### BASIC INFORMATION

#### A. Basic Project Data

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<tr>
<th>Country</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
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<td>Lao People's Democratic Republic</td>
<td>P162565</td>
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<td>Reducing Rural Poverty and Malnutrition Project (P162565)</td>
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<td>Ministry of Finance</td>
<td>Ministry of Agriculture and Forestry</td>
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#### Proposed Development Objective(s)

The Project Development Objectives are to: (i) develop targeting, information and monitoring systems for social protection programs; (ii) improve key nutrition behaviors that are known to reduce childhood stunting through a nutrition-sensitive cash transfer program in selected provinces, and; (iii) enhance coordination of a multisectoral nutrition convergence approach in targeted provinces.

### PROJECT FINANCING DATA (US$, Millions)

#### SUMMARY

<table>
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#### DETAILS

**World Bank Group Financing**

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**B. Partial Assessment**

Track II-The review did authorize the preparation to continue

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**B. Introduction and Context**

Country Context

1. **Lao PDR's rapid economic growth over the past decade has not fully translated into proportional gains in poverty reduction.** Lao PDR is a landlocked country with a population of 6.4 million and a GDP per capita of US$ 1,800 in 2015. Gross domestic product (GDP) growth averaged 7.8 percent per year over the past decade and poverty declined from 33.5 to 23.2 percent between 2002/03 and 2012/13, making it the 13th fastest-growing economy globally. However, the pace of poverty reduction was modest compared to some of its neighbors (a per one percent increase in GDP in Cambodia translated to 1.2 percent poverty reduction, whereas in Laos it was only 0.4 percent) and was also coupled with increased inequality, as evidenced by regional disparities, and a growing rural-urban divide. Poverty is significantly higher in rural areas, which account for about 70 percent of the population, and particularly among the highland regions of the country. Similarly, poverty and human development indicators are worse for ethnic minorities, many of whom live in remote areas. For instance, poverty rates among the Mon-Khmer and Hmong (at 42 and 40 percent respectively) are nearly three times higher than that among the majority Lao Tai (at 15 percent). In addition, poverty reduction achievements nationally are continually threatened by high vulnerability to shocks and the absence of appropriate support or risk mitigation measures for most of the population (World Bank 2016).

2. **Economic growth has been heavily concentrated in urban areas while in rural areas, high levels of poverty and inequality prevail.** Although poverty incidence is estimated at 23.2 percent nationally, it is estimated at 40 percent in rural areas without roads compared to 10 percent in urban areas. Poverty, along with lack of access to basic social services, remains entrenched in remote and highland areas in the northern part of the country even though some improvements have been observed. Infrastructure in remote areas is particularly limited, and many communities are inaccessible during the annual rainy season. These remote areas also continue to be characterized by poor access to appropriate sanitation facilities and other publicly provided social services such as health and education.

3. **Despite substantial gains in economic growth, chronic undernutrition (stunting) levels remain among the highest in the world.** About 44 percent of children under-five are stunted, 27 percent underweight and 6 percent are wasted. Stunting affects several groups disproportionately, namely the poor, ethnic minorities, rural children, and upland

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1 The Gini coefficient experienced a rapid increased in the past decade. While it increased slightly in the 90s from 34.31 to 34.66, the latest data report a drastic increase from 2010 to 2012 to 37.9.


3 Stunting is a reflection of chronic malnutrition as a result of failure to receive adequate nutrition over a long period of time and recurrent or chronic illness. The way it is measured is by height-for-age. Children whose height-for-age is more than two standard deviations below the median of the reference population are considered short for their age and are classified as moderately or severely stunted. Those whose height-for-age is more than three standard deviations below the median are classified as severely stunted.
areas of the country, and stunting and underweight among children in the poorest wealth quintile (which is predominantly rural) is nearly three times the rates for children in the richest quintile.

Sectoral and Institutional Context

4. **This persistence of high levels of childhood undernutrition presents a staggering, yet avoidable loss of human and economic potential for Lao PDR.** At the current levels of maternal and childhood malnutrition, their burden on the national economy has been estimated to be at least $200 million annually, representing about 2.4% of the country’s GDP.

Stunting rates have also changed little over time (Figure 1), and Lao PDR performs poorly compared to other countries with similar levels of income and to other ASEAN countries (Figure 2). If malnutrition continues to drain the Lao economy at this magnitude, its ambitious national goal of 8% annual GDP growth will be difficult to sustain.

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**Fig. 1.- Fig. 2. Persistence of undernutrition in Lao PDR in spite of rapid poverty reduction, 1990-2011 and much higher rates compared to other ASEAN countries**

![Graph showing stunting rates by province: 2011/12](chart.png)

Source: Laos Social Indicator Survey (LSIS), 1990-2011

Source: WB Staff Calculation

5. **National aggregates mask wide inequalities with far worse outcomes in some provinces than in others.** For example, stunting rates are higher than 60 percent in provinces like Huaphanh and Phongsaly (Figure 3). There is also significant variation across income levels; both stunting and underweight among children in the poorest wealth quintile are close to three times the rates for children in the richest quintile, and ethnic groups (i.e. among Hmong-Mient reaching 60.5 percent). Even in the wealthiest quintile, a fifth (19.7 percent) of children are stunted.

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5 Nutrition in Lao PDR, Causes, Determinants and Bottlenecks, World Bank Group, June, 2016
6. **The multi-dimensional causes of childhood stunting in Lao-PDR underscore the diversity of actions that are needed across different sectors, ministries and actors to address stunting and sub-optimal childhood development.** Childhood undernutrition is an outcome of immediate, underlying, and basic causes: at the **immediate level**, nutritional status is determined by nutrient intake to the body to meet its requirements, and the status of health (illness); **underlying causes** are related to food security (access, availability and utilization of food), maternal and child care practices, access to health services as well as clean water, appropriate sanitation and hygiene. Underlying these factors are **basic causes**: poverty is a basic cause of undernutrition, as are other economic constraints, political and ideological factors, women’s status, etc.

7. **Diet affordability and diversity are considerable issues in Lao PDR and are significantly correlated with stunting prevalence.** Only 55 percent of households in Lao PDR can afford a nutritious diet (WFP 2017) and affordability of a nutritious diet varies by province (83 percent in Vientiane versus 5 percent in Sekong, for example). Household access to diverse diets is low. As evidence from the Laos Expenditure and Consumption Survey (LECS) 5 demonstrates, this is especially acute in rural areas where most households consume only three of the nine recommended food groups. In the poorest quintile, only 27 percent of households consumed them. Legumes, dairy products, and eggs are consumed by an even smaller share of households. Consequently, infant and young child feeding practices are largely inadequate – only 40 per cent of children aged six months or less are exclusively breastfed nationally and 5 percent (in Sekong) of children aged 6-23 months achieved the minimum dietary diversity – defined as consuming at least four food groups over a 24-hour recall period.

8. **Access to health care and nutrition services is particularly limited, especially for poor, rural households.** The Laos Social Indicator Survey (LSIS) 2011/12 found that only 54 percent of pregnant women received ante-natal care from a health professional and only 42 percent of women who gave birth in the previous two years were assisted at the time of delivery by a trained health professional (in the north it is as low as 31 percent). Less than half of pregnant women (48 percent) consumed the iron-folic acid supplements during their pregnancy. Moreover, only 41 per cent of newborns in the last two years received either a health check or post-natal care (PNC) visit within two days of delivery. In addition, it was reported that in the Northern region of Lao PDR, two-thirds (67 percent) of individual health workers never received training in nutrition, yet 87 percent of staff claimed they had provided these services in the three months prior to the survey.
9. **Coverage of WASH interventions also needs to be expanded.** While approximately 70 percent of rural households have access to improved drinking water, up to half may be partially or fully non-functional. Only 59 percent of rural households have an improved toilet and as many as 38 percent of households practice open defecation. There are large regional variations, with 77 percent and 61 percent of households in Saravane and Phongsaly respectively, practicing open defecation (LSIS 2011/12).

10. **In addition to limited access to health and nutrition services, socio-cultural beliefs and practices contribute to limited demand for these services, even when affordability is not an issue.** For the rural poor, many of whom live in remote areas, distance to health facilities is a major barrier to access. The fact that many of these communities are ethnic minorities with limited knowledge of the Lao language presents a further obstacle. Adding to this issue is the common notion of food taboos or restrictions which are prevalent across Lao PDR, and are especially common for pregnant and post-partum women. Even without financial constraints, beliefs are usually promoted and at times enforced by influential family members, including grandmothers and husbands. Mothers have reported that they are encouraged to restrict food intake during pregnancy so they can have smaller babies and easier deliveries, and that food restrictions often continue through the delivery and breastfeeding period. Culture is also a driver of early marriage, the primary cause of the high teenage pregnancy rates in rural Lao PDR, which is an important determinant of stunting. About 19 percent of girls aged between 15 and 19 years old were pregnant or had already given birth in 2012 (LSIS 2011/12). The low nutrition-related knowledge of caregivers is compounded by supply-side challenges, namely limited capacity of general health facilities and staff to provide nutrition-related services.

11. **While much is known about high impact and cost effective interventions to reduce stunting, coverage in Lao PDR remains generally low and varies widely by population groups.** Based on global evidence, the World Bank has identified 25 Early Childhood Development interventions to reduce stunting and promote healthy development (Figure 4), all of which have low or no coverage in Lao PDR. Access to health and nutrition services is a key area of intervention, however it is an insufficient condition to reduce stunting considering the multitude of factors that contribute to undernutrition in Lao PDR. Dietary diversity is also an important intervention, starting with diversifying agricultural production at the local level (i.e. for consumption) and at a larger scale (for commercialization). Other essential factors include increased access to markets, and improved knowledge about optimal feeding practices for pregnant women and children in the first 1,000 days. Improved conditions at the household level, such as access to clean drinking water and sanitation facilities and decreased levels of household environmental contamination, are also needed. Poverty reduction interventions are also essential to reducing vulnerability and ensuring that households can afford a nutritious diet.

12. **There are few existing social assistance interventions that promote improved access to health and nutrition services for the poor.** In the health sector, Health Equity Funds (HEFs) seek to promote utilization of health services by providing service fee exemptions to the poor, in addition to reimbursements for transportation and food under certain conditions. HEFs cover approximately 490,000 people in 125 districts, which the GoL estimates to be about 35% of their target population (MoH 2016), with an average annual benefit of around US$2 per beneficiary. In addition to HEFs, the GoL has approved a policy of universal maternal and child health, meaning all pregnancy-related services, in addition to basic healthcare for children 0-5, are provided free of charge at public health facilities. In the education sector there are a few fragmented scholarship programs in place, and a stipend program for ECE is under preparation through a Bank-funded project. A school meal program is being implemented in selected schools, and GoL is planning a nationwide rollout in partnership with the Bank, WFP, and others. Although a new law introduced in 2015 proposes universal school feeding programs, the current budget for this program is insufficient for national coverage.
Institutional Context

13. The GOL’s commitment to finding solutions to the pressing issues of poverty and malnutrition is clearly spelled out in its National Development Strategy. Notably, among the key objectives of the 8th National Social Economic Development Strategy 2016-2020 (NSEDP) are the development of human capital, graduation from LDC status by 2020, and achieving a reduction in poverty to 15% by 2020 through sustained and inclusive growth. The NSEDP calls for poverty reduction among all ethnic groups and equal access to education and health for both genders in all ethnic groups, as well as decreased malnutrition.

14. The Government has taken progressive steps toward addressing the issue of malnutrition. Government promulgated the first National Nutrition Policy in 2008, and based on this policy, the 2010-2015 National Nutrition Strategy and Plan of Action (NNSPA) was formulated. The government joined the Scaling Up Nutrition (SUN) movement in 2011 and developed the National Nutrition Strategy 2025 to achieve national nutrition goals. Subsequently, the 2016-2020 National Nutrition Strategy (NNS) was formulated as an improvement based on the experiences, opportunities, obligations, and important participation of multiple sectors and development partners (DPs), and as a means of adopting the policies and strategies of the NSEDP.

15. A National Nutrition Committee (NNC) was created in 2013 and amended in 2016 to lead and coordinate efforts around nutrition. The Committee is chaired by the Deputy Prime Minister with one Vice Chair being the Minister of Health. The NNC has Deputy Ministers from 12 ministries and mass organizations as members. The Ministry of Health (MOH), Ministry of Education and Sport (MOES), Ministry of Planning and Investment (MPI), and the Ministry of Agriculture and Forestry (MAF) are the four leading agencies in charge of implementation of the strategy. The Secretariat is headed by the Deputy Minister of Health with three Deputy Heads, and oversees implementation of the NNSAP. The leading technical team comprises members from the Ministries of Health, Education and Sport, Agriculture and Forestry, and Planning and Investment. A mirror structure exists at the provincial and district levels, where a new role for a nutrition coordinator has also been set up, starting with the 10 provinces funded by the EU. On the DP side, UNICEF and the EU have taken the lead to date on the nutrition dialogue with the Government, though the Bank and others have made important analytical contributions.
16. **The guiding framework for addressing malnutrition is the National Nutrition Strategy (2016-2025) and Plan of Action (NNSAP), which establishes a multi-sectoral convergent approach.** The NNSAP was designed to accelerate the reduction of under-5 stunting from 44 percent to an ambitious target of 25 percent by 2025. The NNSAP has four strategic directions: addressing the immediate, underlying, and basic causes of malnutrition; and addressing their linkages. Its 11 strategic objectives include (among others) improving nutrient intake, achieving adequate food consumption emphasizing the first 1,000 days of life, improving availability and access to nutritious foods, improving maternal and child health practices, improving water, sanitation and environments, and improving access to health and nutrition services. To achieve these objectives, 29 interventions have been identified, 22 of which are considered first order priority interventions for improved nutrition (see Annex 3 for 22 priority one interventions). These priority interventions are “assigned” to specific sectors like health, agriculture, WASH, and education, plus a few cross-cutting ones, and the strategy emphasizes working through and strengthening community level platforms. The NNSAP embodies a multi-sectoral and geographically convergent approach that seeks to harmonize efforts, goals, and timeframes of the various priority interventions being implemented by Government and/or development partners. Coverage of the 22 priority actions, however, is scattered and fragmented due to limited resources—in 2017, DPs provided 86 percent of the total budget for the 22 nutrition actions, and a financing gap of US$30m is foreseen for 2018.6

17. **There is no one single ministry in charge of implementing the NNSAP, though certain sectors have greater roles to play in the direct provision of services.** This includes the Ministry of Health (MOH), where investments to improve the quality and supply of health and nutrition services, including growth monitoring and promotion, immunization, as well as a policy of free universal maternal and child healthcare and increased outreach of health workers into remote rural areas, are being supported through the World Bank-financed HGNDP project and other development partners. MOH is also leading multi-sector efforts to design and implement a Social and Behavior Change Communication (SBCC) strategy for nutrition. Investments to improve water supply and sanitation are also underway through the Ministry of Public Works and Transport, linked to efforts to eliminate open defecation complemented by proper hygiene practices through SBCC and Community Led Total Sanitation (CLTS). The Ministry of Education and Sport is expanding its school feeding program to also include early childhood education. The Ministry of Agriculture and Forestry (MAF) is working to promote greater crop diversification and school gardens, and other initiatives including SBCC provision (through a project on food and nutrition security financed by IFAD and WFP). Relevant sectors are shaping their investments to be more nutrition-sensitive, if not nutrition-specific, under the aegis of the NNSAP; in the provision of SBCC, for example, several ministries are dividing responsibilities for SBCC provision geographically (utilizing the same materials and curriculum) to maximize coverage.

18. **Despite the commitment of various ministries and the NNSAP’s focus on immediate, underlying, and basic causes of undernutrition, little is being done to address one of the cross-cutting issues and key basic causes of undernutrition: poverty.** The country’s objectives of reducing poverty, vulnerability, and malnutrition are juxtaposed by a significant gap in nutrition-sensitive social protection policies for addressing poverty and malnutrition. Despite high levels of poverty, inequality, and vulnerability, Lao PDR’s social protection system is underdeveloped. The National Social Economic Development Strategy 2016-2010 (NSEDP) calls for poverty reduction among all ethnic groups and equal access to health, nutrition and education for both genders in all ethnic groups. Nonetheless, the number of people covered by social protection is extremely limited, and mostly confined to social insurance provided by the private sector or the civil service. Some fragmented social assistance programs have been implemented in different provinces at a small scale, mainly financed by DPs. The GoL has no national social protection framework or policies, though a strategy is under discussion with assistance from ILO, UNICEF, DFAT, and other development partners working jointly with the Ministry of Labor and Social Welfare (MOLSW).

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19. The combination of high levels of poverty and vulnerability with poor health and nutrition behaviors suggests that both supply and demand side interventions are essential if improvements in nutritional outcomes are to be achieved. Although the SBCC strategy is addressing behavior change at the household level, the WFP analysis would suggest that many households may not be able to adopt their newly learned healthy behaviors because they simply cannot afford to do so. Greater emphasis is needed on the potential role of nutrition-sensitive SP instruments, such as cash transfers or incentives, to generate demand for nutrition services and increase affordability of a nutritious diet for poor households.

20. Given its recently expanded mandate that now also comprises rural development and poverty reduction, the Ministry of Agriculture and Forestry (MAF) would be well placed to implement a nutrition-sensitive poverty reduction program. In 2016, a GoL reform led to MAF’s incorporation of the National Committee for Rural Development and Poverty Eradication and the Poverty Reduction Fund (PRF), both previously under the Prime Minister’s Office. The PRF is one of Lao PDR’s core poverty reduction programs, with coverage in 10 out of 14 provinces. Its objectives are to foster community driven development and poverty reduction through the promotion and support of self-help groups, and investments in small-scale community infrastructure. Given its vast presence in rural areas and deep-rooted knowledge of local communities, the PRF has recognized its potential for partnership and collaboration with other sectors that seek to engage at the community level. Similarly, the National Committee (now Department of Rural Development within MAF) has overarching responsibility for overseeing and coordinating poverty reduction programs at the national level, and monitoring progress toward achievement of poverty reduction goals. This includes an annual exercise to identify poor households in rural areas. Though the new rural development strategy of the Department of Rural Development (DRD) has yet to be articulated, poverty reduction is expected to remain at its core, with a new focus on investments at the household level (or, as the GoL refers to it, the software) in addition to investments in rural infrastructure (the hardware). MAF now houses one of the largest poverty reduction programs in Laos, which includes local level implementation and community engagement capacity, and is already a strong partner in country-wide efforts to implement SBCC and CLTS.

21. A nutrition-sensitive social protection program would also bolster ongoing dialogue with the GoL on the development of a national social protection strategy. A discussion on the development of a strategy is in the early stages with assistance from ILO, UNICEF, DFAT, and other development partners working jointly with the Ministry of Labor and Social Welfare (MOLSW), which has the policy mandate for overseeing programs affecting vulnerable groups. A recent stocktaking of SP programs in Laos undertaken by the ILO found that only around 2 percent of the population is covered by any form of social protection, including social insurance or social security; most programs that are considered to be social protection are small-scale, implemented by different ministries, and have no underlying systems in place to enable coordination, monitoring or evaluation. As such, there is much room for growth in this area, but little in the way of examples to draw from and recreate or expand; the MOLSW also has no capacity on the ground to implement any such type of programs. There are no well-functioning household targeting, payment, or M&E systems in place, without which a national SP system cannot be adequately developed. Through the implementation of a nutrition-sensitive social protection program, some of the building blocks of an SP system could start to be developed for the purposes of the program, but with the flexibility to enable expansion and coordination of the numerous SP programs in place, underlying any potential future SP system.

Relationship to CPF

22. The World Bank Country Partnership Framework for Lao PDR FY2017-FY2021 (Report No. 110813-LA) sets the stage for a multi-sectoral long-term strategy to support the government in addressing malnutrition, which is aligned with the 8th National Social Economic Development Strategy 2016-2020 (NSEDP) and the National Nutrition Strategy (NNS) 2016-2025. The strategy embodies a multi-sectoral convergent approach designed to accelerate the reduction of maternal and child malnutrition from the current rate of decline of 0.8 percentage points per year in stunting to 1.6 percentage
points between 2016-2020 and 1.8 percentage points during 2021-2025). The Lao PDR Systematic Country Diagnostic (SCD) highlighted the urgent need to address poverty and malnutrition, which the Country Partnership Framework (CPF) supports through its focus area two on “Investing in people”. This includes activities that seek to reduce the underlying and basic as well as the immediate causes of stunting (and overall childhood development), delivered through several relevant sectoral operations. Specifically, the CPF has identified a number of WB operations that will be “nutrition specific” or “nutrition sensitive” and would aim to incorporate or enhance pertinent nutrition objectives, indicators, activities and/or components into target projects during a first phase.

23. Since approval of the CPF, the Laos country management team has made a commitment to a multi-sectoral action plan for achieving the CPF goal of reducing stunting of under two-year old children in targeted areas from 44% to 33% by 2021. Lao PDR is also one of the first-wave countries in the Investing in Early Years (IEY) initiative, which is supporting multi-sector approaches to reduce malnutrition and improve early childhood development. In 2017, several country team discussions were held on the best approach to reduce malnutrition in a coordinated and effective manner through a multi-phased approach. An overarching framework for ensuring that Bank tasks collaborate on policy and programmatic actions to address childhood stunting in a coordinated manner over the next decade has been developed and is summarized below. Agreement was reached that nutrition-sensitive and nutrition specific interventions in Lao PDR will be coordinated to the extent feasible in four key areas: (a) geographic convergence of nutrition-specific and nutrition-sensitive interventions in the same communities and households; (b) use of a common Social Behavior Change Communication (SBCC) strategy, action plan, and tools for consistent messaging; (c) leveraging each other’s delivery platforms, for example pre-established community structures; and (d) exploring possibilities for common monitoring and evaluation frameworks.

24. The objective of the proposed multi-sectoral, multi-phased approach is to capitalize on opportunities to advance the nutrition agenda within the existing World Bank portfolio and align them with a longer-term vision that extends beyond the CPF period. More specifically, the long-term vision for the nutrition agenda presumes alignment with the GoL’s objective to reduce the prevalence of stunting (at the national level) by 40 percent (to 25%) by 2025 (see figure 6). As such, the goal is to redefine the World Bank approach to tackling undernutrition in Laos to optimize existing and future operational and TA commitments (active and pipeline), as well as the policy dialogue on nutrition, anchored in concrete operational commitments and a defined mechanism to lead a multi-sector policy dialogue.

Figure 6. World Bank Lao PDR multi-phase approach to reduce stunting, 2018-2028

7 The targets originally discussed (reduction of stunting to 25 percent) pertain to national level objectives. However as the World Bank convergence approach will be centered on a small subset of four provinces (to be confirmed during project preparation through a verification process based on newly available data), and given that the operations noted above will converge in areas with a higher stunting prevalence (including some provinces with over 60 percent stunting which is significantly higher than the national figure), this target may be revised to reflect province-specific data and targets and will be utilized by all projects under a common M&E framework that is currently being designed.
25. In phase one, for which the main objective would be to test an approach to be refined before being scale up, three existing and four pipeline operations have been identified as having links to nutrition and are seen as crucial to coordinate interventions to maximize reduction in stunting prevalence: the Health Governance Nutrition Development (HGNDP)\(^8\) and the pipeline operation in health, the Water Supply and Sanitation project under preparation, the ongoing Early Childhood Education (ECE) and Poverty Reduction Fund (PRF) projects, and the project proposed under this concept note. In the short term, all stand out as having the greatest joint potential impact on stunting (focused on the first 1,000 days) within the current portfolio (see Figure 7)\(^9\).

Figure 7. Existing IDA portfolio and areas of intervention for improved nutrition

The multi-sector strategy envisions the addition of a nutrition-sensitive social assistance program to incentivize demand for services and better behaviors, improve affordability of a nutritious diet, and decrease poverty and vulnerability. The project will incorporate best practices from other nutrition-sensitive social protection and nutrition programs from around the world. A very successful case in reducing stunting worldwide in the past decades is the case of Peru, for example. Peru more than halved its stunting rates in eight years from 28 percent in 2008 to 13 percent in 2016. After spending millions of dollars on ineffective feeding programs, Peru decided to shift its spending only to tried-and-tested methods, so-called "evidence-based interventions," that had already improved nutrition and children's health in other contexts. It prioritized investments in areas of higher stunting prevalence, with a focus on results based financing. Financial support to the poor and most vulnerable families, through a Conditional Cash Transfer (CCT) program known as *Juntos* (Together), was a crucial part of the program (Marini and Rokx, 2017).\(^{10}\) Similarly, the proposed project is expected to close the financial gap for poor rural households in the northern part of Lao PDR, investing in regular cash transfers for poor and food insecure rural households encouraging mothers to change health, nutrition and hygiene practices, and

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\(^{8}\) The existing operation and its additional financing (approved in 2017) closing in 2020.

\(^{9}\) Overall timeline and sequencing for preparation of “nutrition sensitive” and “nutrition specific” operations in pipeline would be crucial and inform proposed targets for the overall WB nutrition convergence approach.

\(^{10}\) Marini, A. Rokx C., Standing Tall. Peru’s Success in Overcoming its Stunting Crisis, World Bank Group, 2017.
complementing ongoing efforts aimed at improving the supply of nutrition specific and nutrition sensitive interventions. As a cross-cutting operation that will complement other sector work on nutrition, this operation will also serve as the “flagship” nutrition operation, to serve as a coordination mechanism for policy level dialogue on nutrition and the higher level objectives of the multi-sector approach.

Furthermore, the proposed project will contribute to Sub-Objective 2.1 of the CPF, which is to reduce the prevalence of malnutrition, and Sub-Objective 2.4, which is to reduce vulnerability and promote inclusive access to social services. The proposed project would aim to reduce rural poverty/vulnerability, incentivize demand for and use of social services, and contribute towards improving nutrition outcomes. Social Protection (SP) systems developed for the project could also eventually be expanded and streamlined to support a broader SP framework. The complementary ASA to this operation, the SP ASA Addressing Vulnerability and Malnutrition (P160711), will contribute to furthering the policy dialogue on social assistance. Efforts in support of the stunting agenda will be intensified during the CPF period through on-going Bank-supported operations in the health, education, SURR, social protection and WASH sectors (see Table 1 below), but also through this nutrition operation focused on the critical 1,000-day window of opportunity that will build on and enhance coordination among and synergies with the on-going and pipeline operations to achieve the desired results effectively and efficiently.

Table 1. World Bank Nutrition-related portfolio in Lao PDR and expected synergies with the proposed operation

<table>
<thead>
<tr>
<th>Sector</th>
<th>Projects and activities (status; total project cost)</th>
<th>Nutrition-related elements</th>
<th>Synergies with this operation</th>
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<td>Health</td>
<td>Lao PDR Health Governance and Nutrition Development Project (P151425) ($26.4 million)</td>
<td>Strengthening primary health care, improving both the coverage and the quality of maternal, neonatal, and child health (MNCH) services mostly at the facility level; includes support for nutrition-related indicators in the disbursement linked indicators (DLIs) and support development of an integrated national strategy and implementation plan for SBCC to improve nutrition as well as implementation of the strategy at the national level and at the village level in selected priority districts. This proposed operation will be focused on improving access to quality health and nutrition services while ensuring financial protection in priority geographic convergence provinces.</td>
<td>HGNDP will continue focusing on provision of quality essential health care services especially clinical services at facility level and during outreach, while this operation will focus on: (i) increasing demand for those services known to improve nutritional outcomes; and (ii) further strengthening mainly community-based preventive and promotive services</td>
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<td></td>
<td>Additional Financing of HGNDP ($25 million)</td>
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<td></td>
<td>Health and Nutrition Services Access (HANSA) Project (P166165)</td>
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11 In the agriculture sector, synergies will be applied with a donor financed project (IFAD) on food and nutrition security implemented by MAF in the same geographic areas of intervention.
<table>
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<tr>
<th>Project Name</th>
<th>Pipeline, US$15.</th>
<th>Improving access to sanitation and clean water, and improving hygiene practices, especially in rural areas. The project will also take a sector wide approach to reducing open defecation and behavior change and communications.</th>
<th>and nutrition service become available in the selected geographic convergence areas, co-responsibilities on utilization of those same services will be added as a condition for beneficiaries to receive cash transfers.</th>
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<tr>
<td><strong>WASH</strong></td>
<td>Water Supply and Sanitation Project (P164901) Pipeline, US$25m</td>
<td>The project is being designed to overlap with the geographic areas HGNDP and where this proposed project will be implemented. Using the Nutrition Social Behavioral Change and Communication Strategy and Action plan and tools as a base, the project will explore the use of state-of-the-art behavior change methods and insights from behavioral economics for the expansion and intersection of nutrition and WASH messaging, and provision of clean water.</td>
<td></td>
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<tr>
<td><strong>SURR</strong></td>
<td>Poverty Reduction Fund (PRF) IV (P157963) Ongoing, US$30m</td>
<td>The overall development objective of the project is to improve access to basic services for the project’s targeted poor communities, through including community and local development processes. One component finances provision of capacity building assistance to village Self Help Groups (SHGs), with a focus on women’s SHGs in selected communities, to develop and implement nutrition sensitive livelihood activities. The project also supports existing SHGs start or further develop nutrition sensitive livelihood activities such as the production of small livestock (for example, poultry and fish) and home gardens, and increase their capacity to manage them</td>
<td>The PRF will be the service delivery partner for this proposed project as it provides an effective service delivery platform at the local level. Moreover, PRF activities will also complement this project by supporting the improvement of dietary diversity and food intake of pregnant and breastfeeding mothers and children below the age of two years.</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>Early Childhood Education Project (P145544)</td>
<td>The overall development objective of the project is to increase coverage and improve the quality of early childhood education services for 3 to 5-year-olds in target districts. The project is also piloting two ECE modalities that are new in Lao context – a non-formal</td>
<td>The project overlaps with some of the geographic areas of HGNDP and therefore where this proposed project will be implemented. The projects will</td>
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Ongoing, US$14m Early Childhood Development Pipeline, US$20m

| Community Child Development Playgroup (CCDG) for children of ages 2 to 4 years, and a formal delivery of multi-age teaching (MAT) to groups of children of ages varying from 3 to 5 years; and community awareness campaign (CAC) to promote good childcare and health practices and emphasize the importance of early cognitive stimulation. All of the piloting activities (implemented in the selected villages in the proposed four northern provinces) are being rigorously evaluated. | coordinate on the SBCC at community level. |

C. Proposed Development Objective(s)

The Project Development Objectives are to: (i) develop a targeting, information and monitoring systems for social protection programs; (ii) improve key nutrition behaviors that are known to reduce childhood stunting through a nutrition-sensitive cash transfer program in selected provinces, and; (iii) enhance coordination of a multisectoral nutrition convergence approach in targeted provinces.

Key Results (From PCN)

1. Total number of nutrition-focused cash transfer program beneficiaries;
2. Share of children aged 6-23 months of age consuming foods from four or more recommended food groups.12
3. Percentage of children 0-6 months who are exclusively breastfed;
4. Percentage of children under 2 receiving growth monitoring and promotion services according to the standard monitoring schedule
5. Proportion of nutrition-focused cash transfer program beneficiaries that are poor (bottom 40 percent)

D. Concept Description

The project would support the implementation of a nutrition-sensitive social assistance program to address poverty and malnutrition. It would provide a complementary package of incentives (cash transfers) and social and behavior change communication (SBCC) to households in poor, rural areas, complementing other nutrition-specific and nutrition-sensitive sector investments to improve rural health and nutrition services, WASH, and rural infrastructure. Specifically, and to the extent possible, the project will strive to help households gain improved access to health and nutrition services, particularly those high impact nutrition interventions focused on the first 1,000 days which global evidence demonstrates can significantly reduce childhood stunting (The landmark Lancet Series on Maternal and Child Undernutrition 2008 and 2013). To be effective, these interventions should be ideally be delivered through coordinated community-based and primary health care services, and attain high levels of coverage of at least 80 percent. It will be of critical importance to ensure access to and utilization of these interventions by the poor and most vulnerable to enable improved nutrition

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12 As per WHO/UNICEF standard definition.
outcomes in line with the earlier stated objectives\textsuperscript{13}. This project will not itself deliver the high impact nutrition interventions, but will instead help to address nutrition-related behaviors at the household level, including increased demand for health and nutrition services and consumption of more nutritious foods through knowledge and cash incentives. The notable gaps in the delivery of health and nutrition services, as well as improved sanitation, will be addressed through the parallel health and WASH projects. This project will work in close coordination with the health sector in particular to enable synergies between supply and demand of these services.

29. Evidence from a number of countries suggests that the combination of cash provision to poor families plus SBCC, combined with improved quality of health, water and sanitation and nutrition services, is an effective way to improve nutrition outcomes, as opposed to the implementation of either one on its own (World Bank, 2012; Bastagli et al, 2016). Although the GoL has no national social protection strategy or framework in place, a CCT was previously introduced under the World Bank-financed Community Nutrition Project (CNP) FY10-13 (P114863). The Community Nutrition Project (CNP) piloted a conditional cash transfer (CCT) program to address demand for nutrition and maternal and child health services. Despite implementation-related challenges owing to the fact that the CCT’s implementation by health centers was found to be an ineffective delivery modality, the program did yield some positive results, such as improved knowledge of maternal and child health and nutrition-related practices, e.g. having vaccination card and full DPT vaccines, breastfeeding within three hours of birth, and seeking treatments for diarrhea. The CCT increased utilization of maternal and child health and nutrition services and also showed significant impact on the health seeking behaviors of the bottom 40 percent of the population. The cash transfer program played a key role during the food, fuel and financial crisis as a social safety net protecting the poor against those shocks. The CNP set an important precedent for a similar type of intervention, with some design, operational, and institutional lessons learned that are incorporated into this project’s design.

30. The project would also serve as a vehicle to initiate and pilot the building blocks of a robust social protection delivery system which could have wider relevance for Lao PDR over the medium term. These would include mechanisms for beneficiary selection, payment, and monitoring, as well as delivery of SBCC. Though developed specifically for this project, these systems will be developed such that they can be scaled up to cover other programs with similar objectives. This would build on the Bank’s technical assistance to the Department of Rural Development (formerly the National Committee for Rural Development and Poverty Eradication) to strengthen its poverty targeting methodology, as well as on the Bank-funded HGNDP support to MOH in developing a national SBCC plan and materials.

31. The proposed project would follow the principles of geographic convergence and build on existing delivery platforms for both cash transfers and SBCC. As noted, it will be complemented by other World Bank and/or Development Partner-financed initiatives\textsuperscript{14} to improve the “supply” of nutrition, health, WASH and agriculture services. As noted in the Lao PDR Bank Multi-Sectoral Nutrition Action Framework (MNAP), the same households in targeted rural areas would benefit from a multi-sector approach to poverty and undernutrition reduction, rather than singular projects. In particular, the project would build on the local-level delivery platforms of existing operations: the PRF, ECE, and on the experience of the ongoing HGNDP project for delivery of the SBCC. More specifically, in the selected areas of intervention the different projects count on staff on the ground that has been working over the past years in those northern villages, and who have developed (i) a deep understanding of the local context, (ii) solid relationships, and (iii) open communication channels with beneficiaries and local authorities. In 12 districts in the proposed four provinces, starting in 2018, the HGNDP and Water and Sanitation for Health Projects will also be supporting the implementation at the community level of the national nutrition SBCC plan and community-led total sanitation (CLTS) (10 of these districts overlap with the PRF districts). In doing so, the proposed project builds on the PRF delivery platform, complements the HGNDP’s and the HNP operation supply-


\textsuperscript{14} IFAD is planning on implementing in the same districts in the four provinces the Agriculture for Nutrition Project with the objective to enhance food and nutrition security in over 400 villages.
side interventions, and avoids duplication with its demand-side SBCC and CLTS interventions doing joint planning at village level. Going forward, particular attention will be placed on maximizing synergies among projects in the selected convergence areas. The scale up of the approach would be informed by the implementation of the approach in the first phase.

32. **Component 1: Nutrition-sensitive social assistance program for poor rural areas (approximately $20 million).** This component would support the implementation of a new program that aims to reduce poverty in poor rural areas, incentivize appropriate nutrition-related behaviors, improve dietary diversity, and increase utilization by the rural poor of health and nutrition services.

33. The program would comprise a complementary package of financial incentives and health- and nutrition-related SBCC to poor households with infants and young children and/or pregnant women. International experience suggests that the combination of incentives and behavior change communication is much more effective in improving nutrition outcomes (Grosh at. al.2012). This component would finance the following activities:

- **Provision of financial incentives to targeted beneficiaries.** Incentives would be equal to approximately 20 percent of household income, allowing for the consumption of more diverse and nutritionally-relevant foods (as usually proteins and other such foods are more expensive and less consumed), and/or for covering transportation or healthcare-related costs, which can often push households back into poverty if they are forced to sell their assets or borrow money to access services. Incentives would be conditioned on attendance of regular SBCC meetings (see below). The inclusion of behavioral “nudges”15, also known as soft conditions, will be explored during project preparation to incentivize households to adopt the behaviors learned/discussed during group and/or one-to-one health and nutrition SBCC sessions at the village level. Beneficiaries will be expected to adhere to certain conditions/co-responsibilities only once the supply of services becomes available as part of the new health and nutrition (HANSA) operation. Initial discussions indicated that attendance in four ANC sessions, immunizations, and regular growth monitoring per protocols of MOH could be important behaviors to incentivize, if feasible.

- **Delivery of social behavioral change communication.** Beneficiaries, particularly women, will be incentivized to participate in health outreach activities, regular village-level meetings to address issues around maternal and child health and nutrition, water and sanitation, and to use healthcare services targeted at pregnant and breastfeeding women and children under two years old. The content and approach would adopt the national Social and Behavior Change Communication (SBCC) action plan, which is being developed by the Government and with support from DPs. Innovative use of technologies, such as SMS or smartphones/tablets will be explored to deliver SBCC messages to beneficiaries, to monitor compliance of beneficiaries. During preparation, the team will also explore the possibility of incorporating certain behavioral nudges into its SBCC program, as well as additional lesson plans focused on the use of cash.

34. **Component 2: Strengthening delivery systems (approx. $3 million).** This component would finance the development and strengthening of key building blocks for an effective social protection delivery system. This component will promote appropriate and innovative use of ICT, where feasible, to ensure effective delivery of cash transfers, transparency, and to foster innovation and efficiency. Social protection building blocks would include the following:

(a) Strengthening the existing targeting system to identify poor households, building on previous TA to the DRD within MAF16. A PMT questionnaire has already been designed and piloted in five districts around the country;

15 For example, growth monitoring and promotion activities.
16 Implement the National Decree which sets the criteria for poverty graduation and development for households, communities and villages, Lao PDR Decree No.348, November 16, 2017.
through the project, there is the potential to experiment further with this tool with the addition of community validation exercises which have been implemented in many communities through the PRF.

(b) Building systems for secure and timely payments, including cash distribution through community facilitators and/or electronic payments through mobile operators and microfinance institutions. Financial inclusion and literacy is fairly limited in rural areas; while village banks are commonplace, the poorest areas tend to lack them. To the extent possible, the project will work with other partners, both private and public, to incentive the expansion of digital financial services and the financial inclusion of marginalized communities, including if applicable the addition of learning modules to the SBCC curriculum. In areas where digital payment technologies are not feasible, the project will explore other modalities, such as through PRF kumban facilitators, DRD district personnel, or even Lao Women’s Union representatives.

(c) Developing a management information system (MIS) to support program implementation and monitor outcomes. The MIS system will be linked to the household targeting system/registry to enable flexibility and expansion into other areas and communication between programs that target at the household level.

35. **Component 3: Project coordination, management, and evaluation (approx. $2 million)**. This component will provide project coordination, management, policy research and capacity building support. It will support the provision of technical and operational assistance for day-to-day coordination, procurement, financial management, safeguards management, and monitoring and evaluation (M&E) of the project to the Ministry of Agriculture and Forestry, which is the implementing agency for the proposed operation. It will also promote peer-to-peer knowledge exchange and build capacity for implementation of nutrition-sensitive social assistance through regular training, technical workshops and limited, well-planned study visits. It will also support studies and surveys to monitor program performance and evaluate impact, thereby building a case for the introduction of a government-funded national program, drawing on lessons from the project and the overall convergence approach and coordination with the other ministries playing a significant role in reducing malnutrition in Lao PDR.

36. The evidence base for the proposed project and overall convergence approach will also build on the results of the Knowledge and Practice Survey collected every 18 months until mid-2019 by the HGNPD project (see more under M&E session). During project preparation, the team will explore the possibility of introducing performance based payments for provincial and district level authorities for effective implementation, monitoring and evaluation of the nutrition convergence approach.

### SAFEGUARDS

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

Project’s activities will not involve civil works or any other activities that might cause environmental impacts. However, the project will have social impacts on beneficiaries and so a social assessment (in the form of a Knowledge, Attitudes and Practices Survey) will be prepared.

**B. Borrower’s Institutional Capacity for Safeguard Policies**
The client counterparts for this operation (Ministry of Agriculture and Forestry and Ministry of Health) have experience in applying the World Bank Operational Policy on Indigenous People in ongoing projects in the intervention districts identified for this project. This includes experience in conducting social assessment, securing broad community support for project activities, and managing a grievance redress mechanism. The project will continue to finance activities to enhance the capacity of the borrower to provide services and support to ethnic minorities groups.

C. Environmental and Social Safeguards Specialists on the Team

Martin Fodor, Environmental Specialist
Martin Henry Lenihan, Social Specialist

D. Policies that might apply

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<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
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<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>Yes</td>
<td>The Project’s activities will not involve civil works or any other activities that might cause environmental impacts. However, the project will have social impacts on beneficiaries and so a social assessment (in the form of a Knowledge, Attitudes and Practices Survey) will be prepared. The results of this assessment will form the basis for the design of key elements of the operations including social communication and behavior change modules, community engagement, grievance redress, and targeting and enrollment mechanism. There are also plans to repeat the assessment during the implementation and at the end of the operation in order to capture the impact of the activities on different ethnic groups and on the target beneficiaries (pregnant women)</td>
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<tr>
<td>Performance Standards for Private Sector Activities OP/BP 4.03</td>
<td>No</td>
<td>This policy is not triggered as Project’s activities are not expected to cause any impact on natural habitats.</td>
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<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td>No</td>
<td>This policy is not triggered given that Project’s activities will not impact the welfare of forests nor impact forest dependent communities.</td>
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<tr>
<td>Forests OP/BP 4.36</td>
<td>No</td>
<td>This policy is not triggered since the Project will not finance the purchase or significant use of pesticides.</td>
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<tr>
<td>Pest Management OP 4.09</td>
<td>No</td>
<td>This policy is not triggered given that Project’s activities will not involve civil works or any other activities that might impact physical cultural resources.</td>
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<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td>No</td>
<td>This policy is triggered given that the Project supports interventions in areas in which indigenous people represents the majority of the population. This has</td>
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been confirmed through an analysis of district level census data. The main social risk relates to the need to ensure that the project that project benefits will be delivered in a culturally appropriate manner. Because the overwhelming majority of beneficiaries will be ethnic people, the elements of an ethnic group development plan will be integrated into the design of the project, rather than preparing a standalone instrument. The design will in turn be shaped by the results of the social assessment.

Involuntary Resettlement OP/BP 4.12 | No | This policy is not triggered as the Project will not support civil works or any activities that might lead to any impacts covered under the involuntary resettlement policy such as land acquisition, resettlement, or restriction of access to natural resources.

Safety of Dams OP/BP 4.37 | No | This policy is not triggered given that the Project will not finance the construction of dams nor will rely on the operations of existing dams.

Projects on International Waterways OP/BP 7.50 | No | This policy is not triggered since the Project does not affect international waterways as defined by the policy.

Projects in Disputed Areas OP/BP 7.60 | No | This policy is not triggered as the Project will not finance activities in disputed areas as defined by the policy.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Jul 16, 2018

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

While a stand alone ethnic minority development plan will not be prepared, work is already underway on conducting a social assessment. This involves a household survey of nutrition related knowledge, attitudes and practices in the districts where project activities will be rolled out. In addition, community consultation meetings will take place on the design of the operation using the participatory planning methodology of the Poverty Reduction Fund, which is designed to ascertain broad community support for project activities, based on a process of free, prior and informed consultation. The results of the social assessment and consultation process will inform the review of the Social Behavior Change and Communication Change strategy to determine what additional activities will need to be supported by the project to ensure project activities are culturally appropriate. These activities will be completed prior to the project appraisal mission, allowing for the recommendations to be integrated into project design.
Grievance redress mechanism: A grievance redress mechanism will allow communities in the selected areas to register complaints or report irregularities in an anonymous and confidential manner. This would include grievances from the time of enrollment (for example of households that are considered ineligible for the program) and throughout the program’s implementation. The project will consider various modalities for registering grievances, including digital (through a URL), paper, and telephone. Grievances will be entered into the information system on a weekly basis and the system will be monitored for timely and effective entry of grievances and prompt resolution. The project will finance the development of the needed software and specialized personnel or time of existing personnel to report regularly on progress in solving grievances cases.

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<th>APPROVAL</th>
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<tr>
<td><strong>Task Team Leader(s):</strong></td>
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<tr>
<td><strong>Approved By</strong></td>
</tr>
<tr>
<td><strong>Practice Manager/Manager:</strong> Philip O'Keefe</td>
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<td><strong>Country Director:</strong> Nicola Pontara</td>
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