

SUSTAINABLE AGRIFOOD SYSTEMS PROJECT IN LAO PDR

How the ASEAN Catalytic Green Finance Facility's support shaped a project into a finance-ready investment that will improve food security, income, and resilience for farmers in Lao PDR.



Phengsy Sipasert, 63, providing freshly cut grass to cattle on a farm in Vientiane province (photo by ADB).

On 3 July 2025, the Asian Development Bank (ADB) approved a \$65.8 million [Sustainable Agrifood Systems Project](#) in Lao PDR. This innovative project will enhance climate resilience and food security, increase the income of smallholder and commercial farmers across the country, and strengthen agrifood systems focused on the export of high-value commodities. The ASEAN Catalytic Green Finance Facility (ACGF) supported the project's development from inception to approval, with technical assistance funded by the Green Climate Fund (GCF) and the United Kingdom (UK), and \$20 million in cofinancing from the ASEAN Infrastructure Fund (AIF) and the European Union (EU).

PARTNERS

Cofinancing



Technical Assistance



PROJECT AT A GLANCE

In 2024, food inflation in Lao PDR averaged 22%, and one in five rural households experienced food insecurity. Most farmers are subsistence-based, with limited access to markets and low resilience to climate impacts.

The project will assist farmers by providing access to finance for green technology investments, complemented by training and technical advisory services. It will also invest in climate-resilient infrastructure, including irrigation systems and rural roads. ADB approved the project for financing on 3 July 2025.

ACGF supported project development from start to finish, providing technical expertise and funding from its partners—the GCF and the UK. This initiative was instrumental in shaping the project into a green, innovative initiative focused on food security, climate adaptation, and resilience, aligned with [ACGF investment principles and eligibility criteria](#).

Concessional financing from AIF and the EU helped expand the project scope while reducing its risk profile. The concessional terms also helped minimize the increase to Lao PDR's public debt burden.

The project is expected to increase the export value of priority agricultural commodities—including bamboo, cassava, durian, coffee, and tea—by 20%, and benefit 32,000 rural households across six provinces.

Farmers lay out sliced cassava to dry (photo by ADB).



One in five households experienced food insecurity in 2024.

More than 50% of the population is employed in agriculture, yet most farmers rely on subsistence farming.



\$65.8 million total project cost financed by:

ADB
\$37 million

AIF
\$10 million

EU
\$10 million

GCF grant*
\$8 million

HLTF**
\$0.8 million

* through the Community Resilience Partnership Program Investment Fund

** Technical assistance through ADB-administered High-Level Technology Fund

Significant Outcomes



20% increase in export value of priority agricultural commodities



32,000 rural household beneficiaries





CHALLENGE

High food insecurity, environmental degradation, and low resilience to a changing climate

In 2024, food inflation in Lao PDR averaged 22%, and one in five rural households experienced food insecurity. Although agriculture employs more than half the population, it contributes just over 20% to GDP. Most farmers are smallholders facing a range of challenges including degraded natural resources, low climate resilience, inadequate productive infrastructure (such as irrigation systems and rural roads), and limited access to financial and technical services. Markets are fragmented, and logistics systems remain weak. Recent sharp increases in input, fertilizer, and fuel prices have further strained farming households.

At the same time, a small but growing number of farmers are connected to domestic and regional markets and are producing high-value commodities with strong commercial potential. Rising regional demand presents significant opportunities for agricultural

growth. However, for more farmers to shift toward commercial production and income-generating crops, key constraints must be addressed. These include fragmented production and lack of scale, inadequate financial, technical, and business services, weak supply chain linkages and logistics, and limited resilience to climate impacts.¹



High food inflation and widespread food insecurity



Limited access to financial and technical services



Rising costs of inputs, including fertilizer and fuel



Degrading natural resources and low resilience to climate impacts



Fragmented markets, weak logistics, and inadequate productive infrastructure



SOLUTION

A green agrifood systems project with strong private sector involvement

With support from ACGF, ADB designed an innovative agrifood systems project to address key challenges in Lao PDR's agriculture value chain through a holistic approach, enabling both smallholder farmers and larger actors in the sector.

- **To strengthen smallholder farmers' technical capacity, access to finance, and resilience**, the project will provide community-based technical advisory services, training, and on-farm demonstrations on climate-resilient agriculture and commercialization, delivered by private actors in the value chain. It will also improve farmers' access to finance for investments in climate-resilient agriculture and trade, enabling a transition to higher-value, income-generating crops and strengthening resilience to climate shocks.
- **To improve commercial viability and market linkages**, the project will support agrifood enterprises with technical advisory services and access to finance. This will help strengthen value chains for export-oriented commodities with growth potential, including bamboo, cassava, durian, coffee, and tea.
- **To enhance productivity and connectivity**, the project will finance the construction, rehabilitation, and modernization of irrigation facilities and rural roads. Investments will prioritize climate resilience, ensuring infrastructure can withstand extreme weather events. The project will also support the accreditation of food safety laboratories to facilitate cross-border trade.
- Finally, the project will directly support women's economic empowerment by increasing access to finance and advisory services through targeted activities embedded in each project component.



Technical advisory services and training through private actors



Access to finance for green technology through local financial institutions



Improved irrigation facilities and access roads with enhanced resilience

¹ ADB. 2025. [Lao People's Democratic Republic: Sustainable Agrifood Systems Project. Report and Recommendation of the President.](#)

ACGF IMPACT

Technical and financial support helped shape the project into an innovative, sustainable initiative, eligible for ACGF financing.

Sy Xayangern, a cabbage farmer with 1 hectare of land under cultivation in Kongtoun Village, Paksong District, Champasack Province (photo by ADB).



ACGF Innovative Finance Clinic on Green Agricultural Value Chain Financing catalyzed collaboration.

In 2022, ACGF organized an Innovative Finance Clinic on Green Agricultural Value Chain Financing, initiating concerted collaboration and project development efforts between ACGF and ADB sector teams. The clinic served as a platform for early engagement, enabling ACGF to contribute to project conceptualization, component design, and the integration of climate considerations from the outset.

Early-stage technical assistance and ACGF team expertise were instrumental in integrating agriculture sector resilience into the project design.

Following the clinic and using funds from GCF, ACGF supported a study on agricultural value chains to identify commodities with export market potential. This informed the technical advisory services component, ensuring a sustainable, private sector-driven delivery model with long-term impact.

ACGF also facilitated a review of the financial sector's capacity for agri-finance, which helped shape the project's financial intermediation component. Additional inputs included a climate risk assessment and a report on the project's alignment with the Paris Agreement, embedding climate resilience as a core project attribute.

Continued ACGF support for due diligence and structuring ahead of approval paved the way for cofinancing.

Ahead of approval, ACGF continued to provide technical input for due diligence and financial structuring, including the initial environmental examination and risk assessment, as well as the preparation of social safeguards documents such as the gender action plan and debt sustainability analysis. These efforts were funded by both the GCF and the UK.

ACGF's timely and flexible technical assistance was critical throughout project preparation. This contribution significantly enhanced the project's climate finance ratio and ensured alignment with [ACGF Investment Principles and Eligibility Criteria](#). It also supported qualitative improvements, such as strengthening sector-wide adaptive capacity and promoting transformative practices to better respond to extreme weather events like droughts and floods.

A proven ACGF model: combining technical assistance, team expertise, and concessional finance to help deliver innovative, climate-resilient projects.

The combination of ACGF's in-house expertise and technical assistance funding from its partners—the GCF and the UK—was instrumental in shaping the project into a sustainable, private sector-driven initiative. With inclusion and resilience at its core, the project directly addresses food insecurity, one of Lao PDR's most pressing challenges, and a key priority for ADB.

Concessional finance from AIF and the EU, along with a financial intermediation component based on access to credit rather than grants, helped expand the project's scope, reduce risk, and ensure the public debt burden is minimized.

ACGF SUPPORT

Early-stage: Conceptualization

Late-stage: Structuring

Approval: Financing



Innovative Finance Clinic

Kickstarted collaboration between ACGF and ADB sector teams.



Scoping Studies

Early-stage technical assistance from ACGF helped shape the project to an adaptation-focused intervention embedding resilience across all project components.



Team Support

ACGF expertise complemented ADB sector teams throughout project preparation.



Due diligence

Included technical assistance for environmental and social safeguards, as well as debt sustainability analysis.



Cofinancing

Concessional financing from AIF and ACGF partners ensured project affordability and enhanced financial viability.

“This project showcases the EU’s commitment to sustainable, climate-resilient agriculture in Lao PDR. By partnering with ADB, AIF, and ACGF, we combine expertise and finance to deliver scalable, high-impact solutions that empower local communities and promote green development across Southeast Asia, fully aligned with the European Green Deal and Global Gateway.”

-Mark Gallagher

Ambassador of the European Union to the Lao PDR

Since its establishment in 2012, AIF has financed **three other agriculture sector projects**, benefiting farming communities across the region.

INDONESIA

[Integrated Participatory Development and Management of Irrigation Program](#)



2017

CAMBODIA

[Agricultural Value Chain and Safety Enhancement Project](#)



2020

CAMBODIA

[Sustainable Coastal and Marine Fisheries Project](#)



2022

2012

Farmer Sith Phommachan holds a handful of freshly harvested sweet potatoes. His farm received support under an ADB-assisted project to help increase crop output through sustainable agricultural practices (photo by ADB).

INSIGHTS

Knowledge sharing is critical for project origination.

ACGF Innovative Finance Clinic on Green Agricultural Value Chain Financing served as a key platform to initiate collaboration between ACGF and ADB sector and country teams, who led the dialogue with the government. ACGF clinics offer government partners opportunities to explore innovative approaches, such as regional case studies, enabling them to design pilot initiatives, with potential support from ACGF. By strengthening cross-team collaboration, ACGF resources and expertise can be more effectively leveraged during early-stage conceptualization.

Early-stage support from ACGF can be transformative.

Especially in sectors with resource-intensive origination processes, such as agrifood systems and agrifinance, early-stage technical assistance is often essential for shaping innovative, green projects. Greater visibility of available resources—both team expertise and funds for technical assistance—can help focus efforts on concepts with strong potential for ACGF eligibility, and significantly increase the climate finance content of projects. Designing projects that aim to strengthen resilience in the agriculture sector requires early-stage assessments of site-specific vulnerabilities, future climate scenarios, and local socioeconomic dynamics. Such preparatory work ensures that interventions are tailored, effective, and capable of withstanding both current and projected shocks.



Organic vegetable farmer in Boung Phao Village (photo by ADB).

Concessional finance ensured project affordability.

Concessional finance from AIF and the EU was a key factor in ensuring the project's affordability and minimizing public debt levels for Lao PDR.

Mobilizing additional grant funding was essential to project viability. ACGF team engagement in securing more than \$15 million in climate grant financing was instrumental in advancing the project. This was critical for a sector highly vulnerable to macroeconomic, climate, and environmental shocks—factors that can significantly constrain financial returns. While the project's financial viability may be limited, the sector's substantial development needs made grant support essential to move the project forward.

The concessional financing provided from our development partners has been critical to the viability and long-term sustainability of this project. By blending ADB resources with cofinancing from the AIF, EU, and others, we are able to reduce the financial burden on the government while ensuring that essential investments reach farmers and agrifood enterprises. This approach not only strengthens our financial system but also ensures that the project delivers lasting impact without compromising debt sustainability.

Phetsathaphone Keovongvichith

Director General of Banking Operations Department
Bank of the Lao PDR

Sustainable Agrifood Systems Project will support farmers across the country, by improving their access to finance, advisory services, and markets (photo by ADB).



PARTNER PERSPECTIVE

Mark Gallagher

Ambassador of the European Union to the Lao PDR

How does this project align with the EU's priorities for sustainable development and inclusive growth in Lao PDR?

The EU is committed to supporting Lao PDR in addressing the root causes of food insecurity and environmental degradation through sustainable agriculture, which we see as a powerful driver of resilience and inclusive growth. This project embodies that commitment by reinforcing food security, climate-resilient agriculture, and rural livelihoods—key pillars of the EU cooperation under the European Green Deal and the Global Gateway. It aligns with our regional priorities in Southeast Asia and complements the Team Europe Initiative on Trade, Investment, and Connectivity in Agriculture and Forestry. By promoting inclusive and sustainable coffee, tea, and timber value chains, this initiative empowers smallholders, women and ethnic minorities. We recognize that ambition alone is not enough; it is through concrete initiatives and strong partnerships like this that we can truly deliver tangible impact on the ground.

Organic vegetable farmer in Boungh Phao Village (photo by ADB).



Farmers selling their organically grown vegetables at the That Luang Market (photo by ADB).

What are the benefits for the EU of collaborating with ADB and AIF?

At the EU Delegation in Lao PDR we are proud to co-finance this important initiative alongside partners like ADB and AIF. This joint initiative indeed allows the European Union to unite its strategic vision with the technical expertise and financing capacity of key regional partners. By co-financing the project, the EU contributes to risk-sharing, higher quality design and scalable innovations in climate-smart agriculture and food systems. Coordinated, value-driven support strengthens partnerships that enhance the EU's capacity to deliver visible, impactful development aligned with Global Gateway goals and enriched by partners' technical expertise. This project exemplifies how pooling resources, expertise, and networks enables the successful delivery of high-impact initiatives beyond the reach of any single partner.

How does the EU's partnership with ACGF enhance its efforts to promote green, inclusive development in Lao PDR and the broader Southeast Asia region?

The partnership with ACGF allows the EU to channel blended finance into climate-smart agrifood infrastructure projects that deliver both local benefits and improved regional connectivity. This blended finance model supports sustainable development while ensuring inclusivity and environmental resilience. By linking this initiative with a broader range of Team Europe programmes, the EU achieves a coordinated and multifaceted impact. This approach strengthens the EU's credibility and leadership in promoting green development throughout Lao PDR and the wider Southeast Asian region.

ADDITIONAL RESOURCES

Asian Development Bank (ADB)

- [ADB News Release: Support for Agrifood Systems in Lao PDR](#)
- [Lao PDR: Sustainable Agrifood Systems Sector Project](#)
- [ADB's Work in Lao PDR](#)
- [Lao PDR Country Partnership Strategy, 2024-2028 \(Full Document\)](#)
- [Lao PDR Country Partnership Strategy, 2024-2028 \(Overview\)](#)
- [Community Resilience Partnership Program](#)
- [High-Level Technology Fund](#)



ASEAN Catalytic Green Finance Facility (ACGF)

- [About ACGF](#)
- [ACGF Annual Report 2024](#)



ASEAN Infrastructure Fund (AIF) and ACGF Partners

- [European Union delegation to the Lao PDR](#)
- [Green Climate Fund](#)
- [United Kingdom – Foreign, Commonwealth, and Development Office](#)



Lao PDR Government Partners

- [Ministry of Industry and Commerce](#)
- [Bank of the Lao PDR](#)

About the ASEAN Catalytic Green Finance Facility (ACGF)

The ACGF is an innovative finance facility dedicated to accelerating green infrastructure investments in Southeast Asia. It supports ASEAN governments to prepare and source public and private financing for infrastructure projects that promote environmental sustainability and contribute to climate change goals. The ACGF is a facility under the ASEAN Infrastructure Fund, owned by ASEAN member states and the Asian Development Bank, which also administers the facility.



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