as needed	District procurement and PRF procurement officers, World Bank	During project implementation

22. **Procurement oversight.** In addition to prior review, field procurement supervision will be conducted as part of the regular implementation support missions, which will be conducted at least twice a year. The World Bank will periodically undertake the ex-post review by a procurement specialist, once a year if there are sufficient contracts for review.

23. **Procurement Plan.** PRF has prepared a common detailed Procurement Plan for the first 18 months as the basis for the selected procurement procedures. The Procurement Plan will be updated with the



World Bank's prior concurrence, as required, to reflect changes in implementation needs and improvements in institutional capacity. The Procurement Plan is summarized as follows:

Goods and Works and Non-consulting Services

24. **Prior-review threshold.** Procurement decisions subject to prior review by the World Bank Group as stated in Appendix 1 to the Procurement Regulations:

Table 1.3. Method and Prior Review Threshold

Category	Procurement Method Thresholds		Prior Review Thresholds	
	Applicable Thresholds (US\$)	Remarks	Applicable Thresholds (US\$)	Remarks
WORKS				
RFB through open international market approach	≥ 2.0 million	—	All	This has not been foreseen at the project preparation stage.
RFB through open national market approach	≥ 200,000 ≤ 2.0 million	—	None	—
RFQ	< 200,000	—	None	—
Direct Selection	None	No threshold; meet requirements of regulations 7.13–7.15	Same as for competitive selection	This has not been foreseen at the project preparation stage.
GOODS AND NON-CONSULTING SERVICES				
RFB through open international market approach	≥ 0.6 million	—	All	This has not been foreseen at the project preparation stage.
RFB through open national market approach	≥ 100,000 ≤ 0.6 million	—	None	—
RFQ	< 100,000	—	None	—
Direct selection	None	No threshold; meet requirements of regulations 7.13–7.15	Same as for competitive selection	This has not been foreseen at the project preparation stage.

25. **Pre-qualification.** Not expected for the works/goods packages.

Implementation support

26. The implementation support plan for CLEAR is developed based on the experience of the PRF III project. The implementation capacity of the PRF has strengthened in the course of the PRF project series. However, an intensive implementation support and technical guidance will still be necessary to adapt to the new approaches introduced and maintain the upward trends in implementation capacity. Day-to-day implementation support will be provided by the Task Team Leaders and other technical specialists familiar



with the country context, as described in Table 1.4 below. These specialists will undertake frequent technical meetings and field visits to address key implementation issues and assess intermediate results on the ground.

Table 1.4 Implementation support focus and resource estimate

Time	Focus	Resource estimates (annual)
Year 1	Overall coordination, capacity building, institutional development, inclusive development	TTLs: 6 staff weeks (SW); institutional development specialist: 2 SW (USD\$ 50,000 incl. travel)
	Rural infrastructure	Engineer: 3 SW (US\$ 14,000 incl. travel)
	Agriculture	Agriculture specialist: 2 SW (US\$ 10,000 incl. travel)
	SHG/PG capacity building	Livelihoods specialist: 3 SW (US\$ 14,000 incl. travel)
	Nutrition	Nutrition specialist: 3 SW (US\$ 14,000 incl. travel)
	Updating MIS and M&E capacity building	M&E specialist: 3 SW; MIS specialist: 1 SW (US\$ 18,000 incl. travel)
	Review FM and disbursements	FM specialist: 2 SW (US\$ 8,000)
	Review Procurement	Procurement specialist: 2 SW (US\$ 8,000)
	Review E&S	E&S specialists: 2 SW each (US\$ 16,000 incl. travel)
Years 2-4 (annual)	Capacity building, institutional development, inclusive development	TTLs: 6 SW; institutional development specialist: 2 SW (USD\$ 50,000 incl. travel)
	Rural infrastructure	Engineer: 3 SW (US\$ 14,000 incl. travel)
	Agriculture	Agriculture specialist: 2 SW (US\$ 10,000 incl. travel)
	SHG/PG capacity building	Livelihoods specialist: 2 SW (US\$ 10,000 incl. travel)
	Nutrition	Nutrition specialist: 2 SW (US\$ 10,000 incl. travel)
	M&E and MIS capacity building	M&E specialist: 2 SW (US\$ 10,000 incl. travel)
	Review FM and disbursements	FM specialist: 2 SW (US\$ 8,000)
	Review Procurement	Procurement specialist: 2 SW (US\$ 8,000)
	Review E&S	E&S specialists: 2 SW each (US\$ 16,000 incl. travel)

**ANNEX 2: Gender Gap Analysis****COUNTRY: Lao People's Democratic Republic
Community Livelihood Enhancement And Resilience**

1. A gender gap analysis was conducted as part of the CLEAR project preparation. This annex contains additional details that complement information in the main body of the Project Appraisal Document (PAD). The project will implement a set of actions addressing gender gaps identified as part of the gender analysis and lessons learned from PRF. Paragraph 123 and table 7 summarize the gender results chains.
2. The analysis below highlights persistent gender inequalities relevant to the project context, with a focus on Lao PDR's rural development and nutrition. It draws from a desk review of existing data and literature on gender in Lao PDR as well as lessons learned from PRF.

Gender Gap Analysis

3. Over the past two decades, maternal health and nutrition have improved, but challenges remain. The maternal mortality rate has declined from an estimated 905 to 185 per 100,000 live births in 2017.⁷³ These rates remain one of the highest in Southeast Asia and women continue to be at risk, particularly in remote areas within northern provinces and among ethnic minority groups. Antenatal care coverage has increased from 54 percent in 2012 to 78 percent in 2017, but it remains low among the poor (52 percent). Inaccessibility, irregular services, fund shortage, poor facilities, cultural norms, and language barriers remain important barriers to access for non-Lao-Tai.⁷⁴ Similarly, in the northern provinces and among Sino-Tibetan groups around 70 out of 1,000 live births do not reach age five.⁷⁵
4. Persistent high levels of child undernutrition present a major barrier to socioeconomic improvement in Lao PDR. About 33 percent of children under five are stunted, 21 percent are underweight, and 9 percent are wasted. Malnutrition affects some groups disproportionately—the poor, ethnic minorities, rural children, and upland areas of the country—and stunting and underweight rates among children in the predominantly rural poorest wealth quintile are over three times the rates for children in the richest quintile. Stunting has long-term adverse developmental impacts and has been linked to slower learning, poor academic performance, and lower productivity and wages in adulthood. Maternal malnutrition contributes to poor children's health and nutrition. About half of all pregnant women are estimated to have anemia.⁷⁶
5. Lao PDR has one of the highest rates of early marriage in the world and the highest adolescent pregnancy in the East Asia and Pacific region. EMAP raises the risks for maternal mortality and child stunting, contributing to the intergenerational effects of poverty. One in four women ages 15–19 is married and almost one-quarter of women ages 15–19 already have had a child.⁷⁷ Over 30 percent of girls

⁷³ This paragraph is taken from the Lao PDR CGAP, based on World Bank staff analysis using LSIS II 2017 and LECS 6 data.

⁷⁴ Do Kim et al. 2016. "Back to Basics" Approach for Improving Maternal Health Care." *Asia Pacific Journal of Public Health*.

⁷⁵ The mortality rate of children ages under 5 years is the probability that a child born in a specific year or period will die before reaching the age of 5 years, expressed per 1,000 live births.

⁷⁶ Lao Social Indicator Survey II, 2017.

⁷⁷ United Nations Population Division, World Population Prospects, 2019.



in the country are married before the age of 18, and 7 percent are married before the age of 15.⁷⁸ Similarly, 11 percent of boys are married before the age of 18, making Lao PDR the country in East Asia and Pacific with the highest prevalence rate of child marriage for boys.⁷⁹ High adolescent fertility rates are strongly associated with little or no education (176 per 1,000) compared to those who completed secondary education (8 per 1,000) in 2017. Teenage fertility rates in 2017 were particularly high in remote rural areas and among some ethnic minority groups, going up to 192 per 1,000 among adolescents from Hmong-Lu-Mien communities.⁸⁰ All CLEAR provinces have high fertility rates: Huanpanh (136 per 1,000); Oudomxay, Phongsaly, and Xiengkhuang (105 per 1,000); Saravan (103 per 1,000); Savannakhet (69 per 1,000) and Sekong (97 per 1,000).⁸¹ UNFPA estimates an increase in unintended pregnancies due to COVID-19, of which 35 percent were among younger mothers.

6. Gender-based violence (GBV) remains a significant risk. In Lao PDR, girls who marry before the age of 18 are at increased risk of experiencing violence, as they lack status and bargaining power within the household. They are more likely to be physically and mentally abused by their family, their husbands, or in-laws and more likely to be isolated from the community.⁸² Addressing GBV is a priority for the GoL, as indicated in the Fourth Five-Year Action Plan on Gender Equality 2021–2025 and the National Action Plan on Prevention and Elimination of Violence Against Women and Violence Against Children in for 2021–2025, but the challenge is complex and new risks are increasing. Accelerated regional integration and cross-border movement has brought about increased risk of human trafficking for rural women and girls. The Lao PDR-Thailand is one of the main regional migration corridors. According to the US State Department review in 2018, the country “does not fully meet the minimum standards for the elimination of trafficking,” and there was a lack of progress in the last reporting period.⁸³ Communities near large-scale infrastructure projects are also at an elevated risk of forced labor.

7. Education plays a significant role in protecting women and girls from EMAP risk, improving health and nutrition outcomes, and providing girls with better economic opportunities. Girls and boys are enrolled equally in early childhood education in the Lao PDR (34 percent female and 30 male).⁸⁴ However, a lower proportion of girls attend each stage of secondary school, with 91 girls attending upper secondary for every 100 boys. In 2017, 41.8 percent of girls ages 15–17 were in school. Girls—especially non-Lao-Tai and from poorer families—leave school early at higher rates than boys at every school level. Adult literacy is also lower among women than men, with 10.6 percentage points difference; the gap is more pronounced among ethnic groups and older age groups.

8. Women are active participants in Lao PDR’s labor force; however, wage gaps and occupational segregation by gender persist (paragraph 20). The high rate of female LFP is driven by women’s engagement in agriculture, often in subsistence farming. Women are more likely to work in the informal

⁷⁸ This is the proportion of women ages 15–24 who were first married or in union before age 18. UNICEF global databases, 2021 based on DHS, MICS, and other nationally representative surveys.

⁷⁹ Globally, a lack of maternal education is associated with higher rates of stunting, infant mortality, and maternal mortality and is an important variable affecting the educational and health outcomes of children even into adulthood. See World Bank. 2022. *Country Gender Action Plan for Lao PDR* for references.

⁸⁰ Girls Not Brides: the Global Partnership to End Child Marriage. Available at <https://www.girlsnottbrides.org/learning-resources/child-marriage-atlas/regions-and-countries/laos/>.

⁸¹ UNICEF. 2020. *The Situation of Children and Women in Lao PDR*. Using LCIS 2017.

⁸² World Bank. 2022. *Country Gender Action Plan for Lao PDR*.

⁸³ US State Department. 2018. *Trafficking in Persons Report for Laos*.

⁸⁴ Education data are from the LSIS 2017 and UNICEF 2020 unless otherwise indicated.



sector, engaged in subsistence-level activities working under precarious working conditions with little to no protection and representation (81.3 percent women and 67.5 percent men).⁸⁵ Men compose most civil servants, professionals, technicians, and other positions that require higher education. Conversely, women are overrepresented in low-skill occupations, comprising 71.8 percent of the workforce in the service sector and 63.36 percent in the retail sector.

9. Women play a key role in the agriculture sector, where they contribute to all parts of agricultural production. Most agricultural production in Lao PDR is driven by smallholder farmers. In 2019, of all women in the labor force, 63.5 percent were employed in agriculture (versus 59.4 percent of working men); they represented over half of the agricultural workforce.⁸⁶ Traditionally, women work in the fields (planting, weeding, and harvesting crops) and look after livestock (mostly animals such as pigs, poultry, and goats, while men tend to larger livestock such as cattle). Decisions regarding irrigation and water resource management are usually taken by men, even though in most cases, women manage water at the household level. Division of labor is also apparent in fisheries: women engage in fishponds and fish culture in rice fields and play a key role in fish processing and marketing. Despite their role in agriculture, they have unequal access to micro-level agricultural investments.⁶⁴ Female-headed households have fewer household labor and productive assets than male-headed households and have a less-diversified crop base than male-headed households. An emerging issue that is most pressing for women is the level of toxic chemicals used in commercial agriculture, with severe effects on women's and children's health. This is concerning in highland provinces due to poor soil quality and mountainous terrain requiring fertilizers.

10. Lao PDR is transitioning from subsistence farming to commercial agriculture, which has brought benefits for some but also exacerbated gender disparities and power imbalances in other communities; climate change further exacerbates inequalities. Many rural communities are benefiting, as new opportunities for women to undertake paid employment outside the family farm have opened, particularly through participation in nontraditional export crop production, as contract farmers or direct wage employees. While some work has been done to ensure that local-level contracts between investors and communities are fair and transparent, efforts to ensure that women are meaningfully included in contract farming negotiations and benefit equally are still nascent. For women in poor rural areas, who have lost access to productive land and have not been able to find employment off-farm, commercialization has increased vulnerability. It has also disadvantaged non-Lao-Tai women, with limited Lao language skills, lower literacy and numeracy rates, and no experience conducting business in a cash economy.⁸⁷ Lao PDR's rural economy faces sustainability and environmental challenges that are amplified by climate change; female farmers are less resilient to its impacts (paragraph 20 of the main text).

11. Traditional gender norms in rural Lao PDR prescribe women's primary role as caretakers for children, limiting their ability to engage in paid productive activities and affecting their 'time poverty.' Traditionally, women carry out most tasks within the private sphere (household chores, child-rearing, subsistence farming, and so on). Women's access to income-generating labor, when it takes place, has not lightened these household burdens. In 2018, rural women spent over four times more time on household chores than men, limiting their ability to engage in both formal and informal work at the same

⁸⁵ ILOSTAT 2019.

⁸⁶ FAO. 2019. *Country Gender Assessment of Agriculture and the Rural Sector in the Lao PDR*.

⁸⁷ Government of Lao PDR, Ministry of Planning and Investment and Statistics Bureau. 2018. *Lao PDR Labour Force Survey 2017*.



level as men.⁸⁸ The pandemic has further exacerbated the burden on women, as school closures and reduced remittances from migrant workers redefined household structures.⁸⁹

12. Under the law, women, men, boys, and girls have equal rights to own and inherit land, but in practice, unequal customary traditions prevail.⁹⁰ Many rural land users, especially women, lack legal documentation for their tenure security. While under Lao Law, men and women have equal status to land ownership and land-use rights and women have the legal capacity to enter contracts or sign legal documents, in practice, it is often the head of household (usually a man) who signs the tenure document, whether a temporary certificate or a land title. In 2019, women's land rights have been weakened in the new Land Law by the removal of dual names (wife and husband) on land titles—a setback for land rights for women compared to the 2003 Land Law.

13. According to national policy, women and men have equal access to markets and finance, yet women face constraints in accessing loans and credit. In 2021, 36.7 percent of men and 37.8 of percent of women had a financial account—among the lowest in East Asia and Pacific. Lack of education and literacy and lack of access to banks and information create constraints for women, particularly ethnic women, to access loans. Bank processes are complex and burdensome, constraining women's engagement. The challenges women face in attaining documentation for land ownership contribute to women's lower levels of access to credit, as they lack collateral, and limit opportunities to invest in agricultural tools, technologies, and climate-smart agricultural practices.⁹¹

14. COVID-19 has created new economic inequalities. The Lao National Chamber of Commerce and Industry survey on the impact of COVID-19 found that women respondents are slightly more likely to perceive a high risk of ceasing business operations (52 percent versus 48 percent for men). A World Bank survey in July 2020 found fewer women remaining with the same job compared to men, with more women not actively working (12.6 percent versus 9.7 percent for men). Of those who stayed employed (non-farm employees and own-account workers), more women than men had a lower income than before (35.7 percent versus 26.3 percent men).

15. Demand for smartphones is high in Lao PDR, but ownership varies based on gender, age, and marital status. The use of smartphones in urban areas is double that in rural areas (47.3 percent versus 23.9 percent).⁹² In 2017, 73.1 percent of women and 84.3 of men owned mobile phones. More women than men used the internet to pay bills and make purchases online. Consultations during CLEAR preparation field visits and PRF reports indicate that women use smartphones to watch videos on YouTube, listen to music, watch news, and chat and talk. Some women reported having searched on Google for information on child feeding.

16. Women in Lao PDR remain underrepresented in decision-making institutions, particularly at the local level and in rural areas. In terms of women's political representation, Lao PDR ranked 102 out of 188

⁸⁸ LECS 2018.

⁸⁹ WFP. 2021. *Lao PRD Annual Country Report*.

⁹⁰ FAO. 2018. *Country Gender Assessment of Agriculture and the Rural Sector in Lao People's Democratic Republic*. Vientiane.

⁹¹ Ibid.

⁹² ADB. 2021. *Developing Agriculture and Tourism for Inclusive Growth in the Lao People's Democratic Republic*. Manila, Philippines.



countries, with a 27.5 percent representation of women in its national parliament in 2020.⁹³ Women accounted for 31.5 percent of provincial assemblies in 2018. In 2021, Lao PDR had the first female Vice President in its history and the share of women in the civil service reached 46 percent in 2018. Female civil servants work for the Ministry of Public Health (65 percent of employees) or for the Ministry of Education and Sports (51 percent). These ministries make up about half of all civil servant positions for women, pointing to large inequalities across other ministries.

17. Women's engagement in community decision-making on issues of rural development, natural resource management, and livelihoods is limited. Decisions are taken through a village committee comprising the *Nai Ban* (village chief) and elected representatives from the village. The village chief and council have the power to make decisions within the community, and fewer than 3 percent of village chiefs are women.⁹⁴ The LWU has a village-level body, which is the main avenue for women's participation in village committees. Within the LWU, staff members who work directly on women's empowerment do not feel confident to speak up at meetings and hesitate to express their voices.⁹⁵ In cases where women were elected to local community or project committees, they often do not actively voice or advance rural women's concerns and aspirations. Women's active participation in local decision-making is hindered by legal and institutional constraints. The Law on Local Administration provides that village meetings must be attended by household heads, who are traditionally men. Also, the land title may be considered a prerequisite for participation in community decision-making and resource management.⁹⁶

18. Skills, and often language skills, pose additional barriers among some non-Lao-Tai.⁹⁷ About 70 percent of the Lao PDR population do not speak Lao as their first language. Ethnic minority women face disadvantages stemming from a lower education level, high school dropout rates among girls, and widespread illiteracy. Approximately 41.8 percent of girls ages 15–19 are out of school due to early marriage, preventing them from developing proficiency in the national language. The Sino-Tibetan ethnic group is the least literate (50 percent rate for men and 35 percent for women), followed by the Mon-Khmer (67 percent versus 38 percent) and the Hmong-Lu-Mien (71 percent versus 40 percent), compared to the Lao-Tai (84 percent versus 76 percent).

19. Traditional culture and ingrained gender norms prescribe women's versus men's roles in the community. These play out in two ways that affect women's participation in community decisions. Women's responsibilities for childcare and the household, in addition to other livelihood activities, limit the time they have available to engage in other activities; their share of unpaid care work is four times that of their partners (LECS 2018). Ingrained social norms discourage women from voicing their needs and concerns: at the community level, women are often not trusted that they have the skill set to analyze problems and propose solutions, therefore if both husband and wife are not called for community meetings, it is usually the men who will attend.

⁹³ Inter-parliamentary Union. 2021. *Global Data Platform*.

⁹⁴ Asian Development Bank. 2022. *Women's Resilience in Lao PDR: How Law and Policies Promote Gender Equality in Climate Change and DRM*.

⁹⁵ FAO. 2018. *Country Gender Assessment of Agriculture and the Rural Sector in Lao People's Democratic Republic*. Vientiane.

⁹⁶ CIF. 2017. *Gender and Sustainable Forest Management: Entry Points for Design and Implementation*. Washington, DC; Global Gender and Climate Alliance. 2016. *Gender and Climate Change: A Closer Look at Existing Evidence*. New York.

⁹⁷ World Bank. 2016. *Lao PDR PRF Impact Evaluation*.



Lessons from the PRF project series

20. The PRF series introduced several measures to increase women's participation in economic benefits and engagement in local decision-making. These include separate village development planning meetings for men and women to facilitate women's communication in settings where they feel more comfortable exchanging views. Larger community meetings require at least one representative of each household and at least 50 percent of women participants (two out of three hamlet representatives must be women). To ensure women's needs are identified and prioritized in the VDP process, three of the top five priorities selected for investment are required to come from women groups. Two out of three facilitators hired at the community level are women. However, according to the IEG evaluation of PRF I and II and as confirmed during project preparation, linguistic and cultural barriers to a fuller engagement of women, especially among non-Lao-Tai, have limited their active participation.⁹⁸

21. Under PRF III, women have been mobilized into dedicated SHGs. More than 972 SHGs have been established, with 12,145 members, most of whom are women (81 percent). Loans have been used to start pro-nutrition livelihood activities such as production of small livestock and horticulture for own consumption and sales. Monthly household income is reported to have increased from US\$8.75 in 2017 to US\$75 in 2018. Similarly, under PRF II, the RMG program prioritized women's enrollment, allowing an increase in women's access to cash-for-work opportunities. According to an impact evaluation,⁹⁹ it had a positive impact on women's decision-making within the household and voice in the community, but it was found not to have affected their ability to influence non-farm investments. Women from poor households only saw a slight increase in their income over time compared to those from less poor households. Women from poorer households did not always have time to allocate labor hours from other pursuits to RMG work. Constraints to women enjoying the full benefits of the RMG program included the trade-off between using income for consumption versus investing markets and inputs, including labor and land and women's lack of knowledge. (See paragraph 78 in the main text for details).

22. The project also enrolled 1,000-day women into farmer nutrition groups. Peer-to-peer learning was tested through multimedia peer learning, with women producing community videos in their local languages, for example, on new recipes and new crops they planted. PRF also found that men change behavior if they see benefits and are given a clear role. For example, men appreciate more diversified and tasty meals as well as helping their wives during the 1,000-day window after understanding the risks from heavy workload. The power from spousal communication remains untapped in SBCC delivery thus far.

⁹⁸ IEG. 2016. *Poverty Reduction Fund Project, PPAR*.

⁹⁹ World Bank, East Asia and Pacific Gender Innovation Lab. 2020. *Impact Evaluation of Lao PDR Road Maintenance Groups Program*. See paragraph 80 for details.



ANNEX 3: Economic and Financial Analysis

COUNTRY: Lao People's Democratic Republic Community Livelihood Enhancement And Resilience

1. The methodology used for the economic and financial analysis is a cost-benefit analysis that estimates the costs and benefits of the project and the activities supported by the project. The data used for the analysis come from a range of sources including (a) the PAD of CLEAR, (b) technical advice from the CLEAR design team, (c) PRF III M&E data, (d) an audit of PRF III infrastructure subprojects based on a field survey conducted in 2022, (e) value chain studies conducted in the context of the IFAD AFN,¹⁰⁰ and (f) literature and statistical data on Lao PDR and on nutrition.
2. The benefits of the project come primarily from Component 1: Local Economic Development and Community Capacity Strengthening; Component 2: Community Livelihoods Enhancement; and Component 3: Community Nutrition Interventions. Component 3 is expected to have many benefits that could not be quantified at the design stage, due to insufficient data. The component will support food production through home gardens, goat milk production and research, and training on wild plant foods. These activities, together with a focus on SBCC, will increase the production, access, and consumption of nutritious foods and micronutrients. In turn, improvements in micronutrient intake and the nutritional quality of diets will decrease infant and child mortality and morbidity and will support the health, education, and productivity of children throughout their lives. Other unquantified benefits of the project include the benefits of capacity-building activities beyond those required for the modelled investments and gender equality and social inclusion benefits.
3. **Description of models.** Different models were prepared to represent the activities proposed by the project. For each model, a WOP situation is compared to a WP situation. In the WOP situation, beneficiaries are considered before the project intervention,¹⁰¹ while in the WP situation, beneficiaries' investments and activities enabled by project support are considered. A model is profitable if the beneficiaries can derive more income following the project investments.
4. For infrastructure subprojects, SHG loans, and PG investments, the investments will depend on demand by beneficiaries. The models chosen, listed in figure 3.1, represent a range of potential activities mostly based on the investments that took place under PRF II and PRF III.¹⁰²
5. All models include all the costs necessary to the activity, including labor costs, vaccination, feeding and pen construction costs in the case of the livestock models, and the cost of financing in the form of interests for SHG loans. For all activities, the labor costs are the opportunity cost of family labor, as opposed to wage labor, which was valued at 60 percent of wage labor because family labor is used. Time savings resulting from the infrastructures built were also valued at the opportunity cost of labor. Table 3.1 describes the main additional benefits and/or cost savings per model and the source for the assumptions.
6. Alternative data from the infrastructure audit done in 2022 show that the irrigation schemes had almost no impact on increases in yields and off-season cropping, but the data are based on a much smaller

¹⁰⁰ Studies conducted in cooperation with FAO Technical Assistance by Thiphavong Boupha, Olayvanh Singvilay, and Anton Glaeser in December 2017.

¹⁰¹ Technically, the WOP is a representation of the activity opportunity cost of an activity and, as such, it should model the evolution of beneficiaries' economic activities without the project. In practice, the models here consider a static WOP situation.

¹⁰² The models are presented in the main text of the PAD.



sub-sample of schemes (6 versus 61 in the M&E system), so the M&E data are considered more robust. The Luang Prabang data were removed from the yield evidence, as they had improbably high yields.

Table 3.1. Irrigation, Roads and Water Benefits, and Cost Savings

Change in Benefits or Costs	Source	Before	After	Change (%)
Irrigation				
Increase in surface cropped hectares per scheme	M&E internal evaluation, based on 60 schemes	8.6	10.6	22
Increase in productivity/yield kilograms per hectare per season	M&E internal evaluation, based on 60 schemes	2,475	3,278	32
Increase in hectares cropped during the dry season: hectares per scheme	Anecdotal evidence that a majority of producers do a second season	0	6.34	
Road				
Increase in trips (trips per year, per scheme)	2022 infrastructure audit	8,323	9,715	17
Reduced travel time (minutes per one way trip)	M&E internal evaluation based on 234 schemes	88.77	42.41	-52
Increase in production (kilograms per hectare)	Assumption based on the increase in trips	2,475	2,889	17
Hectares per household (hectares)	2010/2011 census on rice surfaces per household	1.3	1.3	0
Water				
Time for a trip to the water point minutes per one way trip	M&E internal evaluation based on 450 schemes	57	10	-82
Days sick per year days per household	2022 infrastructure audit	5.5	1.4	-74

Livelihood Activities

7. **SHGs.** Interest rates are 1 percent per month, resulting in a 12 percent interest for a one-year loan, in line with SHG experiences. In all cases, the cash flow (assuming no home consumption) should allow the household to pay back the loan after a year. The activities modelled are in line with the SHG chosen activities and short-term activities, accommodating for the one-year loans. The poultry model is based primarily on a typical model proposed in the SHG guidelines, whereby hens and a rooster are purchased to produce and fatten small chicks. The model assumes that 54 percent of eggs turn into chickens and that the remaining eggs are eaten. Vaccination is included in the model.

8. **PGs.** The model considers the purchase of a banana-stem cutting machine, which enables the preparation of chicken feed using banana stems instead of expensive industrial feed.

Nutrition Activities

9. One model shows the benefits of investing in mills that can help prepare infant porridge mixes, which saves time for cooking meals.

10. **Methodology and assumptions.** The financial analysis considers the investment from the perspective of a beneficiary, a beneficiary household, or a village. All costs are included in the activity models and valued at market costs or opportunity cost (for labor), whether the project or beneficiaries



are paying, and all benefits are valued at market cost or opportunity cost (for time savings). Products that are consumed by the household (rice and eggs) are also valued at market costs. Because of these two methodological choices and the focus on an incremental margin rather than the margin, the additional benefits of a model do not correspond to the additional cash-flow.

11. **The results of the financial analysis** show that the proposed activities are overall profitable, with positive NPVs and IRRs above the discount rate of 10 percent. The infrastructure investments are all profitable, particularly the water facilities, as they result in important time savings for fetching water. The SHG models are somewhat less profitable (see the PAD for the results).

12. The economic analysis compares the WP situation to the WOP situation, similar to the financial analysis. The additional benefits are the benefits attributed to the project. The analysis is done over 20 years, using a discount rate of 7 percent, in line with long-term bond rates.

13. **Methodology and assumptions.** Economic prices were computed by removing taxes, subsidies, and other transfers. A shadow exchange rate was computed using the formula below. A conversion factor of 0 was used for interest rates, which refer to a transfer in the economy. Following the conversion of financial prices into economic prices, the additional benefits of the modelled activities were aggregated in line with the phasing of the project budget. For SHG loans, the assumption, based on PRF data,¹⁰³ is that each member will take an average of 0.397 loans per year.

14. For the SHG activities and the PGs, adoption rates reflect that not all activities will be successfully implemented. Adoption rates range from 50 percent for the SHG livelihood activities to 90 percent for the road and water infrastructure investments. The adoption rates are lower for the livelihood activities because there are more risks of the activity ceasing or not being successful for several reasons. Further, because members might take loans more than once for the same activity, one activity model is considered for every other loan contracted by SHG members.

Results of the Economic Analysis

15. The results of the economic analysis over a 20-year period, which includes all the activities previously described, including the nutrition benefits, show that the project is profitable, with an NPV of LAK 905 billion, corresponding to US\$52 million, and an economic rate of return of 50.1 percent. The infrastructure investments account for the vast majority of the benefits.

16. A sensitivity analysis further shows that the project remains robust to a decrease in benefits of up to 20 percent or an increase in costs of up to 20 percent. It is, however, important to keep in mind that the infrastructure investments were relatively more profitable than the livelihood investments, so the livelihood investments are likely to be less robust to decreases in benefits or increases in prices.

¹⁰³ 20,000 loans were taken over five years by 10,085 SHG members.



ANNEX 4: Map

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