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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A
PROPOSED CREDIT
IN THE AMOUNT OF SDR 23.7 MILLION
(US\$34 MILLION EQUIVALENT)

FROM THE INTERNATIONAL DEVELOPMENT ASSOCIATION

AND A PROPOSED TRUST FUND GRANT
IN THE AMOUNT OF US\$7,366,976
FROM THE GLOBAL ENVIRONMENT FACILITY

AND A FINANCING
IN THE AMOUNT OF US\$16 MILLION
FROM THE CANADIAN CLEAN ENERGY AND FOREST CLIMATE FACILITY

TO THE
LAO PEOPLE'S DEMOCRATIC REPUBLIC

FOR A
LAO LANDSCAPES AND LIVELIHOODS PROJECT

January 29, 2021

Environment, Natural Resources and The Blue Economy Global Practice
East Asia and Pacific Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2020)

Currency Unit =	
LAK 9295.41 =	US\$1
US\$1.44027 =	SDR 1
SDR 0.6943 =	US\$ 1

FISCAL YEAR
January 1 – December 31

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
ARAP	Abbreviated Resettlement Action Plan
ASA	Advisory Services and Analytics
BCR	Borrower's Completion Report
CCEFCF	Canadian Clean Energy and Forest Climate Facility
CEF	Community Engagement Framework
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CPF	Country Partnership Framework
CRI	Corporate Results Indicator
DA	Designated Account
DAFO	District Agriculture and Forestry Office
DALaM	Department of Agricultural Land Management
DCNEC	Department for Combatting Natural resource and Environmental Crime
DIC	District Industry and Commerce
DICT	District Information, Culture and Tourism
DOA	Department of Agriculture
DOE	District Office of Education
DOF	Department of Forestry
DOFI	Department of Forest Inspection
DONRE	District Environment and Natural Resources
DPI	District Planning and Investment
EIRR	Economic Internal Rate of Return
ER-P	Emissions Reduction Program
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESS	Environmental and Social Standards
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program
FM	Financial Management
FMM	Financial Management Manual
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GHG	Greenhouse Gas
GID	Gender Integration Development
GIS	Geographic Information System
GoL	Government of Lao PDR
ICR	Implementation Completion and Results Report
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFR	Interim Financial Report
IPF	Investment Project Financing
Lao-WEN	Lao Wildlife Enforcement Network

LCD	Lao Customs Department
LDN	Land Degradation Neutrality
LENS2	Second Lao Environment & Social Project
LFND	Lao Front for National Development
LLL	Lao Landscapes and Livelihoods Project
LSB	Lao Statistics Bureau
LWU	Lao Women's Union
LYU	Lao Youth Union
M&E	Monitoring and Evaluation
MAF	Ministry of Agriculture and Forestry
METT	Management Effectiveness Tracking Tool
MFD	Maximizing Finance for Development
MOE	Ministry of Education
MOF	Ministry of Finance
MOIC	Ministry of Industry and Commerce
MOICT	Ministry of Information, Culture and Tourism
MONRE	Ministry of Natural Resources and Environment
MoU	Memorandum of Understanding
MPI	Ministry of Planning and Investment
MPWT	Ministry of Public Works and Transport
MTR	Midterm Review
MVH	Most Vulnerable Household
NAFRI	National Agriculture and Forestry Research Center
NDC	Nationally Determined Contribution
NGGS	National Green Growth Strategy
NGO	Non-governmental Organization
NPA	National Protected Area
NPCU	National Project Coordination Unit
NPV	Net Present Value
NRM	Natural Resource Management
NSEDP-9	Ninth National Socio-Economic Development Plan for 2021–25
NTFP	Non-Timber Forest Product
NUOL	National University of Laos
OA	Operating Account
PA	Protected Area
PAFO	Provincial Agriculture and Forestry Office
PAMD	Protected Area Management Division
PCD	Provincial Customs Department
PCNEC	Provincial Office for Combatting Natural resource and Environmental Crime
PCU	Project Coordination Unit
PDO	Project Development Objective
PFA	Production Forest Area
PKK	Phou Khao Khouay National Protected Area
PLR	Performance and Learning Review
PIC	Provincial Industry and Commerce
PICT	Provincial Information, Culture and Tourism
POE	Provincial Office of Education
POFI	Provincial Office of Forest Inspection
POM	Project Operational Manual
PONRE	Provincial Natural Resources and Environmentnent

PPCU	Provincial Project Coordination Unit
PPI	Provincial Planning and Investment
PPSD	Project Procurement Strategy for Development
PPWT	Provincial Public Works and Transport
PSFM	Participatory Sustainable Forest Management
PtFA	Protection Forest Area
P-WEN	Provincial Wildlife Enforcement Network
RPF	Resettlement Policy Framework
SDG	Sustainable Development Goal
SEP	Stakeholder Engagement Plan
SFM	Sustainable Forest Management
SMEs	Small and Medium Enterprises
SOE	Statement of Expenditure
STAR	System for Transparent Allocation of Resources
STEP	Systematic Tracking of Exchanges in Procurement
SUPSFM	Scaling-Up Participatory Sustainable Forest Management Project
tCO2e	Tons of carbon dioxide equivalent
UNFCCC	United Nations Framework Convention on Climate Change
VCA	Village Conservation Agreement
VDF	Village Development Fund
VFM	Village Forest Management
VLBG	Village Livelihood Block Grant
WBG	World Bank Group

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Lao People's Democratic Republic	Lao Landscapes and Livelihoods Project	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P170559	Investment Project Financing	Substantial

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" 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
23-Feb-2021	30-Sep-2027
Bank/IFC Collaboration	Joint Level
Yes	Complementary or Interdependent project requiring active coordination

Proposed Development Objective(s)

To promote sustainable forest management, improve protected area management, and enhance livelihoods opportunities in selected landscapes in Lao PDR.

**Components**

Component Name	Cost (US\$, millions)
Investing in Natural Wealth and Resilience in Forest Landscapes	31.54
Livelihoods Opportunities from Sustainable Forest Landscapes	9.24
Institutions, Incentives, and Information	8.77
Project Management and Monitoring	7.82

Organizations

Borrower: Lao People's Democratic Republic

Implementing Agency: Ministry of Agriculture and Forestry

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

Total Project Cost	57.37
Total Financing	57.37
of which IBRD/IDA	34.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	34.00
IDA Credit	34.00

Non-World Bank Group Financing

Trust Funds	23.37
Canada Clean Energy and Forest Climate Facility Trust Fund	16.00
Global Environment Facility (GEF)	7.37



IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Lao People's Democratic Republic	34.00	0.00	0.00	34.00
National PBA	34.00	0.00	0.00	34.00
Total	34.00	0.00	0.00	34.00

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2021	2022	2023	2024	2025	2026	2027	2028
Annual	0.50	4.69	6.65	10.78	11.13	11.38	11.22	1.00
Cumulative	0.50	5.19	11.85	22.63	33.76	45.14	56.37	57.37

INSTITUTIONAL DATA

Practice Area (Lead)

Environment, Natural Resources & the Blue Economy

Contributing Practice Areas

Agriculture and Food, Climate Change, Urban, Resilience and Land, Water

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	● Substantial
2. Macroeconomic	● High
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Substantial



8. Stakeholders	● Moderate
9. Other	● Substantial
10. Overall	● Substantial

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	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

IDA Financing Agreement | Schedule 2 | Section I.A.1(a) | Institutional Arrangements. The Recipient shall vest responsibility for the overall implementation of the Project in DOF within MAF. To this end the Recipient, through MAF, shall not later than one (1) month after the Effective Date establish within MAF, and thereafter maintain throughout the implementation of the Project, the Project Coordination Units at the central, provincial and district levels for the purposes of day-to-day Project management and coordination, with staffing and resources satisfactory to the Association.

Sections and Description

IDA Financing Agreement | Schedule 2 | Section I.A.1(b) | Institutional Arrangements. The Recipient, through MAF, shall not later than three (3) months after the Effective Date, appoint a BLF management contractor under terms of reference and with qualifications acceptable to the Association to support the implementation of Part 2.3 of the Project, and thereafter maintain the said contractor for such purpose at all times during the implementation of Part 2.3 of the Project.

Sections and Description

IDA Financing Agreement | Schedule 2 | Section I.A.1(c) | Institutional Arrangements. The Recipient, through MAF, shall not later than three (3) months after the Effective Date, enter into a Memorandum of Understanding with Ministry of National Defense setting out measures and actions that need to be taken to enable MAF to implement the Project within PKK, pursuant to the Prime Minister Office Notice No. 906/PMO dated August 21, 2020 on the transfer of the mandate of PKK management to MAF.

Sections and Description

IDA Financing Agreement | Schedule 2 | Section I.B.1 | Project Operations Manual. The Recipient shall through MAF ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Project Operations Manual

Sections and Description

IDA Financing Agreement | Schedule 2 | Section I.D.1 | Environmental and Social Standards. The Recipient shall through MAF ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.

Sections and Description

IDA Financing Agreement | Schedule 2 | Section I.D.2 | Environmental and Social Standards. Without limitation upon paragraph 1 above, the Recipient shall through MAF ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall through MAF ensure that:



- (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;
- (b) sufficient funds are available to cover the costs of implementing the ESCP;
- (c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and
- (d) any of the ESCP, or any provision thereof, is not amended, revised or waived, except as the Association shall otherwise agree in writing and the Recipient has, thereafter, disclosed the revised ESCP.

Sections and Description

IDA Financing Agreement | Schedule 2 | Section I.E.1 | Block Grants and Matching Grants. The Recipient shall through MAF make available Block Grants and Matching Grants to Beneficiaries in accordance with eligibility criteria, arrangements and procedures acceptable to the Association as set out in the Project Operations Manual for the purpose of carrying out Sub-Projects under Parts 2.1 and 2.3 respectively.

Sections and Description

IDA Financing Agreement | Schedule 2 | Section I.E.2 | Block Grants and Matching Grants. The Recipient shall ensure that no Sub-projects shall be eligible for financing from the proceeds of Block Grants and Matching Grants until MAF or its respective local office has entered into a Grant Agreement with a respective Beneficiary, on terms and conditions acceptable to the Association, and shall obtain rights adequate to protect its interests and those of the Association.

Sections and Description

The Recipient shall ensure that the following items are submitted to the Bank in a timely manner as indicated below:

- (a) Annual Work Program and Budget which is due not later than June 30 of each year
- (b) Project report not later than 45 days after the end of each calendar semester

Conditions

Type	Description
Effectiveness	The Co-financing Agreements have been executed and delivered and all conditions precedent to their effectiveness or to the right of the Recipient to make withdrawals under them (other than the effectiveness of this Agreement) have been fulfilled.
Effectiveness	The Recipient through MAF has adopted the Project Operations Manual acceptable to the Association for Project implementation.



I. STRATEGIC CONTEXT

A. Country Context

1. **The Lao People's Democratic Republic achieved rapid growth and significant poverty reduction between 2005 and 2015, though inequality widened.** Gross domestic product (GDP) has averaged around 8 percent growth per year since 2000. The poverty rate declined from 34 percent in 2003 to 23 percent in 2013, reaching 18 percent in 2019. Yet the Gini coefficient increased from 32.5 to 38.8 during the same period, reflecting lower gains for the bottom 40 percent. In Lao PDR, poverty is concentrated in rural areas, most of which are forestlands. The country's poverty hot spot has shifted from the northern to the central region, which is an area rich in biodiversity and significant opportunities for productive forestry and tourism. COVID-19 is placing an added economic burden on the country (see annex 3 for details). Poverty is projected to increase by 1.4 to 3.1 percent in 2020 compared to a 0.6 percent decline in a no-pandemic scenario.¹
2. **This economic challenge can be addressed by promoting a green recovery from natural resource-based jobs, livelihoods, and resilience, as emphasized in the draft Ninth National Socio-Economic Development Plan for 2021 to 2025 (NSEDP-9).** With the enactment of the 2030 National Green Growth Strategy (NGGS) in 2019 and other recent improvements in the policy framework, Lao PDR has been making progress in changing its growth pattern to build long-term wealth and resilience by carefully managing natural capital.
3. **Lao's natural resource-based sectors contributed one-third of 2018 GDP, and forestry and food production provide over 65 percent of total employment.**² Yet, GDP growth has largely relied on the short-term liquidation of natural resources. Unsustainable growth patterns have a high cost: natural capital depletion equaled 4.8 percent of 2017 GDP, mostly from the loss of 3.6 percent of forest between 2005 and 2015.³ The deterioration of natural capital disproportionately affects vulnerable rural communities and amplifies natural disaster and climate risks. Natural capital is especially needed during crises, as workers who lose jobs and livelihoods in industry and urban areas return to villages, increasing pressure on forests and natural resources.
4. **Forests are critical to recover from the pandemic's economic shock and reduce vulnerability to climate risks.** The forest estate is 70 percent of Lao PDR's territory and hosts 70 percent of its people. Continued degradation and loss of forest and biodiversity undermine livelihood resilience and amplify risks from floods, erosion, fires, and droughts. In the 2010/11 Agriculture Census, up to 31 percent of rural villages reported being prone to floods and 70 percent reported being prone to droughts. Average annual costs from natural disasters are 0.9 percent of GDP, but the cost of the 2018 floods were 2.1 percent.⁴
5. **As extreme poverty is predominately a rural phenomenon in Lao PDR, new infectious diseases and viruses can have profound consequences for the most vulnerable citizens, most of whom reside in**

¹ World Bank. 2020. *Lao PDR Poverty Assessment 2020: Catching Up and Falling Behind*.

² World Bank. 2020. *Valuing Lao Landscapes: A Province, District, and Household Level Analysis of Natural Capital in Khammouane Province*.

³ World Bank. 2020. *Environmental Challenges for Green Growth and Poverty Reduction in Lao PDR*.

⁴ Government of Lao PDR, United Nations, World Bank, and European Union. 2018. *Post-disaster Needs Assessment of the 2018 Floods*.



rural and forest areas.⁵ At the same time, these areas are increasingly vulnerable to the spread of zoonotic diseases such as COVID-19. This increased vulnerability could be a combined result of habitat loss due to forest encroachment for agriculture and livestock, as well as the hunting, trade, and consumption of such species as bats, pangolins, and other small mammals. Restoring natural habitats and engaging in community-based information and outreach campaigns are vital in preventing and slowing contagion while providing meaningful support to efforts to curb wildlife and forest crimes.

6. Climate projections for Lao PDR show increased intensity and frequency of rainfall and flooding risks during the wet season and longer dry seasons accompanied by more severe drought. These risks make livelihoods and key sectors highly vulnerable, including forest food systems, fisheries, crops, and hydropower. Forests and nature-based solutions can help reduce vulnerability to climate and disaster risks and complement conventional engineering in ‘grey-green’ hybrid infrastructure.⁶ At the landscape level,⁷ nature-based solutions offer substantial, durable, and cost-effective benefits.⁸

B. Sectoral and Institutional Context

7. The comparative advantage of Lao PDR is its natural wealth, which comprises over 50 percent of the economy. Recognizing this, the 2030 NGGS and Forestry Law were both enacted in 2019, charting a more sustainable development path. This path prioritizes forest-based development as an important driver for growth, jobs, and livelihoods—including conservation, Nature-Based Tourism (NBT) village forestry,⁹ timber and non-timber production, and wood industries. Lao PDR intends to invest in its natural capital for greener, more resilient growth. The country’s policy framework seeks to protect the remaining natural forest cover, promote restoration, and secure jobs and livelihoods from forest and NBT. Other national policy frameworks include the NSEDP-9, Localization of Sustainable Development Goals (SDGs),

⁵ World Bank. 2020. *Lao People’s Democratic Republic Poverty Assessment 2020: Catching Up and Falling Behind*.

⁶ Green infrastructure refers to the “strategic use of networks of natural lands, working landscapes, and other open spaces to conserve ecosystem values and functions and provide associated benefits to human populations” (Allen 2012, “Advancing Green Infrastructure at All Scales: From Landscape to Site,” Environmental Practice 14 (1):1). Grey infrastructure refers to built structures such as roads and dams.

⁷ For this project, each landscape is defined operationally and spatially by the administrative boundaries of a group of forest areas (and their overlapping districts) that share economic and environmental interests in the forest estate. Biologically and economically, a landscape is a mosaic of natural and/or human-modified ecosystems, with a characteristic configuration of topography, vegetation, land use, and settlements that is influenced by the ecological, historical, economic, and cultural processes and activities of the area. Both the mix of land cover and use types that make up the larger mosaic, including forests, agricultural lands, native vegetation, and urban areas (landscape composition), and the spatial arrangement of different land uses and cover types (landscape structure) contribute to the character of a landscape. Depending on the management objectives of the stakeholders, landscape boundaries may be discrete or fuzzy and may correspond to watershed boundaries, distinct land features, and/or jurisdictional boundaries or may crosscut such demarcations. Because of the broad range of factors, a landscape may encompass an area of 100 to 10,000 km² (Shames, Clarvis, and Kissinger 2014, Financing Strategies for Integrated Landscape Investment: Synthesis Report).

⁸ By restoring forests in critical watersheds, for example, the flow of sediments will be reduced lowering downstream flood intensity, especially during extreme climatic events such as the 2018 floods. Investing in such strategic measures could reduce costs exponentially if compared to the financial burden for the repair of damaged water utilities downstream.

⁹ Village forestry and village forest management (VFM) refer to the decentralized management of forest resources by villagers inside their village use forests. The 2019 Forestry Law grants rights for villages to engage in commercial activities for wood (in production forest areas [PFAs] where available, if/when the logging ban is lifted) and non-wood forest products inside village forests, and VFM regulations are being developed. VFM involves participatory land use planning; inventories; capacity development; restoration of forest and land; productive activities; harvest and processing of allowed wood, non-wood, and agricultural products; resource monitoring; and management of fires and disaster risks.



the 2019 Land Law, the 2007 Wildlife and Aquatic Law, the emerging National REDD+¹⁰ Strategy, the 2019 Decree on Environmental and Social Impact Assessment, Nationally Determined Contribution (NDC) to address climate change, and the National Biodiversity Strategy and Action Plan.

8. The management of the forest estate is undergoing rapid change catalyzed by the 2019 Forestry Law, 2016 Prime Minister's Order 15 (halting logging and timber exports), and large-scale private investment in plantation forestry. Degraded lands in national production forest areas (PFAs) have been opened to industrial forest plantations that are expanding significantly, mostly in the central and southern regions. New policies promoting decentralized village forest management (VFM) and NBT are high priorities in the 2019 Forestry Law, but need implementation guidelines and regulations. Some of the conservation forests, also known as protected areas (PAs), are being re-designated as national parks, reflecting stronger Government of Lao PDR (GoL) commitment to biodiversity conservation and NBT for good jobs, benefitting women in particular.

9. Lao conservation forests possess globally significant biodiversity and habitat integrity, which is a comparative advantage for tourism and related jobs and livelihoods. No other region of the world has as high a rate of endemism or endangerment among its biota. Conservation forests total 15 percent of the country and are home to some of the poorest and most ethnically diverse people. There are three globally outstanding conservation landscapes well represented within the PA system: (a) the wet evergreen forest ecosystem in the Annamites, bordering Vietnam; (b) the massive karst formations of central Lao PDR; and (c) the montane forest ecosystem in the Greater Annamites that has high species uniqueness. To strengthen its commitment to conservation, the GoL designated the country's first two national parks in 2019, including Nakai Nam Theun, the world's largest wet evergreen forest, and Nam Et Phou Louey. Hin Nam No, a karst massif being assessed for natural World Heritage Site designation, was re-designated as a national park in January 2020. The Department of Forestry (DOF) of the Ministry of Agriculture and Forestry (MAF) has identified six more PAs as candidates for national park status.

10. Tourism in Lao PDR is driven by growing regional demand for opportunities to interact with conservation landscapes and wildlife, as well as traditional cultures. In 2019, tourism represented 4.3 percent of GDP and 3.5 percent of jobs in Lao PDR. The global average is about 10 percent of GDP and 10 percent of jobs.¹¹ There is room for NBT to grow in Lao PDR. Yet, the PAs in these landscapes face challenges including low budgets and revenues, staffing and capacity constraints, weak concession management, overlapping institutional mandates, unsustainable infrastructure expansion, poaching, and lack of tourism products that meet regional demand.

11. Production forests are not yet generating the jobs and revenues that they could for a forest-rich country facing growing international demand for 'good wood'. Up to 300,000 jobs could be created from about 300,000 ha via private investment in environmentally and socially sustainable tree plantations and downstream industries given effective enabling policies¹². The GoL has been putting in place policies for legal certified timber to support exports to lucrative international markets. Yet, many of the 51 PFAs are highly degraded in terms of timber stocks. The GoL has recently opened PFAs to investors, targeting

¹⁰ REDD+ refers to reducing emissions from deforestation and forest degradation in developing countries, and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries.

¹¹ World Bank. 2019. *Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao PDR*.

¹² World Bank 2019. *Partnerships and Opportunities for a New Green Forest Economy in Lao PDR: Sustaining Forest Landscapes and Livelihoods*.



650,000 ha of degraded forestland for restoration by commercial tree plantations. Significant large-scale private investments have been made, and more is on the table. Globally, forest restoration generates an estimated US\$7 to US\$30 in benefits for every dollar invested.¹³ Participatory sustainable forest management (PSFM)¹⁴ and VFM, including native forests restoration and smallholder plantations, complement large-scale environmentally and socially sustainable forest plantations (not funded by LLL) in the national approach to sustainable management of PFAs.

12. Protection forest areas (PtFAs) have not received sufficient regulatory and management attention to fulfill the intended role to provide watershed services including flood and erosion risk reduction. The country's 49 PtFAs are the largest land use designation in Lao PDR and host at least 1,896 villages dependent on natural resources for livelihoods. Yet, these areas are generally highly degraded, with 35 percent of actual forest cover. Under the 2019 Forestry Law, there is a renewed opportunity for villages to actively manage them for restoration and non-wood forest products and climate-smart smallholder agriculture. Support for sustainable smallholder tree plantations can also contribute to strengthening small and medium enterprises (SMEs) for the domestic market.

13. The forest estate had annual average net greenhouse gas (GHG) emissions of 34.1 million tons of carbon dioxide equivalent (tCO₂e) from 2005 to 2015. The National REDD+ Strategy identified the main drivers of deforestation as (a) permanent agriculture and tree crops, mainly rubber;¹⁵ (b) new shifting cultivation plots; (c) infrastructure development; and (d) unsustainable and illegal timber harvesting.¹⁶ Approximately 60 percent of the emissions were due to converting forests for agriculture.¹⁷ The trends have remained relatively constant during the past two decades, although there is evidence that the deforestation rate has been slowing since the Prime Minister's Order 15 was enacted in 2016.¹⁸

14. The GoL continues to build the capacity of forest institutions and address weaknesses in multi-sector coordination. Past technical assistance and advisory services to the sector¹⁹ from the Bank and others has helped bring the country from a largely unregulated and unmanaged open access regime to the early days of a 'new green forest economy' based on more modern management of the resource. The country's key opportunity is to secure multiple benefits and sector outcomes from production, conservation, and protection in the landscape. Nonetheless, challenges remain particularly in the implementation of policy and regulations from the center to the provincial and district level. Weak vertical coordination, coupled with understaffed local institutions, could generate perverse incentives for decentralized agencies to authorize small concessions and development outside of and sometimes in contradiction with the policy framework. A key feature of the Lao Landscapes and Livelihoods Project (LLL)

¹³ World Bank 2019. *Partnerships and Opportunities for a New Green Forest Economy in Lao PDR: Sustaining Forest Landscapes and Livelihoods*.

¹⁴ PSFM is the management of PFAs under the lead of the District, with benefit sharing from logging revenues for the participating villages. Due to the logging ban, no PSFM logging quotas have been issued since 2013. As long as the logging ban remains in place, VFM will be the main SFM modality.

¹⁵ Here, 'tree crops' (most often referring to rubber) are considered a subset of the driver of permanent agriculture, as rubber and other tree crops as drivers of deforestation are not significantly different from that of other agricultural crops.

¹⁶ GoL Department of Forestry. Forthcoming. *Draft National REDD+ Strategy*.

¹⁷ Scaling-Up Participatory Sustainable Forest Management Project (SUPSFM) 2018, *Forest Cover Assessment*.

¹⁸ 2018 Forest Reference Emissions Level of Lao PDR reported to United Nations Framework Convention on Climate Change (UNFCCC). https://redd.unfccc.int/files/2018_frel_submission_laopdr.pdf.

¹⁹ SFM ASA (P164376), NBT ASA (P164372), Biodiversity ASA (P174103), Landscape Valuation (P169455), Country Forest Note (P168798).



is to build GoL capacity at all levels, including hiring a cohort of project assistants (young university graduates) to be placed in the field, for technical support to the government provincial and district offices.

Toward Green Growth and Green Jobs from Forest Landscapes

15. **The 2019 Forestry Law and NGGS recognize that a productive forestry sector built on sustainable management of forest landscapes and high-quality private investment could restore degraded areas and reduce pressure on natural forests and globally significant biodiversity while driving economic growth, resilience, and recovery and reducing poverty.** Without comprehensive support for the sector, unsustainable land use will continue. Large-scale international investments will lack a framework for decisions to manage competing land uses and harness mutual opportunities such as NBT or village forest protection combined with small irrigation.

16. **Interventions are addressing these challenges but tend to face institutional challenges, and are fragmented spatially, sectorally, institutionally, and financially, thus unable to generate the transformation needed.** Fragmentation and capacity constraints can undermine service delivery and results. At the same time, Lao PDR has strengthened policy and practice to support a greener growth framework. These gains are still fragile, especially during the economic crisis arising from COVID-19. To maintain the gains and drive a green economic recovery, visible impact must be delivered in securing livelihoods, jobs, environmental benefits, and resilience.

17. **Investment Project Financing (IPF) is needed to assist the GoL to implement and coordinate interventions on landscapes, livelihoods, and jobs in priority landscapes.** The proposed IPF will support the GoL to strengthen its capacity to convene sectors, stakeholders (especially villages and firms), partners, and projects across the forest landscape; leverage diverse financing; and enhance information, institutions, and incentives. It will take an integrated, spatially concentrated approach to investment in productive forestry, conservation, NBT, land use, livelihoods, reduction of climate risk and emissions, and curbing of the illegal forest and wildlife trade. The project will help boost post-COVID-19 economic recovery and create jobs and secure livelihoods including in the country's new poverty hot spots. The project will support a sector wide platform for scaling up coordinated action in additional landscapes as more experience is gained. Coordinated action will deliver a range of environmental and economic benefits related to functioning and resilient ecosystems and the PAs, wildlife, production, protection, tourism opportunities, and villagers dependent on them.

C. Relevance to Higher Level Objectives

18. **The operation aligns with the World Bank Group's (WBG) Country Partnership Framework (CPF) FY17 to 21 (Report Number 110813 discussed by the Executive Directors on March 7, 2017) and directly supports the Bank's goals on poverty reduction, shared prosperity, sustainability, and commitments on climate co-benefits.** The operation supports CPF objective 3.1 (promoting environmental protection and sustainable natural resource management) and objective 3.2 (putting in place enhanced disaster risk management and climate and disaster resilience). The operation is expected to improve overall governance by supporting the coordination of multi-sectoral interests, which is a binding constraint in the CPF and Systematic Country Diagnostic 2017 (Report no: 112241-LA). The operation will also convene public and private solutions in forests and tourism, building on the partnership between the Bank and International Finance Corporation (IFC) on forestry in Lao PDR. In addition, the project will help achieve



the country's NDC; SDGs especially SDG Goal 15 (Life on Land); National Biodiversity Strategy and Action Plan (NBSAP) 2016 to 2025; and the National Action Program on Land Degradation and Drought. Climate co-benefits for both mitigation and adaptation will be generated from restoration and reforestation activities, better conservation and management of PAs, improved forest-smart and alternative livelihoods, and village-based green infrastructure.

19. **Maximizing Finance for Development (MFD).** The project's blended financing plan will be complemented by parallel private investments in forestry and NBT. Given the progress on forest sector governance in recent years and a renewed interest among responsible international investors because of these reforms, it will be reasonable to anticipate that within three years of the project end, private investment in environmentally and socially sustainable tree plantations will scale up (a key MFD metric). This will build confidence to open new market opportunities and can increase revenues for the GoL, smallholders, local communities, and investors. Nearly 500,000 ha of plantations were established by the end of 2019, and 650,000 ha of degraded lands in PFAs have been identified by DOF for future private investment. In Lao PDR, IFC and the Bank have been working together to leverage a new partnership of private companies, GoL institutions, villages, and non-governmental organizations (NGOs) to promote social and environmental sustainability and benefits sharing. See appendix H on MFD in the project files.

20. **The Project would deliver on the objectives of the WBG COVID-19 Crisis Response Approach Paper, "Saving Lives, Scaling-up Impact and Getting Back on Track."** This commitment includes project outcomes for resilience, inclusion, sustainability and efficiency. The resilience outcomes include reduced vulnerability to droughts through forest restoration combined with small irrigation. The inclusivity outcomes include livelihoods grants to villages, especially the most vulnerable households, as well as vocational training and gender equity actions. The sustainability outcomes include landscape restoration, job multipliers in forestry, protected area management and tourism, and zoonotic risk reduction from addressing the illegal wildlife trade and investing in protected areas. The efficiency outcomes include the promotion of "good wood" from better forest governance to add value to a greener economy.

II. PROJECT DESCRIPTION

A. Project Development Objective

21. **The Project Development Objective (PDO)** is to promote sustainable forest management, improve protected area management, and enhance livelihoods opportunities in selected landscapes in Lao PDR.

22. **The PDO indicators are**

- **PDO Indicator 1.** Landscape area with maintained or increased forest cover (ha);
- **PDO Indicator 2.** Protected areas that score over 50 on the global protected area Management Effectiveness Tracking Tool (METT) (Number);
- **PDO Indicator 3.** Households or economic interest groups engaged in alternative and/or improved traditional livelihood activities supported by the project (Number); and



- **PDO Indicator 4.** Beneficiaries of job-focused interventions (Number) (Corporate Result Indicator [CRI]).

B. Project Components

23. The project has four components that together help convene and ‘crowd in’ coordinated actions and investments in eight priority conservation and production forest landscapes.²⁰ Please see appendix B in the project files for detailed component and activity description.

24. **Component 1: Investing in Natural Wealth and Resilience in Forest Landscapes** (led by DOF) (US\$31.54 million, of which US\$17 million IDA, US\$6.54 million Global Environment Facility [GEF], and US\$8 million Canadian Clean Energy and Forest Climate Facility [CCEFCF]). The objective of this component is to build natural capital from improved forest landscape management. Building natural capital helps secure multiple economic, environmental, climate, and resilience benefits. Climate and disaster risks such as flood, drought, erosion, and landslide risks will be reduced by maintaining and restoring forest cover, combined with promoting soil and water conservation structures, small irrigation, and other natural solutions in targeted sites. Such village-based green infrastructure will also contribute to job creation. Collaborative management in PAs and VFM in PFAs and PtFAs will be the main governance modalities to implement sustainable forest management (SFM) at the village level. Enabling activities will leverage parallel private sector investment (environmentally and socially sustainable industrial and smallholder tree plantations and tourism development) and other complementary public sector investments.

25. *Climate co-benefits.* Component 1 will generate the bulk of the project’s climate adaptation and mitigation co-benefits. Emissions reductions are expected from (a) improved management effectiveness of 8 targeted protected areas (Subcomponent 1.1); (b) investment in park ranger training and patrol teams, reducing illegal logging and other land use change inside conservation areas (1.1); (c) investment in forest fire prevention and fighting, mitigating outbreaks of fires and their effects (1.1 and 1.2); and (d) promoting technical solutions for improving forest management and restoration of degraded forests in forests managed by villages, smallholder tree plantations, and industrial tree plantations (1.2.). In addition to significant mitigation benefits, Component 1 will support climate adaptation through (a) preparation of Community Action Plans to react to climate-related shocks (1.1 and 1.2); (b) preparation of forest and land use plans that minimize climate hazards and increase resilience (1.1 and 1.2); (c) use of climate resilient materials for the construction of ranger stations, and other PA infrastructure (1.1); (d) forest restoration near waterways to reduce erosion and stabilize slopes (1.2); and (e) construction of climate-resilient green infrastructure (1.2). See appendix C in the project files for details.

26. Project financing will support public sector interventions organized under two subcomponents: (a) Subcomponent 1.1: Protected Areas and Nature-based Tourism and (b) Subcomponent 1.2: Sustainable Forestry and Resilient Village Infrastructure.

27. **Subcomponent 1.1. Protected Areas and Nature-based Tourism** (led by DOF) (US\$14.2 million, of which US\$6.8 million IDA, US\$4.2 million GEF, and US\$3.2 million CCEFCF). The objective of this subcomponent is to strengthen management of selected PAs with internationally significant biodiversity

²⁰ Definition of these landscapes is given below and detailed in appendix D in the project files.



values and high potential for sustainably developing nature-based tourism. The subcomponent focuses on investing in eight PAs and, by doing so, creating direct and indirect jobs and livelihoods opportunities.

28. **Activities** include (a) improve collaborative PA management including PA management planning by supporting convening meetings and workshops at the provincial, district and village level to enhance stakeholder engagement in different technical fields of protected area management; (b) prepare or update village forest and land use management plans, including associated village regulations, and socio-economic assessments as needed; preparing and/or updating Village (community) action plans; and developing and/or updating Village Conservation Agreements; (c) support outreach activities through holding workshops, meetings and trainings aimed at engaging local populations and relevant stakeholders to elicit behavior change; and through the use of local radio, television and other media to raise awareness on forest and land management, conservation, and natural hazards; (d) develop and/or maintain park infrastructure and facilities, such as trails, access roads, boat landings, ranger stations, interpretation centers based on local needs using climate-resilient and energy-efficient practices; (e) strengthen park ranger services to curb poaching and encourage conservation-friendly behaviors through ranger training, provision of ranger equipment, and supervision of ranger databases; (f) support the participatory boundary demarcation or re-demarcation process as required, including installation of markers and signage as required; (g) support village forest fire prevention activities in selected PAs; (h) promote and manage NBT in selected PAs through training and capacity building for tourism stakeholder working groups, supporting tourism zoning, strategy and action plan development by stakeholders working group, marketing and promotion, producing a portfolio of potential tourism investment sites, and disseminating to and engaging with the private sector; and (i) support selective biodiversity monitoring and research.

29. *The GEF grant will co-finance all activities listed above in the eight target PAs.*

30. **Subcomponent 1.2: Sustainable Forestry and Resilient Village Infrastructure** (led by DOF) (US\$17.3 million, of which US\$10.2 million IDA, US\$2.3 million GEF, and 4.8 million CCEFCF). The objective of this subcomponent is to strengthen SFM and landscape restoration in production, protection, and village forests. The focus is on supporting job creation, reducing poverty and climate risks, reducing pressure on natural forests, and boosting forest productivity for green growth and economic recovery.

31. **Activities** include (a) support state forest management planning and zoning in selected PFAs and PtFAs; (b) village forest and land use planning and zoning in village forests; (c) provide extension and village advisory services; (d) support VFM and restoration;²¹ (e) support enabling activities for private investment in environmentally and socially sustainable industrial tree plantations in PFAs, through identifying appropriate areas for environmentally and socially sustainable plantation development opportunities, piloting out-grower demonstration schemes, and developing incentives schemes to encourage smallholders to invest in environmentally and socially sustainable out-grower plantation initiatives; (f) support applied research and development for production forestry; and (g) develop and/or

²¹ VFM and restoration activities are customized according to village locations, their endowment of forest, proximity to economic and or ecosystem-based opportunities. These activities include: (a) **Skills capacity building and village organization for VFM** (Village Forest Registration and Demarcation; tree management inventory, and harvest planning; NTFP inventory, management, and harvest planning; improved uses of firewood; and charcoal production management); (b) **Communal VFM activities** (assisted natural regeneration and forest restoration grants (US\$2000 per village); NTFP domestication, and village tree nurseries; forest fire control; partnerships and agreements with commercial tree plantations in PFAs); and (c) **Household VFM activities** (timber harvesting, processing and marketing of wood products in PFAs as permitted by the country's legal framework; harvesting, processing and marketing of NTFPs; and smallholder tree plantations on private land in PFAs and PtFAs).



maintain green infrastructure for resilient villages, livelihoods, and jobs (such as multi-village package of small irrigation plus forest protection, climate-resilient feeder roads, and vegetative slope stabilization to improve climate adaptation).

32. *The GEF grant will co-finance only activity (d), extension and village advisory services.*

33. **Component 2: Livelihoods Opportunities from Sustainable Forest Landscapes** (led by DOF) (US\$9.24 million, of which US\$6.3 million IDA, US\$0.0 million GEF, and US\$2.9 million CCEFCF). The objective of this component is to improve forest-smart livelihoods opportunities, vocational skills, and NBT development in targeted landscapes. This component is closely linked to the natural resource planning and management activities in Component 1 and targets the same villages. There are three subcomponents: (a) Subcomponent 2.1: Village Livelihood Block Grants (VLBGs) to Village Development Funds (VDF); (b) Subcomponent 2.2: Vocational Training and Skills Development; and (c) Subcomponent 2.3: Nature-based Tourism Business Leveraging Facility.

34. *Response to COVID-19 economic impacts.* This component will play a pivotal role in boosting the recovery of rural livelihoods in forest areas. The project will use existing GoL systems to channel funds to forest villages through the VDFs, based on successful models used in other ongoing projects in Lao PDR, and adding a fast-disbursing grant for vulnerable households selected by the village. Vocational training for locally appropriate market-based activities can provide additional employment opportunities.

35. *Climate Co-benefits.* Component 2 will support several natural resource planning and management activities that will reduce emissions and support climate adaptation of target villages. Mitigation activities include (a) support for agroforestry activities, contributing to soil stabilization and reduced emissions from deforestation and forest degradation (Subcomponent 2.1.); (b) improve farm productivity through trainings and the teaching of new skills that reduce time and need to clear forest land for pioneering shifting cultivation (2.2.); (c) investment in new nature based tourism products and services (2.3); and (d) additional awareness, supervision, and financing in and around protected areas and its forest cover (2.3). Component 2 will also support climate adaptation through (a) the diversification of forest smart livelihoods activities and reduction of dependence to forest resources, thus increasing villagers' resilience to climate-related shocks (2.1.); and (b) trainings supporting improved life skills (e.g. general hygiene, waste management), resulting in increased awareness of climate-related hazards and improved resilience to potential shocks (2.2.).

36. **Subcomponent 2.1: Village Livelihood Block Grants to Village Development Funds** (led by DOF) (US\$6 million, of which US\$4.1 million IDA, US\$0.0 million GEF, and US\$1.9 million CCEFCF). The objective of this subcomponent is to strengthen forest-smart village livelihoods in targeted landscapes. The project will support the same villages supported in Component 1.

37. **Activities.** The project will finance the provision of funding to participating villages through the VDFs for households or economic interest groups to implement income-earning farm and nonfarm sub-projects. VDFs are managed by the villages themselves as revolving mechanisms through a Village Committee and are provided to the households or groups as credits.

38. Of the VLBGs, 20 percent will be earmarked as grants to the most vulnerable members of the participating village (elderly, widows, disabled, single mothers, disaster-affected households, and so on) identified by the Village Committee, for homestead-based livelihoods, and disbursed up front without



conditionality. The remaining 80 percent of the VLBG will be conditioned to approval of the village forest and land use plan and, in PAs, a VCA. Half of the revolving funds from the village block grants would target women. This approach would help fill a gender gap by strengthening women's participation in village institutions and decision-making power on natural resource management (NRM) and livelihoods.

39. **Subcomponent 2.2: Vocational Training and Skills Development** (led by DOF) (US\$1.0 million, of which US\$0.7 million IDA, US\$0.0 million GEF, and US\$0.3 million CCEFCF). The objective of this subcomponent is to improve employment and livelihoods opportunities for people in villages supported by the project. Training will be based on local market demand and could include skills for industries active in the target landscapes such as tourism and hospitality, small business management skills, timber-based enterprise skills, non-timber forest products (NTFPs), food processing for value chains, and nonfarm skills. To help address gender gaps related to economic opportunities and skills development, the project will have a special focus on encouraging women to participate in the training and courses, which will be developed to respond to their vocational interests and job market opportunities. Training will be delivered (a) in the village and (b) through a scholarship system for selected youth, based on agreed criteria in the project operational manual (POM), including poverty, vulnerability, and interest to attend vocational schools in district or provincial capitals.

40. **Subcomponent 2.3: Nature-based Tourism Business Leveraging Facility** (led by DOF) (US\$2.2 million, of which US\$1.5 million IDA, US\$0.0 million GEF, and US\$0.7 million CCEFCF). The objective of this subcomponent is to strengthen the development of NBT by encouraging private sector participation, especially SMEs in and around PAs. The project will finance the provision of (a) technical and operational assistance for the establishment and administration of the Business Leveraging Facility, including the recruitment of a management contractor for the facility; and (b) matching grants to eligible beneficiaries (i.e., private business entities) to obtain business development services, equipment, and physical assets.

41. **Component 3: Institutions, Incentives, and Information** (led by DOF) (US\$8.77 million, of which US\$5.7 million IDA, US\$0.4 million GEF, and US\$2.7 million CCEFCF). The objective of this component is to strengthen institutions, policies, incentives, and information for sustainable forest landscapes. This component will finance governance-related activities via three subcomponents: (a) Subcomponent 3.1: Strengthening Institutions and Policies for Landscape Management, (b) Subcomponent 3.2: Strengthening Institutions and Policies to Reduce Forest and Wildlife Crimes, and (c) Subcomponent 3.3: Information for Decision Support. Issues such as policy and regulatory development, institutional capacity building, interagency law enforcement coordination for illegal wildlife trade, environmental and social risk management, land and forest tenure, climate change monitoring, and natural capital valuation and impact assessments will be supported by this component.

42. *Climate co-benefits.* Component 3 will reduce emissions through (a) support for third-party certification of PFAs under international best practices (Subcomponent 3.1.); and (b) improved forest inspection and enforcement capacity to reduce illegal logging and forest encroachment (3.2). Adaptation activities include (a) improved government capacity in regulating the industrial tree plantation and nature based tourism sectors enabling more stringent management requirements for (3.1.); and (b) improved government capacity in regulating key environmental and social aspects in investments in forest areas, resulting in decisions that will increase communities' resilience to climate-related shocks (3.3).

43. **Subcomponent 3.1: Strengthening Institutions and Policies for Landscape Management** (led by DOF) (US\$5.2 million, of which US\$3.4 million IDA, US\$0.4 million GEF, and US\$1.4 million CCEFCF). The



objective of this subcomponent is to strengthen institutions and policies for forest landscapes. This will inform decision-making to help manage trade-offs and mutual opportunities across sectors.

44. **Activities** include (a) support GoL institutions to strengthen and/or develop relevant public policy, strategy, regulations, and guidelines in the areas of protected area management, biodiversity conservation, tourism concessions, sustainable forest plantations, and village forestry; (b) establish and implement a multisector and multi-stakeholder coordination platform on landscapes; (c) strengthen the capacity of DOF and other relevant agencies in protected area management, wildlife management, and sustainable forestry; and (d) support the piloting and implementation of the timber legality assurance system and related certification throughout the supply and value chain.

45. *The GEF grant* will co-finance the portion of activity (a) that supports the Protected Area Management Division (PAMD) and Wildlife Management Division (WMD) in DOF.

46. **Subcomponent 3.2: Strengthening Institutions and Policies to Reduce Forest and Wildlife Crimes** (Led by the Environment Protection Fund [EPF], implemented by the Department of Forest Inspection [DOFI], DOF, Department for Combatting Natural Resource and Environmental Crime [DCNEC], and Lao Customs Department) (US\$2.4 million, of which US\$1.6 million IDA, US\$0.0 million GEF, and US\$0.8 million CCEFCF). The objective of this subcomponent is to strengthen institutions and policies to reduce forest and wildlife crimes.

47. **Activities** include (a) strengthen and develop relevant public policy, strategy, regulations, and guidelines to reduce forest and wildlife crimes; (b) support coordination and participation of relevant agencies in their efforts to meet various international commitments such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); (c) support public awareness campaigns and local networks on how to reduce wildlife and forest crime; (d) strengthen a multi-agency coordination platform on reducing wildlife and forest crimes (Lao Wildlife Enforcement Network [Lao-WEN]); (e) strengthen the capacity of relevant national agencies in carrying out field activities for the protection of forests and wildlife; and (f) strengthen the capacity of relevant provincial agencies in carrying out field activities through Provincial Wildlife Enforcement Networks (P-WENs) in selected provinces.

48. **Subcomponent 3.3: Information for Decision Support** (Led by EPF, implemented by Ministry of Natural Resources and Environment [MONRE], and Lao Statistics Bureau [LSB], and DOF) (US\$1.1 million, of which US\$0.6 million IDA, 0.0 GEF, and US\$0.5 million CCEFCF). The objective of this subcomponent is to strengthen information, monitoring, and planning to support better landscape-level decision-making.

49. **Activities.** The project will support the information infrastructure for managing key environmental and social risks related to natural disasters and large-scale investments including (a) enhancing and implementing the policy framework for Strategic Environmental Assessments (SEA) and Environmental and Social Impact Assessments (ESIAs) (MONRE); (b) monitoring and reporting on the United Nations Framework Convention on Climate Change (UNFCCC) NDC implementation (MONRE); (c) building capacity to carry out natural capital accounting for decision-making (LSB); (d) enhancing the policy framework on land tenure recognition inside forestlands (MONRE); and (e) carrying out impact assessments on key topics to complement the project Results Framework and learning (DOF).

50. **Component 4: Project Management and Monitoring** (led by DOF) (US\$6.82 million, of which US\$4.3 million IDA, US\$0.5 million GEF, and US\$2 million CCEFCF). The objective of this component is to



maintain and enhance project management, monitoring, and learning. There are two subcomponents: (a) Subcomponent 4.1: Project Management and Monitoring (US\$6.4 million, of which US\$4 million IDA, US\$0.5 million GEF, and US\$1.9 million CCEFCF), and (b) Subcomponent 4.2: Strategic Communication, Partnerships, and Investment Coordination (US\$0.3 million, of which US\$0.2 IDA, US\$ 0.0 million GEF, and US\$0.1 million CCEFCF). Subcomponent 4.1 strengthens the capacity of MAF/DOF in project management, monitoring, evaluation, and coordination. Subcomponent 4.2 supports building partnerships, knowledge sharing with wider stakeholders, regional coordination and dialogues on Project related issues, and resource mobilization.

51. *The GEF grant will co-finance activity (a) in subcomponent 4.1.*

Table 1. Project Cost by Component

Component Name	IDA	GEF	CCEFCF	Total
Component 1. Investing in Natural Wealth and Resilience in Forest Landscapes	16,993,524	6,541,976	8,000,000	31,535,500
1.1 Protected Areas and Nature-based Tourism	6,776,250	4,214,250	3,200,000	14,190,500
1.2 Sustainable Forestry and Resilient Village Infrastructure	10,217,274	2,327,726	4,800,000	17,345,000
Component 2. Livelihoods Opportunities from Sustainable Forest Landscapes	6,285,000	0	2,960,000	9,245,000
2.1. Village Livelihood Block Grants to Village Development Funds	4,080,000	0	1,920,000	6,000,000
2.2 Vocational Training and Skills Development	680,000	0	320,000	1,000,000
2.3. Nature-based Tourism Business Leveraging Facility	1,525,000	0	720,000	2,245,000
Component 3. Institutions, Incentives, and Information	5,700,000	350,000	2,720,000	8,770,000
3.1 Strengthening Institutions and Policies for Landscape Management	3,400,000	350,000	1,440,000	5,190,000
3.2 Strengthening Institutions and Policies to Reduce Forest and Wildlife Crimes	1,680,000	0	800,000	2,480,000
3.3 Information for Decision Support	620,000	0	480,000	1,100,000
Component 4. Project Management and Monitoring	4,341,476	475,000	2,000,000	6,816,476
4.1. Project Management and Monitoring	4,101,476	475,000	1,920,000	6,496,476
4.2. Strategic Communication, Partnerships, and Investment Coordination	240,000	0	80,000	320,000
Contingencies	680,000	0	320,000	1,000,000
Total	34,000,000	7,366,976	16,000,000	57,366,976

52. **Project location.** The project will invest in specific sites to be selected within five priority forest landscapes. The project provides a framework for convening and coordinating action in these five initial landscapes, which will be used to scale up in additional landscapes as more experience is built and financing is available. The five priority landscapes have been selected according to the agreed criteria (see annex 5 for project map, and appendix D in the project files for landscape descriptions and selection criteria). The five landscapes include 8 provinces and one prefecture, 49 districts, 8 PAs, 6 PtFAs, and 13 PFAs. Selected provinces include Houaphan, Luang Prabang, Xiengkhouang, Xaysomboun, Bolikhamxay,



Khammouane, Savannakhet, Vientiane Province, and Vientiane Prefecture. Approximately 600 villages and other investment sites will be selected during implementation based on criteria in the POM.

53. **For this project, each landscape is defined operationally and spatially by the administrative boundaries of a group of forest areas (and their overlapping districts) that share an economic and environmental interest in the forest estate.** Within these landscapes, there are three types of investment sites that will be selected for project financial support: (a) PA units and their guardian villages; (b) villages and their forests in production or protection forests; (c) NBT sites (often but not only in PAs) considered part of the broader targeted landscape; and (d) local or village green/grey infrastructure associated with (a), (b), or (c), such as small irrigation, feeder roads, small bridges, cross drainage, slope stabilization, or landscape restoration works. Together, these sites will define the physical footprint of the project. Land use planning and resource management planning are prerequisites to physical investment in these sites. In addition, Component 3 will be national in scope. Information modernization, institutional and policy development, and capacity building for reducing forest and wildlife crimes could take place throughout the country, untied to a physical project investment site.

C. Project Beneficiaries

54. **The project will provide multiple benefits to diverse beneficiaries at the local, provincial, national, regional, and global levels.** Direct project beneficiaries live in an estimated 600 forest-dependent villages in the targeted landscapes, with 200 inside or bordering PAs and 400 in and around PFAs and PtFAs. About 72,000 households that include nearly 400,000 people are estimated to reside in these villages. Local women and men from a wide range of ethnic groups will benefit monetarily and non-monetarily from more sustainable management of PAs, PtFAs, and PFAs, as well as related livelihoods and job opportunities. Special targeting of the most vulnerable community members will be supported by earmarking 20 percent of VLBGs for them. Benefits could be further enhanced through access to new jobs and economic opportunities from private sector participation in environmentally and socially sustainable tree plantations or NBT, and vocational training. The implementation of VFM will generate sustainable flows of wood, fiber, fuel, forest food, and NTFPs. Intact and better-managed forest landscapes will also contribute to reduced vulnerability to natural hazards such as drought, floods, erosion, and fire. Officials at district (especially extension officers), provincial and national levels will benefit from knowledge development, including global best practices. Regional and global environmental benefits will be secured from multiple ecosystem services from better-managed forest landscapes.

55. **Citizen Engagement. The project has in place a number of actions to ensure active and effective participation by all beneficiaries.** Women, the poorest, and minority ethnic community members in many villages are often excluded from both participation and decision-making in land and forest use planning at local and higher levels of governance. To enhance equitable participation and outreach, approaches take into accounts barriers such as language, literacy, location and timing of events to accommodate preferences of different beneficiary groups. Perception surveys will be undertaken to obtain feedback from program beneficiaries about challenges and adequacy of delivery mechanisms for the interventions. To allow monitoring on quality of citizen engagement, the survey will also include a targeted set of questions on satisfaction of services received by them and whether they respond to their needs and demands in the area of livelihoods, resilience and environmental management. The feedback from the surveys will inform project implementation through the adaptive management arrangement



arrangements described in Annex 1, and will be supervised by the Bank as part of the bi-annual implementation status reporting on the citizen engagement indicator in the results framework.

56. The project mainstreams gender actions in all project components to address gender gaps and differential impacts. A gender analysis for the project area was conducted to inform a Gender Action Plan with results indicators (see appendix E in the project files). The project design helps close gender gaps and deliver inclusive benefits in SFM, tourism, conservation, livelihoods, environmental and social frameworks (ESF), citizen engagement, and grievance redress arrangements.

57. The Gender Action Plan includes the following key project-related gender gaps, actions to address them, and indicators²² to monitor progress.

- (a) Compared to men, women have fewer economic opportunities²³ and skills especially in forestry and conservation and some tourism activities.²⁴ Targeted efforts (e.g., demand-based business trainings, vocational trainings, etc.) will be made to ensure that women are able to actively participate in training that responds to their vocational interests and job market opportunities (PDO Indicator 4: Beneficiaries of job-focused interventions, number of females; target: 75,000).
- (b) Compared to men, women have less access to credit or grants for forest-related activities and livelihood improvements than men.²⁵ Technical assistance and communication efforts will be targeted to women household members on what the VLBGs are and how to access, implement, and report on them – with the goal of ensuring that 50 percent of the revolving funds from the village block grants will be targeted to women to implement women-owned household sub-projects.
- (c) Women, particularly those from ethnic minority groups, have less access to extension and outreach services in the project areas than men.²⁶ The project will ensure that extension and outreach services are delivered in a way that community-based development, resource management, and livelihood development opportunities can be equally accessed by women and men (e.g. addressing language barriers, low literacy and low financial literacy). (Intermediate indicator: Beneficiaries using extension or outreach services, number, percentage female; target: 50).
- (d) Village livelihood grants could better reach the most vulnerable households (MVHs) than has been done in past projects.²⁷ In LLL, 20 percent of the grant will be earmarked to ensure they go to the MVHs in the target villages. The use and impacts of the grants will be monitored, particularly for female-headed households.

²² Gender indicators are only for individual and not household-level actions.

²³ Females spend an average of 4 hours per day on income-generating activities compared to 4.7 for males.

²⁴ Asian Development Bank and World Bank. 2013. *Country Gender Assessment for Lao PDR: Reducing Vulnerability and Increasing Opportunity*.

²⁵ Global Green Growth Institute (GGGI). 2020. *Gender Inclusive Green Growth in Lao PDR*.

²⁶ Ministry of Agriculture and Forestry (MAF) 2011. *Strategy for Agricultural Development 2011 to 2020*.

²⁷ Forest Carbon Partnership Facility. 2019. *Gender Integration Development (GID) Study for the Lao PDR Emissions Reduction Program (ER-P)*.



(e) Women's agency and voice at the village level in development, natural resource management, and livelihoods-related decision-making has been lacking.^[1] The key decision making entity at the lowest level of government is the Village Committee, which are generally composed of men. The key vehicle for a village to finance its development activities is its VDF, which is normally managed by the Village Committee. The LLL project will reinforce and empower the role of women within village governance. To begin to close the decision making gap in the Village Committees and on the use of VDFs, the project will establish and empower a Village Committee LLL Team with active participation and leadership roles by women, which will be monitored in the project results framework. The Village Committee LLL Team will report to the official Village Committee and LLL Village Facilitator. The Village Committee LLL Team will advise on key project-related activities, such as forest and land use planning, community based targeting, book-keeping for revolving livelihoods credits and vulnerability grants to households and Economic Interest Groups (including women's groups) that are provided under the project's VLBGs through the VDFs. Each Village Committee LLL Team will include two subcommittees responsible for financial and technical issues respectively. A quota will be set to ensure that four of six members in the Village Committee LLL Team and two of three members in the subcommittees are women. The Village Committee LLL Team members will receive specialized training on bookkeeping, accounting, livelihoods, and SFM activities, and work closely with the LLL Village Facilitator (project staff), ensuring that female members have the confidence and knowledge to implement financial and technical project-related activities and resolve issues. Women's increased representation, power, and voice in the Village Committee, through the Village Committee LLL teams, will secure active participation in decision making on forest and land use issues, and enable them to gain experience to take on higher level positions in the Village Committees. This approach is meant to catalyse a shift to more equitable and inclusive local governance bodies for sustainable impact after project closing (Intermediate indicator: Share of women members of the Village Committees' LLL Teams, percentage; target: 40).

D. Results Chain

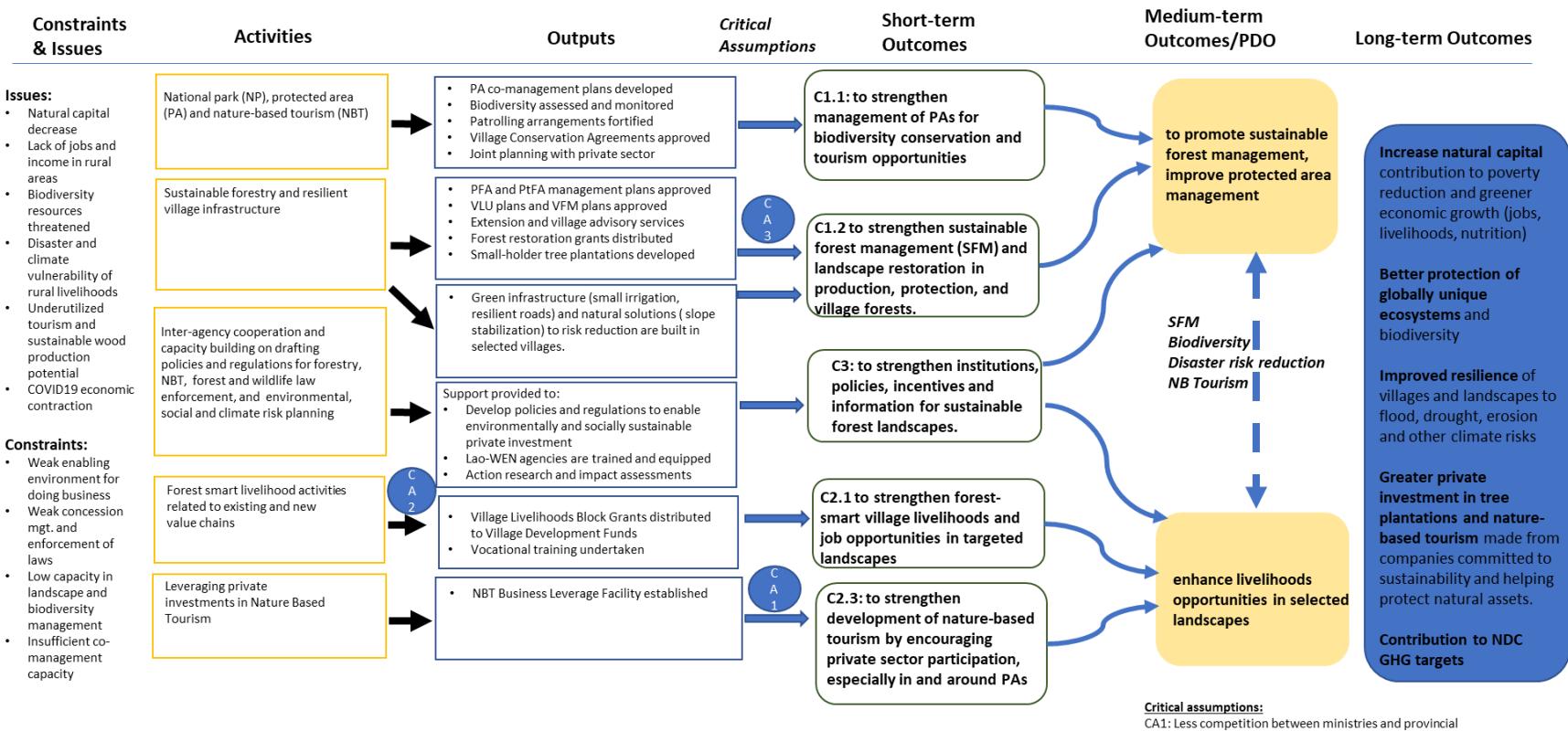
58. **The project's theory of change, depicted visually in Figure 1, is articulated in five steps starting with (a) constraints and issues linked to (b) project activities, which will generate (c) outputs; these outputs in turn will contribute to (d) short- and medium-term outcomes, which lead to (e) sustainable long-term outcomes outside the direct project control and time frame—such as poverty reduction, job creation, climate stability and gender equity.** In addition, women's increased leadership roles and active participation in Village Committees will address a persistent gap in local governance, ensuring that women actively make village development decisions that could help improve their lives.

59. **These changes are contingent on three critical assumptions:** (a) less competition among central and provincial institutions; (b) strong governance and fiduciary controls; and (c) few effects from unprecedented drought, fire, floods or other climate risks in project areas.

^[1] The Gender Profile of the Lao Women Union (LWU) (2018) reports a gender gap in the forestry sector due to ambiguity in the definition of roles and responsibilities of men and women in forest management activities. In 2015, the National Committee for the Advancement of Women reported that only about 1.7% of village heads, and about 7.2% deputy village heads are female.



Figure 1. Theory of Change



Critical assumptions:

CA1: Less competition between ministries and provincial authorities

CA2: Strong governance and fiduciary controls

CA3: Few env. effects from climate change



E. Rationale for Bank Involvement and Role of Partners

60. **The WBG will add value to this project in several ways:** (a) the WBG convenes global experience, knowledge, and blended IDA/GEF/CCEFC financing to invest in solutions that require the GoL stakeholders to manage trade-offs and opportunities in the landscape while avoiding fragmentation of financing and efforts; (b) the WBG helps create an enabling environment for responsible and sustainable investments from the private sector; (c) the Bank provides operational assistance to the client to prepare, de-risk, and implement the operation. Implementation support includes fiduciary aspects, risk management, results monitoring, capacity development, strategic communication, and knowledge development; (d) the Bank can build client capacity to reduce forest and wildlife crimes and participate in the Bank/GEF Global Wildlife Program;²⁸ and (e) the Bank will use all the features above to mobilize and quickly disburse financing to support a green economic recovery from COVID-19.

61. **GEF co-financing**, blended with IDA and CCEFC, will help secure multiple global environmental benefits from better-managed forest landscapes including biodiversity conservation and better-functioning ecosystems from reduced forest degradation, forest loss, and improved forest restoration.

62. **CCEFC²⁹ co-financing**, blended with IDA and GEF, will help strengthen the three Canadian priorities of (a) sustainable forest landscapes, (b) climate change mitigation, and (c) gender equality. In particular, the CCEFC resources contribute with layered financing to achieve the emissions reductions targets of the Emission Reductions Payment Agreement (ERPA), and the overall REDD+ and NDC national objectives. CCEFC resources will also strengthen the implementation of the LLL Gender Action Plan (see appendix E in the project file).

63. **Other development partners.** The project will provide support to the GoL to convene relevant projects to coordinate spatially and technically in the target landscapes. Consultations were held with, among others, IFC, the German Embassy, *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ), *Kreditanstalt für Wiederaufbau* (KfW), *Agence Française de Développement*, Asian Development Bank, Japanese International Cooperation Agency, United Nations Office on Drugs and Crime, Australian Centre for International Agricultural Research, Sweden, Canada, and the Food and Agriculture Organization of the United Nations. National and international NGOs and firms active in conservation, tourism, or forestry include Wildlife Conservation Society, International Union for Conservation of Nature, Asian Arks, Nakai Nam Theun Consortium of Technical Experts, and others will be key development partners. The LLL engagement and consultative process has been ongoing for over one year in settings such as the Forest Sector Working Group, the GoL's Green Growth Forum and preparation process for the NSEDP-9, a new conservation partners' forum, and Bank missions supporting diverse engagements.

²⁸ World Bank. 2012. *Staff Guidance Note: World Bank Support for Criminal Justice Activities*. Report #67243. Based on this Guidance Note, a legal assessment was carried out by the World Bank task team for LLL preparation.

²⁹ Financing terms include: (a) 20-year tenure; (b) an Interest rate of 0% per annum; (c) no fees; and (d) a 10-year grace period on repayment of principal.



F. Lessons Learned and Reflected in the Project Design

64. Specific lessons from past, recent, and ongoing Bank-supported lending and non-lending operations and the Independent Evaluation Group (IEG) inform the project design. Key lessons are listed below followed by how the lessons inform project design. See appendix G in the project files for details.

65. **Lesson 1. Results Frameworks are limited by their nature, and to capture a fuller sense of project contributions to sustainability, impact assessments are needed to complement and promote learning.**

66. This lesson is incorporated in the project design by a dedicated activity to capture knowledge and reinforce learning through project monitoring and evaluation (M&E) as well as impact assessments carried out by the client. This work will inform adaptive project management and NRM.

67. **Lesson 2. Pursuing programmatic convergence of planning, policy, and projects across sectors and institutional boundaries can lead to durable outcomes that address complex environmental and development challenges.** For example, coordination among Bank, IFC, ministries, NGOs, firms, villages and others helped align the incentives now defined in the 2019 Forestry Law, allowing public-private partnerships to be increasingly viable.³⁰

68. This lesson is incorporated in the project design by strengthening and supporting multi-stakeholder and multi-sector advisory and policy groups, to foster strategic collaboration and formulate technical solutions to challenges.

69. **Lesson 3. Diversification and sustainability of income-earning opportunities and job creation in specific landscapes for specific villages can help reduce pressure on biodiversity and natural resources and boost resilience.**³¹ Under the Second Lao Environment and Social Project (P128393, LENS 2), the direct link between livelihood development and threat mitigation has proven effective in guardian villages in or bordering PAs. The link was formalized by binding development assistance to biodiversity in Village Conservation Agreements. The Scaling-Up Participatory Sustainable Forest Management Project (P130222, SUPSFM) was successful in diversifying income-generating activities, with the additional income mostly spent on food, housing, or medical expenses. Village livelihoods grants were implemented through a revolving fund for households or groups, which brought benefits to a wider range of people by increasing social cohesion, financial security, and sustainability. The mechanism was not always the most effective way to reach the poorest in some instances, who are more risk adverse and do not borrow from the village fund. The choice of livelihoods options was top-down and insufficiently linked to markets and natural resources, with slow follow-up technical assistance provided after the disbursement of the grants to the village.

70. This lesson is incorporated in the project design by (a) explicitly supporting the revolving mechanism of the VDFs, (b) strengthening targeting of the poorest households by earmarking 20 percent of VLBGs up front for early disbursement as grants for the MVHs selected by the village, (c) connecting VLBGs to village-centered NRM under Component 1, (d) strengthening extension and outreach to mobilize and facilitate village empowerment, resource management, and livelihoods development, (e)

³⁰ World Bank. 2019. *A Case Study of the Forest Investment Program, SUFORD-SU*.

³¹ World Bank Poverty Global Practice. 2020. *Welfare and Forests: Lessons from Assessments of the FIP Co-funded Projects in Lao PDR and Mexico*.



strengthening Village conservation agreements and biodiversity conservation-oriented livelihoods in NBT, and (f) specifically empowering women's participation in the process.

71. **Lesson 4. Carefully regulated private sector led tourism development can have greater benefits for both employment and income generation for local people, and greater investment and benefits for conservation, than Government-led supply-driven strategies.³²**

72. This lesson is incorporated in the project design by supporting the development of institutional frameworks and establishing a new nature-based tourism business leveraging facility to support such private sector-led models that include communities and generate rural employment and multiplier effects in the local economy, and help establish partnerships with protected areas.

73. **Lesson 5. Bank support for legal and regulatory reform of industrial timber concessions in the moist forests in Africa and East Asia has improved forest governance at the national level, enhanced transparency and accountability, put environmental standards in place, and increased the capture of legal revenues in the sector.³³** Plantation forests are not inherently positive or negative for local livelihoods, and all plantation models have the potential to contribute positively to local livelihoods.³⁴ Universally recognized preconditions for successful smallholder forestry are (a) clear and unequivocal ownership of the land and the trees, (b) the certainty of attractive and reliable markets, (c) a robust technical package of practices that help minimize risk, and (d) sympathetic legal and regulatory frameworks and environment.³⁵

74. These lessons are incorporated in the project design by building the GoL capacity to promote and regulate a model for sustainable timber plantations centered on environmental sustainability, close involvement of and benefits to local communities, third-party certification, and at times agroforestry techniques. The model includes the adoption of free prior and informed consent, inter-cropping among planted trees in the early years of tree rotation, a first-option clause for local villages to access jobs at the plantation or buying agreements for small-scale out-growers, clearance of unexploded ordinance, and appropriate compensation to villages for the use of land. On the environmental side, this model divides plantations into three zones: (a) area planted with fast-growing species (70 percent); (b) area left for natural regeneration on steep slopes, riverbanks, and buffer zones (20 percent); and (c) area planted with indigenous tree species (10 percent).

75. **Lesson 6. Trade-offs among conservation, development, and poverty reduction goals can be better managed by addressing customary land and resource use claims ex ante and by more meaningfully incorporating community knowledge and livelihood needs into system design.³⁶**

76. This lesson is incorporated in the project design by adopting the Community Engagement Framework and Community Action Plan that bring together Bank Environmental and Social Standards (ESS) and community investment activities. In PAs and their buffer zones villages develop VCAs as well,

³² World Bank. 2019. *Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao PDR*.

³³ IEG. 2013. *Managing Forest Resources for Sustainable Development: An Evaluation of World Bank Group Experience*.

³⁴ Van der Meer Simo. 2020. *Livelihood Impacts of Plantation Forests on Farmers in the Greater Mekong Subregion: A Systematic Review of Plantation Forest Models*. Forests.

³⁵ IFC. 2018. *Diagnostic Assessment of Out-grower Schemes and Demonstration Pilots in Lao PDR*.

³⁶ IEG. 2013. *Managing Forest Resources for Sustainable Development: An Evaluation of World Bank Group Experience*.



which enshrine rights and responsibilities. Village management of forest resources is meant to also define rights and responsibilities.

77. Lesson 7. Partnerships between governments and NGOs have proven to be beneficial for improved effectiveness in PA management, both in Lao PDR and globally, thanks to the additional technical and financial support that NGOs can bring to a selected PA.

78. This lesson is incorporated in the project design by building on existing partnership modalities, regulated by memoranda of understanding (MoU) between single PAs and NGOs on a case by case level. Innovative partnership modalities could be supported by LLL, based on demand and opportunity.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

79. The GoL will implement the project through existing institutions at the central, provincial, district, and village levels, based on their legal mandates. MAF/DOF will lead project implementation. A National Project Coordination Unit (NPCU) located in DOF will provide project services and coordinate with other GoL institutions implementing specific project activities. See annex 1 for details.

80. Each collaborating institution will have a dedicated project focal point networked to the NPCU to form a multi-sector team that regularly exchanges relevant information across institutions and sectors. A National Project Steering Committee (NPSC) and National Project Technical Committee (NPTC) with representatives of all relevant GoL agencies will oversee national level strategic and technical direction of the project, while a Provincial Steering Committee (PSC) will facilitate inter-ministerial project coordination at provincial level. Please see annex 1 for details.

B. Results Monitoring and Evaluation Arrangements

81. Project monitoring and broader natural resource monitoring and impact assessment will be carried out by the NPCU at DOF. These functions could be supported by a third party contracted by the client with project funds. This entity could be secured via a performance-based contract with the GoL to train Government staff in many relevant institutions to carry out M&E and impact assessments and would provide regular reports documenting and quantifying the capacity-building process. The relevant GEF tracking tools will be completed at approval, midterm, and completion. GHG emissions will be tracked using the Ex-Ante Carbon-balance Tool (Ex-ACT). Additional project indicators beyond the project Results Framework and GEF tracking tool may be monitored by the project as necessary. A project Midterm Review (MTR) and Borrower's Completion Report (BCR) will be undertaken with consultants hired by the NPCU. The Bank will undertake an Implementation Completion and Results Report (ICR) based on the BCR.

82. Impact assessments will complement the project Results Framework and will include (a) impacts on livelihoods, jobs, and poverty; (b) impacts on landscape valuation and ecosystem services; (c) impact of landscape governance modalities, including collaborative PA management and village forestry; (d) gender; (e) resilience impacts; and (f) assessment of wildlife law enforcement and zoonotic disease prevention as part of the One Health approach.



C. Sustainability

83. **The project promotes sustainability and replicability, reinforced by recently enacted policies and international commitments.** To meet the GoL's forest sector goals, a large number of new policies and laws are being implemented. These include the 2019 Forestry Law, Timber Legality Assurance System, SFM certification, decree on timber plantation promotion, forthcoming REDD+ Strategy, the 2020 Land Law, and the 2017 Water Law. National development frameworks such as the new NGGS and the emerging five-year plan also reinforce the sustainability and scale-up of project activities. International commitments such as the NDC, CITES, National Biodiversity Strategy and Action Plan, and National Adaptation Plan also provide important international and global commitments that help sustain project ownership and can help scale up replicable project activities.

84. **The project will employ a participatory process with forest stakeholders at the national, provincial, district, and village levels throughout the preparation and validation process.** The process of landscape management planning approach targets the drivers of deforestation by recognizing the link between land use, agricultural development, NRM, and conservation. Social sustainability will be supported through forest-smart livelihoods and new economic opportunities, including for women and vulnerable households. Environmental sustainability will be supported by reducing the pressure on natural forests through diverse project activities.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

85. **The project will generate multiple benefits for diverse beneficiaries.** Benefits from LLL activities can be framed as ecosystem services which are grouped into four categories of the Millennium Ecosystem Assessment framework: (a) provisioning services, such as the production of fiber, fuel, food, and freshwater from forests; (b) regulating services, such as water filtering, flood and erosion risk reduction, and climate regulation from carbon storage; (c) supporting services, such as maintaining nutrient cycles and diversity of plants and animals; and (d) cultural services, such as tourism and recreation. Many ecosystem services are being assigned economic values. Under the Lao PDR Green Growth Advisory Program (Lao PDR Resilient Green Growth Programmatic Analytical and Advisory Services, P171011), the Bank carried out a landscape valuation in Lao PDR (P169455), which informs project design.³⁷

86. **Some of these local and global benefits, or services, are quantifiable in a spatially explicit manner (for example, improved tree cover, monetary benefits, and emissions reductions), while others are less easily measured in monetary terms (for example, strengthened institutions and policies, more social capital and cohesion, changes in biodiversity values, improved resilience, and reduced disaster risk).** Agroforestry, for example, is an activity with one of the highest returns, according to a benefit-cost

³⁷ This work is part of a series of analytics delivered under the advisory program that assess how to drive Lao's circular economy through more sustainable management of landscapes. These assessments include nature-based tourism (Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao PDR, P164372), SFM (Sustainability in Lao PDR Forests, P164376, jointly with IFC), environmental challenges and costs of degradation (Lao PDR Environmental Challenges Assessment, P164374), and biodiversity for green growth (Lao Biodiversity: A Priority for Resilient Green Growth, P174103).



analysis conducted on potential interventions (Lao PDR Environmental Challenges Assessment, P164374). The economic and financial analysis of LLL is summarized below.

87. **The project will carefully distinguish between public sector activities financed by the project and private sector investment leveraged by, facilitated by, or coordinated with the project.** Core Government tasks will be financed by the project, such as PA management, forest restoration, small public infrastructure, licensing, certification, regulation, and other elements of the enabling environment. Environmentally and socially sustainable private sector participation in NBT and forestry will be encouraged by the project.

88. **Innovation** will be supported by the project by (a) promoting collaborative management of conservation, production, and protection forests by villages; (b) promoting an integrated landscape approach for multiple benefits including forest products and agricultural production, conservation, jobs, livelihoods, resilience, and environmental benefits; (c) leveraging private stakeholders to partner with the GoL and villages (with IFC) on forestry and tourism; (d) deploying local integrated green/grey infrastructure and better forest management to reduce flood and landslide risk; (e) supporting multiagency approaches to reducing forest and wildlife crimes; and (f) carrying out impact assessments to complement the project Results Framework and promote learning for adaptive project management.

Economic and Financial Analysis

89. **The project has a positive return on investment of 24.9 percent.** The benefits of the project derive from SFM and increased private sector development and livelihood opportunities in the project areas. Specifically, benefits are: (a) increased household income from NTFPs, NBT, smallholder tree plantations, and agriculture; (b) NBT sector development; (c) increased sustainability of industrial tree plantation development; (d) watershed protection and natural disaster risk reduction; and (e) biodiversity protection and carbon sequestration. See appendix F in the project files for details.

90. The economic analysis applies a social discount rate of 12 percent for calculation of present values and net present values (NPV).³⁸ Carbon sequestration benefits in the low case are valued at a carbon price of US\$5 per tCO2e. This is the price that Lao PDR may receive under the Bank Forest Carbon Partnership Facility (FCPF) northern Lao PDR Emission Reductions Program (P165751). Carbon prices of US\$40 and US\$80 per tCO2e are also applied in accordance with the recommended values of the Bank “Guidance note on shadow price of carbon in economic analysis.”³⁹ The time horizon of the economic analysis is 20-30 years for the SFM components, and range from 7 to 20 years for the other components depending on the nature of the Project activities and investments.

91. Quantified local benefits (i.e., benefits excluding carbon sequestration benefits) over the time horizon of the analysis is US\$37.8 million present value, giving NPV of US\$0.4 million and an economic internal rate of return (EIRR) of 12.2 percent. The carbon sequestration benefit of the Project is 10.9 million tCO2e over the time horizon of the analysis. At a carbon price of US\$5 per tCO2e the EIRR is 24.9 percent with 77 percent of carbon sequestration coming from sustainable management of the PAs and 19

³⁸ This follows from the recommendation in World Bank “Discounting Costs and Benefits in Economic Analysis of World Bank Projects” dated May 9, 2016 of a social discount rate at twice the economic growth rate. GDP per capita growth was nearly 6% per year from 2009 to 2019 in Lao PDR according to World Bank Development Indicators (World Bank, 2020).

³⁹ Note dated November 12, 2017. Carbon prices increase at an annual rate of 2.25%.



percent from the PtFA component. The EIRR increases to 131 percent and 204 percent with carbon prices of US\$40 and US\$80 per tCO₂e. About 55 percent of quantified local Project benefits are from SFM in PAs, PtFAs and PFAs. This includes increased NTFP consumption and income from PAs and PtFAs and efficiency gains (improved yields; UXO clearance cost savings) in tree plantations in PFAs. The remaining 45 percent are from NBT development, resilient village infrastructure and the VLBGs.

92. The EIRR of 24.9 percent with a carbon price of US\$5 per tCO₂e is only moderately sensitive to Project cost. The EIRR remains above 12 percent for cost increases up to 60 percent, or a cost overrun of US\$34 million. The EIRR remains above 18 percent for a carbon price of US\$2.5 per tCO₂e or higher.

93. Project implementation delays or delays in generating benefits may also affect the EIRR of the Project. This is particularly the case for the sustainable PAs and PtFA management components in which benefits depend on forest protection and restoration. Zero benefits, both in terms of NTFPs and carbon sequestration, are therefore assumed for the first three years of project implementation for these components, with benefits thereafter linked to the rate of disbursement. If realization of benefits is delayed by two additional years, i.e., no benefits for the first five years of the Project for these components, the EIRR of the Project declines from 12.2 percent to 12.0 percent excluding carbon benefits, and from 24.9 percent to 21.4 percent for carbon priced at US\$5 per tCO₂e.

B. Fiduciary

94. Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 2006 and revised January 2011, shall apply to the project.

95. **Financial management (FM).** The Finance Division of DOF and related provincial and district offices have been responsible for implementing project FM and disbursement for many phases of IDA-financed projects (that is, SUPSFM) and series of FCPF Readiness grants. The client team was supported by individual qualified and experienced consultants. An additional FM assessment was carried out in accordance with the Bank Policy and Bank Directive on IPF, to determine whether existing capacity and systems at different levels of implementation are sufficient to implement the project. The assessment was based on interviews, discussions, and reviews of previous performance of the DOF Finance Division and related provincial offices to the LLL project activities. Based on the capacity assessment, the complexity of project activities, and the multiple implementing entities at different levels involved in implementation, the project will be implemented in a substantial risk environment (see annex 1 for details).

96. **Procurement.** MAF/DOF has prepared a Project Procurement Strategy for Development (PPSD) that presents how procurement activities will support the development objective of the project and deliver the best value for money under a risk-based approach. In addition, the PPSD includes the rationales for procurement decisions including the selection of the approach to market and procurement methods. The PPSD and the Procurement Plan will be regularly updated as appropriate during project implementation.

97. **Procurement will be conducted in accordance with the requirements set forth or referred to in the World Bank Procurement Regulations for IPF Borrowers, dated July 2016, revised November 2020 (Procurement Regulations).** Approaches to national markets (request for bids and request for quotations) will be carried out in accordance with the national regulations including the Lao PDR Law on Public Procurement, No. 30/NA November 2, 2017, including the Instruction on Implementation of Law on Public



Procurement, No. 0477/MOF February 13, 2019. Harmonized bidding documents and request for quotations will be used for procurement of works, goods, and non-consulting services under the project. The project will use the WBG's planning and tracking system (Systematic Tracking of Exchanges in Procurement [STEP]), in which the client has been trained.

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

98. **The project investments are expected to result in positive environmental and social impacts and livelihood development outcomes from better-managed forest landscapes.** However, potential risks and negative impacts associated with project activities in relation to the World Bank ESF exist. Overall risk is substantial, with almost all Environmental and Social Standards (ESSs) applied by the project except ESS9: Financial Intermediaries.

Environmental

- (a) The project will support small infrastructure construction and/or renovation work such as offices for project staff, small irrigation and rural roads, and substations for forest patrolling teams. Impacts from these activities are expected to be minor, short term, and site specific and can be mitigated by proper design and implementation of the management plans.
- (b) Some project activities could lead to disturbance and threat to forest resources and wildlife. A management plan will be developed and implemented to minimize those impacts and achieve the intended objectives.
- (c) Policy and capacity building for public institutions will strengthen the enabling environment for private sector investment in NBT activities and forest plantations, which may lead to disturbance, degradation, or deforestation. The project will strengthen the institutional and policy framework and build staff capacity to address these issues.
- (d) Livelihood improvement activities may lead to land clearance for agricultural and livestock production and small irrigation development. Agricultural intensification through possible use of chemical fertilizers and pesticides could be harmful to land resources and human health. The project will help the client develop and implement a Pest Management Plan to ensure that agriculture activities do not harm, and ideally improve, community health and living conditions.

Social

- (a) Direct risks and impacts include restriction of access to forestland and resources. This may affect natural resource-based livelihoods and customary land use and tenure of vulnerable groups, particularly women and ethnic minority groups. Most of these groups are poor, with



their livelihoods and incomes mainly dependent on swidden cultivation, livestock production, and forest resources. Conservation management activities may not adequately recognize customary rights to land use and access to forest products, particularly in those areas or plots where swidden cultivation is practiced. The above risks increase the potential risk of social conflict. During implementation, the project will build the capacity and processes to ensure the consideration of customary practices.

- (b) Community health and safety risks may increase from interaction with project staff (direct workers) and consultants (indirect workers) working in villages within and around selected landscapes. Other impact sources may be tourists and visitors to ecotourism products. Health risks include, but are not limited to, waterborne, waste borne, and airborne diseases; sexually transmitted diseases (STDs/HIV/AIDS); sexual exploitation and abuse; gender-based violence; violence against children; and disturbance to daily life and privacy. The project will build the capacity and processes to minimize health and safety risks.
- (c) Inequality in income distribution from tourism and forestry is a potential social risk, as economic benefits as a result of such activities have the potential to benefit certain segments of the population disproportionately according to need and project objectives. The project will work with partners to establish systems and participatory processes that target low-income and vulnerable groups and address gender gaps.
- (d) Vulnerable households, especially ethnic groups, may find it challenging to adjust or adopt forest-smart practices and technologies introduced by the project. This may lead to increased burden on the participating households and result in further impoverishing the vulnerable, especially ethnic women, who often perform most of the day-to-day livelihood activities. The project will use participatory tools (for example, focus group discussions and training) supported by social consultants, to ensure that the vulnerable and ethnic groups are engaged in the decision-making process and benefit from the project in a culturally appropriate manner.
- (e) Land acquisition and resettlement of villages and households are unlikely to be required and, if required, will be minimal as the civil works will be mainly undertaken within existing premises. If private land needs to be acquired for the construction of new offices or facilities with co-financing made available by the GoL agencies, an Abbreviated Resettlement Action Plan (ARAP) will be prepared and implemented in accordance with a Resettlement Policy Framework (RPF).
- (f) Communities and households in the selected landscape may have used the lands for years without official recognition of their customary land use rights. Their forestlands and natural resources could be acquired by the GoL and private investment projects with inadequate or no compensation. Villages may then be considered as an 'illegal occupier or encroacher' as a result of land use planning to be supported by the project. The project will build the capacity and processes to ensure the consideration of customary practices in the land use planning participatory exercise and promote policy work for clarification of rights.
- (g) A security risk for communities and households may arise from law enforcement activities and from the Army's involvement as a stakeholder in PA management. As part of due diligence, the Bank conducted a risk analysis based on the Staff Guidance Note on World



Bank Support for Criminal Justice Activities.⁴⁰ The analysis concluded that LLL security risk from LLL is low, as “activities pose no serious political issues and have good economic rationale.” A second security risk assessment was conducted by the client to better understand potential risks and impacts from the presence of security personnel in protected areas to be supported by the Project, including Phou Khao Khouay National PA. The assessment found low risks and informed several risk mitigation measures including: (i) training programs for trainers of public security forces; (ii) start-up training and annual refresher courses to the military personnel on the use of force and appropriate behavior and conduct as set out in the Community Engagement Framework (CEF), Stakeholder Engagement Plan (SEP) and Environmental and Social Management Framework (ESMF); (iii) education host communities on expected conduct and Grievance Redress Mechanisms (GRM); (iv) restriction of residence time for the security personnel in the community to the time of the activity only; (v) commitment to the Project Code of Conduct. A template of MoU is prepared to be applied under the project to ensure that the above measures are formalized and complied with.

- (h) In addition, potential risks of land and social conflict may be increased due to restrictions of access to forest land, protected areas and forest products as a result of landscape management, conservation activities, and potential ‘elite capture’ in project benefit sharing and distribution of VLBGs and the grants for the MVHs. Additional potential risks for social conflict include project personnel-related incidents of Sexual Exploitation and Abuse (SEA); Gender-Based Violence (GBV); Sexually Transmitted Diseases (STD), and COVID-19 transmission. A conflict risk assessment (CRA) commensurate with the level of risk will be undertaken before commencement of the project activities, to identify the risks and mitigation measures. Terms of Reference (TOR) for the CRA are provided in the ESMF.

99. **ESF instruments** have been prepared to manage the above discussed potential risks and impacts expected from the project in accordance with relevant ESSs. These include an Environmental and Social Commitment Plan (ESCP), SEP, ESMF, CEF incorporating a Process Framework (PF), Resettlement Policy Framework (RPF), Ethnic Group Development Framework (EGDF), and the Security Risk Assessment. A Strategic Environmental and Social Assessment (SESA) will be prepared during project implementation to help the GoL identifying possible environmental and social risks and impacts, and mitigation measure for private investment in industrial tree plantation (not financed by the project) and nature-based tourism. These ESF instruments will be applied during project implementation once activities and locations are identified through participatory local (village) planning and consultation process. Where required, Free, Prior and Informed Consent (FPIC) will be established with the local community to seek community broad support for project implementation.

100. **An ESMF has been prepared to manage and mitigate the potential environmental and social risks and impacts discussed earlier.** Specifically, the ESMF guides the process of assessing risks and impacts, identifying measures, and preparing management plans to mitigate the risks in line with ESS1: Assessment and Management of Environmental and Social Risks and Impacts. The ESMF also provides guidance on the preparation and implementation of the Environmental and Social Management Plan

⁴⁰ World Bank. 2012. *Staff Guidance Note: World Bank Support for Criminal Justice Activities*. Report #67243.



(ESMP) for project activities or sub-projects, which may include site-specific Environmental Management Plans and community health and safety measures in line with ESS4: Community Health and Safety.

101. **In parallel, a CEF has been prepared for LLL, based on the successful model adopted in SUPSFM and LENS2 and other Bank-financed IPFs in Lao PDR.** The CEF incorporates in a single document all key elements of a Process Framework to manage access restriction-associated risks, an RPF for addressing land acquisition issues, and an Ethnic Group Planning Framework to mitigate risks and adverse impacts on ethnic and vulnerable groups. The CEF includes the required establishment of a GRM to respond to and address potential grievances that may be raised by project-affected people and concerned stakeholders. The CEF is fully in line with the World Bank's ESF, specifically ESS5: Land Acquisition, Restriction on Land Use, and Involuntary Resettlement and ESS7: Indigenous People.

102. **Stakeholder engagement, information disclosure and consultation.** All ESF documents (ESCP, SEP, ESMF and CEF) have been disclosed in English and Lao and consulted with concerned stakeholders on October 13, 2020. Main outcomes of the consultations are centered around the need to improve clarity on project design and implementation arrangements and to ensure the adequate capacity of the NPCU in project and ESF implementation. Consultations were documented and reflected in the updated ESF documents, re-disclosed in DOF website on December 15, 2020 and Bank's external website on December 16, 2020 (ESCP and SEP) and January 4, 2021 (ESMF and CEF). In addition, reader-friendly communication materials (posters and leaflet) including succinct information on project design, risks and mitigation measures will be prepared and distributed to project villages and affected people to build their awareness. Brief information on GRM required to be established under the project will be also provided in the communication materials. The consultation process will continue throughout the project lifetime and the ESF documents will be updated with feedback from the stakeholders consulted and lessons learned from project and ESF implementation.

103. **Capacity in place for ESF implementation and monitoring.** The Project will ensure that the NPCU has adequate capacity in ESF implementation, monitoring and reporting. Due to the current limited staffing, resources and frequent staff turnover within the implementing agency, a team of environmental and social consultants will be hired to support the NPCU and the local communities to apply the ESF instruments, monitor and report on ESF implementation. An outline of ESF capacity development workplan with indicative budget is provided in the ESMF and CEF.

V. GRIEVANCE REDRESS SERVICES

104. **Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>.



For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VI. KEY RISKS

105. **The overall risk to project objectives is assessed as Substantial** after risk mitigation actions are considered for the categories below.

106. **Political and governance risk is Substantial.** These risks reflect the existence of vested interests albeit within an institutional framework that is modernizing and improving forest governance. Recent efforts by the authorities include the continued enforcement of the Prime Minister's decrees on illegal logging and banning timber exports; a new decree to promote commercial forest plantations; the 2019 Forestry Law, which opens PFAs to private investment in degraded land; ongoing governance reforms in cooperation with the European Union; certification by the Forest Stewardship Council (FSC) of 108,000 ha for SFM or controlled wood; and cancellations of two proposed hydropower dams adjacent to conservation forests. These and other efforts signal a departure from earlier practices and the wish to rely more on a market economy and the rule of law, which can deliver significant public benefits in the long term. However, possible limitations in the ability to extract rents in the forest sector could affect the quality and pace of reform efforts, slowing down their implementation. LLL will help mitigate these risks by assisting the GoL to design more robust monitoring and accountability mechanisms and strengthening the capacity of MAF in forest management and planning.

107. **Macroeconomic risk is High.** The macroeconomic impact of the COVID-19 outbreak in Lao PDR has been severe, and the GoL's ability to mitigate its impact is low due to a weak fiscal position exacerbated by a significant external debt payment schedule and low foreign reserves. COVID-19 will further aggravate the long-standing structural vulnerabilities of Lao PDR. The country has a legacy of weak macroeconomic management, resulting in limited fiscal and foreign currency buffers even before the global pandemic. The level of international reserves is at a multiyear low. The gap between the official and parallel market exchange rates has increased and is higher than historical norms. Despite lower public expenditure, weak revenue collection has resulted in an elevated fiscal deficit. The fiscal deficit is expected to rise to 7.5 to 8.8 percent of GDP, and public debt is expected to rise to 65 to 68 percent of GDP in 2020, leaving the country at high risk of debt distress. Limited fiscal space, the mounting pressure of deficit financing, and debt servicing will limit the ability of the GoL to stimulate the economy, exacerbating the downturn. The medium-term outlook is characterized by significant downside risks including (a) a more prolonged and/or severe outbreak of COVID-19 either globally, regionally, or domestically, exacerbated by a more sluggish recovery in Lao PDR's key trading partners; (b) heightened challenges in meeting public external debt service obligations; (c) adverse weather-related events; and (d) more significant impacts on the private sector, exacerbating the already fragile fiscal situation and further weakening the financial sector. LLL will help mitigate this risk by blending grant resources to finance critical conservation activities while fully utilizing IDA resources to boost economic recovery in rural areas.

108. **Institutional capacity for implementation and sustainability risk is Substantial.** Technical capacities needed to sustain multi-sectoral or multiagency interventions across stakeholders are weak. Competing interests among ministries and provincial authorities can undermine service delivery, policy development and implementation, and project performance. Nevertheless, the GoL has recently demonstrated multi-sector coordination for two Green Growth Development Policy Operations in 2017



and 2019, which helps mitigate this risk. The risk will be mitigated at the project level through (a) focused capacity development; (b) international expertise contracted by the client; (c) leveraging of the strong policy and investment dialogue anchored in the GoL's high-level green growth platform led by the Deputy Prime Minister; (d) focus on the three forest categories under the legal mandate of MAF/DOF; (e) documentation and promotion of benefits that arise through project M&E, impact assessments, and strategic communication, (f) consolidating under EPF fiduciary management several small but important project activities implemented by agencies other than DOF.

109. **Fiduciary risk is Substantial.** Limited fiduciary (FM and procurement) capacity of DOF could lead to the risk of delay in procurement processing, financial reporting, disbursement, and non-compliance with internal controls. This could also lead to the risk of funds not being effectively used. Project procurement will be conducted according to the Procurement Regulations. Procurement capacity to use STEP is limited and may require substantial support from World Bank staff during project implementation. Fiduciary capacity (FM and procurement) will be reassessed during the project implementation. Proposed risk mitigation measures include the recruitment of project assistants for procurement and FM, in addition to measures detailed in annex 1.

110. **Environmental and Social risks are Substantial.** The Substantial rating is mostly due to (a) the moderate risk that the LLL project area could be impacted by potential projects supported by GoL institutions and private entities that are not part of LLL, (b) new GoL policy frameworks (such as the 2019 Land Law, 2019 Environmental Impact Assessment Decree, and 2019 Forestry Law) for identifying, monitoring, and managing environmental and social risks in a large project footprint, combined with (c) limited capacity of the client in implementing the new World Bank ESF. Environmental and social risks will be mitigated by (a) providing technical support to the client to implement the ESF instruments, (b) dedicated project budget for managing risk and building sustainability, (c) effective project design and management, and (d) leveraging multisectoral dialogues on green growth and sustainability. The project is not financing industrial plantations but will support the Government to put in place and maintain a strong environmental and social risk management framework and management capacity, and a grievance redress mechanism, consistent with guidance provided under the ESF. IFC has assisted private companies to develop grievance mechanisms that could be widely used.

111. **In addition, climate risks, experienced in project sites as floods and drought, can amplify the difficulty of the project's operating environment and increase the pressure on forests and forest resources.** This might result in lower climate mitigation and adaptation co-benefits if deforestation and degradation were to increase, and peoples' resilience to floods, droughts, and landslides will decrease due to forest loss. The risk will be mitigated through investment in better landscape management which can boost ecosystem-based adaptation outcomes – generating significant climate co-benefits.

112. **Other risks.** The risk of economic and logistical disruption from COVID-19 is rated Substantial. The COVID-19-related travel restrictions hinder project preparation, implementation, and supervision. The project will mitigate this risk by adopting a combination of remote-sensing tools for supervision, coupled with field-based consultants that will enable basic monitoring and reporting even in case of total lockdown. Much of the World Bank team is currently based in Vientiane, and reliance on external missions is somewhat reduced compared to business as usual before COVID-19.

**VII. RESULTS FRAMEWORK AND MONITORING****Results Framework**

COUNTRY: Lao People's Democratic Republic
Lao Landscapes and Livelihoods Project

Project Development Objectives(s)

To promote sustainable forest management, improve protected area management, and enhance livelihoods opportunities in selected landscapes in Lao PDR.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	End Target
To promote sustainable forest management			
1. Landscape area with maintained or increased forest cover (Hectare(Ha))		0.00	2,000,000.00
1a. Conservation forest (PAs) area with maintained or increased forest cover (Hectare(Ha))		0.00	1,300,000.00
1b. Protection forest area with maintained or increased forest cover (Hectare(Ha))		0.00	400,000.00
1c. Production forest area with maintained or increased forest cover (Hectare(Ha))		0.00	300,000.00
1d. Village forest with maintained or increased forest cover (Hectare(Ha))		0.00	800,000.00
to improve protected area management			



Indicator Name	PBC	Baseline	End Target
2. Protected areas that score over 50 on the global PA Management Effectiveness Tracking Tool (METT) (Number)	3.00		8.00
to enhance livelihoods opportunities in selected landscapes in Lao PDR			
3. Households or Economic Interest Groups engaged in alternative and/or improved traditional livelihood activities supported by the project (Number)		0.00	72,050.00
3a Economic Interest Groups engaged in alternative and/or improved traditional livelihood activities supported by the project (Number)		0.00	50.00
Beneficiaries of job-focused interventions (CRI, Number)		0.00	144,000.00
Beneficiaries of job-focused interventions - Female (CRI, Number)		0.00	75,000.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Investing in Natural Wealth and Resilience in Forest Landscapes			
Forest area brought under management plans (CRI, Hectare(Ha))		0.00	2,300,000.00
5a. Conservation Forest (PA) under a management plan (Hectare(Ha))		0.00	1,500,000.00
5b. Production Forest Area under a management plan (Hectare(Ha))		0.00	400,000.00
5c. Protection Forest Area under a management plan (Hectare(Ha))		0.00	400,000.00



Indicator Name	PBC	Baseline	End Target
5d. Village forest under a management plan (Hectare(Ha))	0.00		800,000.00
5e. Production Forest Area certified for controlled wood or SFM (Hectare(Ha))	0.00		250,000.00
Land area under sustainable landscape management practices (CRI, Hectare(Ha))	0.00		1,200,000.00
7. Net carbon dioxide equivalent emissions (Metric ton)	0.00		-10,000,000.00
8. Beneficiaries using extension or outreach services (Number)	0.00		144,000.00
8a. Beneficiaries using extension or outreach services (females) (Percentage)	0.00		50.00
9. Productive assets built and maintained for improved resilience (Number)	0.00		30.00
9a. Small irrigation or multipurpose small reservoirs plus village-to-village payments for environmental services to protect forest (Number)	0.00		10.00
9b. Tourism or park management facilities constructed / rehabilitated (Number)	0.00		10.00
9c. Roads constructed / rehabilitated (Number)	0.00		10.00
10. Village conservation agreements approved and annually reported (Number)	0.00		267.00
11. Tourism agreements signed between tourism operators, local villages and relevant PA and other management authorities in targeted forest landscapes (Number)	0.00		10.00
12. Villages entering partnership agreements with environmentally and socially sustainable tree plantation enterprises (Number)	0.00		30.00
13. Households establishing and managing tree plantations (Number)	0.00		200.00
Livelihoods Opportunities from Sustainable Forest Landscapes			
14. Households using Village Development Funds for forest-	0.00		72,000.00



Indicator Name	PBC	Baseline	End Target
smart livelihoods activities (Number)			
14a. Vulnerable households using Village Development Funds for forest-smart livelihoods activities (Number)	0.00		5,000.00
15. Share of women members of the Village Committees' LLL Teams (Percentage)	0.00		40.00
16. Share of target beneficiaries with a score 'Satisfied' or above on project interventions (Percentage)	0.00		90.00
16a. Share of female target beneficiaries with a score 'Satisfied' or above on project interventions (Percentage)	0.00		90.00
Institutions, Incentives, and Information			
17. New or revised laws, policies, and regulations drafted and submitted to relevant authority for approval (Number)	0.00		15.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
1. Landscape area with maintained or increased forest cover	This indicator measures the PDO aspects of forest and protected area management at landscape level. See Appendix A in the project file on M&E for details.	Annual	Forest cover assessment	Remote sensing. See Appendix A in the project file for details.	DOF
1a. Conservation forest (PAs) area with maintained or increased forest cover	See mother indicator.	Annual	Forest cover assessment	Remote sensing	DOF



1b. Protection forest area with maintained or increased forest cover	See mother indicator.	Annual	Forest cover assessment	Remote sensing	DOF
1c. Production forest area with maintained or increased forest cover	See mother indicator.	Annual	Forest cover assessment	Remote sensing	DOF
1d. Village forest with maintained or increased forest cover	See mother indicator.	Annual	Forest cover assessment	Remote sensing	DOF
2. Protected areas that score over 50 on the global PA Management Effectiveness Tracking Tool (METT)	The indicator measures the strength and effectiveness of the GOL's PA authorities in managing PAs and biodiversity in targeted PAs using the globally standardized METT for PAs. See Appendix A in the project file for details.	Annual	METT score	Scoring exercise by 3rd party	DOF
3. Households or Economic Interest Groups engaged in alternative and/or improved traditional livelihood activities supported by the project	This indicator measures the number of households or economic interest groups that have added new activities to their livelihood strategies and/or improved existing farm- and forest-related livelihood activities. See separate Appendix A in the project file for details.	Biennial	Survey reports	Household survey	DOF
3a Economic Interest Groups engaged in alternative and/or improved traditional livelihood activities supported by the project	See Appendix A in the project file.	Biennial	Survey reports	Household survey	DOF



Beneficiaries of job-focused interventions		Annual	Survey reports	Household survey	DOF
Beneficiaries of job-focused interventions - Female		Annual	Survey reports	Household survey	DOF

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Forest area brought under management plans		Annual	Forest management plans	Field survey. See Appendix A in the project file for details.	DOF
5a. Conservation Forest (PA) under a management plan	To be counted the management plan would have to be approved by the relevant government authority. See Appendix A in the project file for details.	Annual	Management plans	Field survey	DOF
5b. Production Forest Area under a management plan	See appendix A in the project file.	Annual	Management plans	Field survey	DOF
5c. Protection Forest Area under a management plan	See Appendix A in the project file.	Annual	Management plans	Field survey	DOF
5d. Village forest under a management plan	See separate M&E document for details.	Annual	Management plans	Field survey	DOF



5e. Production Forest Area certified for controlled wood or SFM	See Appendix A in the project file.	Annual	Management plans, certification documents	Field survey	DOF
Land area under sustainable landscape management practices	The indicator measures, in hectares, the land area for which new and/or improved sustainable landscape management practices have been introduced. Land is the terrestrial biologically productive system comprising soil, vegetation, and the associated ecological and hydrological processes; Adoption refers to change of practice or change in the use of a technology promoted or introduced by the project; Sustainable landscape management (SLM) practices refers to a combination of at least two technologies and approaches to increase land quality and restore degraded lands for example, agronomic, vegetative, structural, and management measures that, applied as a	Annual	Survey reports, project and activity records	Field survey	DOF



	combination, increase the connectivity between protected areas, forest land, rangeland, and agriculture land.				
7. Net carbon dioxide equivalent emissions	This is a CRI but not available in portal's CRI list. It is also required by the CCEFCF. Project net greenhouse gas (GHG) emissions are reported as metric tons of carbon dioxide equivalent (MtCO ₂ e). It is calculated as an annual average of the difference between project gross (absolute) emissions and the emissions of a baseline scenario aggregated over the same time horizon. See Appendix A in the project file for details.	Annual	Modified Ex-ACT tool and/or remotely sensed data	Modified Ex-ACT tool	DOF
8. Beneficiaries using extension or outreach services	This indicator measures the extent of individuals reached annually with extension or technical outreach services, provided through the project. See Appendix A in the project file for details.	Annual	Survey reports	Survey	DOF



8a. Beneficiaries using extension or outreach services (females)					
9. Productive assets built and maintained for improved resilience	Resilience indicator. Climate adaptation indicator. This indicator measures the project contribution to small infrastructure and natural solutions that are part of Village (community) Action Plans. See Appendix A in the project file for details.	Annual	Project and activity records	Survey	DOF
9a. Small irrigation or multipurpose small reservoirs plus village-to-village payments for environmental services to protect forest	See Appendix A in the project file.	Annual	Survey reports	Survey	DOF
9b. Tourism or park management facilities constructed / rehabilitated	See Appendix A in the project file.	Annual	Survey reports	Survey	DOF
9c. Roads constructed / rehabilitated	See Appendix A in the project file.	Annual	Survey reports	Survey	DOF
10. Village conservation agreements approved and annually reported	Village Conservation Agreements (VCA) are binding between the relevant government authority and the Village Administration. See Appendix A in the project file for details.	Annual	Village conservation agreements	Survey	DOF
11. Tourism agreements signed between tourism operators, local villages and relevant PA and other management	This indicator measures the number of partnerships (tourism agreements)	Annual	Tourism agreements	Survey	DOF



authorities in targeted forest landscapes	among Government Authorities, private entities, and villages in established as a result of the project. See Appendix A in the project file for details.				
12. Villages entering partnership agreements with environmentally and socially sustainable tree plantation enterprises	This indicator measures the number of villages that enter partnership agreements that have been facilitated as a result of project support. See Appendix A in the project file for details.	Annual	Partnership agreements	Survey	DOF
13. Households establishing and managing tree plantations	The indicator measures the number of households involved in establishing and managing tree plantations with support provided by the project. See Appendix A in the project file for details.	Annual	Project records	Household survey	DOF
14. Households using Village Development Funds for forest-smart livelihoods activities	COVID 19 response indicator. This indicator measures the total number of households accessing project livelihoods support from the respective Village Development Funds to implement their chosen eligible livelihood activities. See Appendix A in the project file for details.	Annual	Village Development Funds	Household survey	DOF



14a. Vulnerable households using Village Development Funds for forest-smart livelihoods activities	This sub indicator measures the community targeting of earmarked 20% resources of the VLBG to the most vulnerable households in the village, disbursed as grants village planning. See Appendix A in the project file for details.	Annual	Village Development Funds	Household survey	DOF
15. Share of women members of the Village Committees' LLL Teams	Gender Indicator. This indicator measures the participation of women in decision making related to project activities. This indicator measures the participation of women in decision making related to project activities. Village Committee's LLL team members will receive dedicated technical training on the different aspects of the project, and each member will specialize, and will be the Village focal point for, one of the activities. The technical and leadership skills acquired during the project, could facilitate employment and overall empowerment beyond the project closure.	Annual	Village Committee	Survey	DOF



16. Share of target beneficiaries with a score 'Satisfied' or above on project interventions	Citizen engagement indicator. See Appendix A in the project file for details.	Annual	Survey reports	Perception survey	DOF
16a. Share of female target beneficiaries with a score 'Satisfied' or above on project interventions		Annual	Survey data	Perception survey	Third party contracted by DOF/NPCU
17. New or revised laws, policies, and regulations drafted and submitted to relevant authority for approval	This indicator measures the support provided by the project to the GoL to enhance legislation, policy, and regulations. See Appendix A in the project file for details.	Annual	Institutional data, legal and policy documents	Document review	DOF

**ANNEX 1: IMPLEMENTATION ARRANGEMENTS AND SUPPORT PLAN**

- 1. The GoL will implement the project through existing institutions at the central, provincial, district, and village levels, based on their legal mandates.** GoL focal points at national, provincial and district level will be supported by project advisors and assistants as relevant. Implementation of village level activities will be coordinated by project-hired village facilitators (young graduates) based at district level, each covering 3-4 villages.
- 2. A National Project Coordination Unit (NPCU) located in DOF will provide project coordination services to the national and provincial institutions implementing specific activities financed by the operation.** Each institution will have a dedicated project focal point networked to the NPCU to form a robust multi-sector team that regularly exchanges relevant information across institutions and sectors.
- 3. EPF Supports the NPCU to perform fiduciary requirements, financial management, and procurement for some selected activities.** EPF adds value, strengthening coordination and implementation of key LLL activities that are low cost but are implemented by various agencies. EPF would not levy fees on the project, and EPF operational costs will be covered in the overall LLL annual work program and budget.
- 4. A Provincial PCU located in the Provincial Agriculture and Forestry Office (PAFO) will implement and monitor activities within the province and coordinate work programs with relevant provincial technical teams in Government offices.** The GoL provincial project coordinator will be supported by project advisors, to meet the complexities and multi-sectoral nature of the project activities, including fiduciary procedures, implementation and monitoring of ESF, the Procurement Plan, and FM procedures.
- 5. PA Authorities located at each PA, will implement and monitor activities within the PAs. Not all PAs have a functioning PA Authority. During the time of establishment of new PA Authorities, supported by the project, activities in these PAs will be implemented by PAFOs and coordinated by the Provincial PCU.** In PA management, partnerships with conservation NGOs will be supported, and regulated by MoUs between DOF and the NGO. Existing collaboration modalities, with different degrees of responsibilities and oversight over activities and budget, will be continued under LLL for the relevant PAs. New collaboration modalities based on lessons from other countries could also be tested for some PAs, based on demand and opportunity. See



6. Figure 1.2 for details on the PA collaborative management arrangements.

7. **District Project Teams located in the District Agriculture and Forestry Office (DAFO) will implement and monitor activities within the District.** The district project team will consist of a GoL focal point supported by local consultants and project assistants with different expertise according to needs and location. The team will oversee the delivery of technical and extension services to the villages and report to the provincial PCU. The District project team will be supported by Village Facilitators (young university graduates) hired as project assistants for village-level mobilization.

8. **A Village Committee's LLL Team located in the Village Committee will work closely with the Village Facilitator, supporting village mobilization for project activities.** The Village Committee's LLL Team will provide village-based technical and fiduciary support on key project-related activities such as forest and land use planning, community based targeting, book-keeping for revolving credits and vulnerability grants under the VLBGs, extension support and so on. In villages in or around PAs where a PA Authority is in place, the PA Authority will supervise implementation of the village level activities listed above. In the PAs where a PA Authority is not yet in place, PAFO will lead implementation at the village level, until the PA Authority is legally established.

9. **Strategic inter-ministerial coordination** will be ensured by the steering and technical committees listed below, which will periodically meet, review project progress and advise on project management and implementation:

- a) **National Project Steering Committee:** Chaired by MAF Vice Minister and attended by all ministries/departments (listed below in Table 1.1) at Deputy Director level, this committee meets annually.
- b) **National Project Technical Committee:** Chaired by DOF Director General and attended by representatives of all relevant GoL agencies (listed below in Table 1.1) at technical level, this committee will oversee the technical direction of the project. The committee meets bi-annually, and reports to the National Project Steering Committee.
- c) **Provincial Steering Committees (8 provinces):** Chaired by the Provincial Vice Governor, these committees meet annually and include management level representatives of provincial and district offices implementing the project, as well as relevant PA authorities. These committees facilitate inter-ministerial project coordination and provide strategic advice on project implementation at provincial level, and report to the National Project Steering Committee.

10. **For project activities related to PA management and NBT, multi-sector coordination is guided by an inter-ministerial working group and two technical advisory groups on important topics which will advise the NPCU.** The groups below meet periodically:

- a) *Inter-ministerial Working Group on PA Management.* Chaired by MAF Vice Minister, the working group meets annually. Membership includes MAF/DOF (PA management), Ministry of Information, Culture, and Tourism (MOICT) (tourism), MAF/DOFI; Ministry of Public Security (MPS)/DCNEC; Ministry of National Defense (MoD)/Army; Ministry of Justice (MoJ) (ranger coordination); MAF/Department of Agriculture (DOA) (agriculture development), Lao Front for National Development (LFND) (village development and welfare), Lao Women Union (LWU) (gender issues), MONRE (land tenure and environmental regulation), Ministry of Public Works and Transport (MPWT) (transport), National University of Laos (NUOL) (research) and



other agencies as relevant. This body will promote collaboration between the different ministries on all aspects of collaborative PA management through MoUs. This working group will report to the National Project Steering Committee.

- b) *Technical Advisory Group on PA Management.* This informal group meets quarterly and includes GoL representatives and PA management experts, including development partners and NGOs. The advisory group advises MAF/DOF on different aspects of enabling PA management. The group supports the development and testing of policies, management plans and implementation guidelines and regulations related to PA management.
- c) *Technical Advisory Group on Nature-based Tourism.* This informal public-private advisory group meets quarterly and includes national and international expertise in tourism development. It comprises GoL representatives, relevant national and international NGOs, representatives from the private sector, and bilateral organizations as relevant.

11. For project activities related to sustainable forestry, multi-sector coordination is guided by an inter-ministerial working group and two technical advisory groups which will advise the NPCU. As detailed in the POM, the groups below meet periodically:

- a) *Inter-ministerial Working Group on Sustainable Forestry.* Chaired by MAF Vice-Minister meets annually. The working group addresses Production Forest Management, Protection Forest Management, and VFM. Participants include MAF/DOF (management), MAF/DOA (agriculture development), LFND (village development and welfare), LWU (gender issues), MONRE (land tenure and environmental regulation), MPWT (transport), and other agencies as relevant. The working group promotes collaboration on environmentally and socially sustainable forest plantations, smallholder forestry, village forestry, and forest protection, through MoUs.
- b) *Technical Advisory Group on Production and Protection Forest Management.* This informal advisory group meets quarterly and includes GoL representatives and leading forest management experts, including Development Partners and NGOs. The group advises MAF/DOF/DOA on different aspects of enabling SFM. The TAGPFM supports the development and testing of policies, processes and implementation guidelines and regulations relating to governance, the utilization and the benefit sharing from SFM.
- c) *Technical Advisory Group on Environmentally and Socially Sustainable Tree Plantations.* This informal public-private advisory group meets quarterly and includes technical staff from relevant GoL agencies, national and international NGOs, private sector through the Lao Planted Forest Group supported by IFC, and bilateral organizations as relevant.

12. A summary of the agencies involved in LLL is presented in Table 1.1, 1.2 and 1.3 based on existing mandates. The agencies and institutions listed in the tables fall in three categories (see also figure 1.1):

- a) Agencies *implementing* LLL project-funded activities (table 1.1). These agencies manage project funds to implement activities based on annual work programs and budgets. For example, DOF and PAFOs manage project funds to implement VFM in target PFAs and PtFAs.
- b) Agencies *supporting* LLL project-funded activities implemented by other GoL agencies (table 1.2). For example the Ministry of Public Works and Transports (MPWT) supports and advises DOF on the design and maintenance of the small resilient roads built in component 1, and reflects them in the provincial road masterplan, to be included in the overall provincial road



maintenance budget. MPWT will not manage project funds, but selected individuals may receive per diems to attend meetings and/or join field supervision when necessary.

- c) Non-Government entities supporting LLL Project-funded activities implemented by GoL agencies (table 1.3). NGOs and private sector will collaborate with government agencies in their respective capacities. Coordination and support may vary from case to case, and could include some technical assistance, dialogue on policy formulation, training and capacity building, parallel funding for specific activities contributing to the project objectives, etc.

Table 1.1. Agency Implementation of project activities: Roles and responsibilities of GoL agencies implementing LLL Project-funded activities, based on current GoL mandates

Institution	Project-related Mandate
MAF	MAF is the main ministry responsible for project implementation. It will focus on mobilizing resources and departments at national and sub-national level to coordinate implementation of all project activities. The MAF Vice Minister chairs the multi-sectoral National Project Steering Committee.
MAF/DOF	DOF houses the NPCU and leads the implementation of most components (Component 1, 2, 3.1, and 4). DOF technical divisions will implement forest management activities in the three forest categories according to their mandates.
Individual PA Authorities under MAF/DOF	PA Authorities implement project activities in PAs and buffer zones. This includes engagement with guardian villages inside and adjacent to the PA.
MAF/DOFI	Implements subcomponent 3.2, jointly with DCNEC, LCD and DOF, in the coordination framework of the Lao Wildlife Enforcement Network (Lao-WEN).
EPF	Supports the NPCU to perform fiduciary requirements, financial management, and procurement for (a) subcomponent 3.2 on strengthening institutions to reduce wildlife and forest crimes, and (b) subcomponent 3.3 on information for decision support.
MONRE	Implements selected activities in subcomponent 3.3 on information for decision support, specifically: (a) Department of Environment implements the policy framework for Strategic Environmental Assessment and Environmental and Social Impact Assessment (b) Department of Climate Change performs monitoring and reporting for Climate Paris Agreement Nationally Determined Contribution (c) Department of Land (DOL) leads the advancement of the policy framework on land tenure recognition inside forestlands, in partnerships with MAF/DOF and MAF/ Department of Agricultural Land Management (DALaM).
Ministry of Planning and Investment (MPI)/LSB	Leads the intergovernmental natural capital accounting working group, and conducts dedicated analysis on landscape valuation (subcomponent 3.3).
Ministry of Finance/LCD	Implements subcomponent 3.2 on strengthening institutions and policies to reduce forest and wildlife crimes, jointly with DCNEC, DOFI and DOF, as part of the coordination framework of Lao-WEN.
Ministry of Public Security; DCNEC	Implements subcomponent 3.2 on strengthening institutions and policies to reduce forest and wildlife crimes, jointly with DOFI, LCD and DOF, as part of the coordination framework of Lao-WEN.
Provincial and district offices under the above institutions	Responsible for implementation, enforcement, and information dissemination and gathering.



Institution	Project-related Mandate
Village Committee	Chaired by the Village Chief, the Village Committee is responsible for village-level activities and decision making, including management of the VDF, based on Lao Laws and regulations. The Village Committee is the legal authority coordinating the implementation of LLL activities at the village level, and will be technically supported by a Village Committee's LLL Team embedded in the Village Committee, which will receive dedicated training on project activities.

Table 1.2. Roles and responsibilities of GoL agencies in supporting LLL Project-funded activities implemented by other GoL agencies, based on current GoL mandates

Institution	Project-related Mandate
MAF/DALaM	Supports: (a) land use planning, zonation and restoration, and advise on catchment areas for small scale village irrigation schemes (component 1); (b) the advancement of policy framework for land tenure recognition inside the three forest categories (Subcomponent 3.3) with DOF and DOL (MONRE).
MAF/Department of Technical Extension and Agro-Processing (DTEAP)	Supports: (a) extension and village advisory services (component 1), and (b) processing and agricultural value chain development (Subcomponent 2.1).
MAF/DOA	Supports: (a) extension and village advisory services (component 1), and (b) processing and agricultural value chain development (subcomponent 2.1).
MAF/National Agriculture, Forestry, and Rural Development Research Institute (NAFRI)	Supports research activities on productive forestry and other agronomic issues (subcomponent 1.2) jointly with the National University of Laos and others as appropriate.
MOICT/Department of Tourism Development	Supports and advises on NBT-related activities in the project, specifically: (a) supports PA management in the development of tourism strategies, marketing, and infrastructure (subcomponent 1.1) (b) advises on tourism-related vocational training options (subcomponent 1.2); (c) 2.3 co-chairs the NBT business leveraging facility's steering committee with DOF and MOIC (subcomponent 2.3) ; and (d) supports tourism-related policy and enabling activities (subcomponent 3.1).
Ministry of Industry and Commerce (MOIC)	Various departments support in SMEs and industry-related activities in (a) forestry (subcomponent 1.2, 2.2, 3.1), (b) NBT (subcomponent 1.1, 2.2, 2.3, 3.1), (c) market access for livelihoods activities (subcomponent 2.1, 2.2), and (d) chain of custody certification and forest-related downstream industries support and policies (subcomponent 3.1).
Ministry of Education (MOE)/Department of Technical and Vocational Education and Training (TVET)	Supports Vocational Training and Skills Development (subcomponent 2.2).
MPI	The Department of Investment Promotion supports the development of regulations and policies for forestry and NBT concessions (subcomponent 3.1). The Department of Planning supports the mainstreaming of forest and land use and management plans in the overall national, provincial, district and village development plans (component 1). It also hosts the secretariat of the high-level Green Growth Steering Committee, which will inform the strategic direction of LLL. Other departments support specific activities as appropriate.



Institution	Project-related Mandate
MPWT	Supports the supervision, construction and maintenance of selected climate resilient access roads as part of the village infrastructure activity (subcomponent 1.2).
NUOL	Supports applied research in partnership with other agencies as relevant (subcomponent 1.1, 1.2, 2.2, 3.1, 3.3).
MoD/Lao Army	Supports PA management by participating in joint patrol teams with villagers, PA staff, and POFI, inside PAs (subcomponent 1.1), particularly in PAs bordering with Vietnam. Project funds will not cover Army per diems, which will be financed by DOF's own budget.
LFND/Department of Ethnic Affairs	Supports citizens engagement, especially ethnic groups, in project activities including forest and natural resources management (component 1), livelihoods development (component 2), and policy and institutional support (component 3).
LWU	Supports citizens engagement, especially women, in project activities including forest and natural resources management (component 1), livelihoods development (component 2), and policy and institutional support (component 3).
Lao Youth Union (LYU)	Supports citizens engagement, especially youth, in project activities including forest and natural resources management (component 1), livelihoods development (component 2), and policy and institutional support (component 3).
Provincial and district offices under the above institutions	Responsible for supporting implementation, enforcement, and information dissemination and gathering.
Other relevant ministries	Provide support and advice in activities related to their respective fields.

Table 1.3. Roles and responsibilities of non-Government entities supporting LLL Project-funded activities implemented by GoL agencies

Institution	Project-related Mandate
Private sector	In Lao PDR, forest plantation, wood industry development, and agricultural production and marketing are predominantly private sector activities. NBT is also a private sector activity primarily. LLL will coordinate with the private sector to support the production sectors, through (a) the provision of training, seminars, and workshops on governmental regulations (subcomponent 2.2 and 3.1); (b) technical assistance (subcomponent 2.2 and 3.1); (c) research and extension (component 1); and (d) financial and other support to participant communities (subcomponent 1.2, 2.1, 2.2 and 2.3).
NGOs	NGOs will continue to partner with DOF in PA management (subcomponent 1.1), under various partnership modalities regulated by MoUs. Key features for NGO collaboration in PA management can consist in, but are not limited to: (a) provision of technical assistance to specific collaborative management activities, (b) provision of complementary support (with complementary funds), on biodiversity monitoring, camera traps, research, etc. (c) provision of project management services, including support to develop work plans, budgets, recruitment, procurement etc. Some PAs adopt only some of the features above, based on demand and opportunity. New collaboration modalities may be tested during implementation.

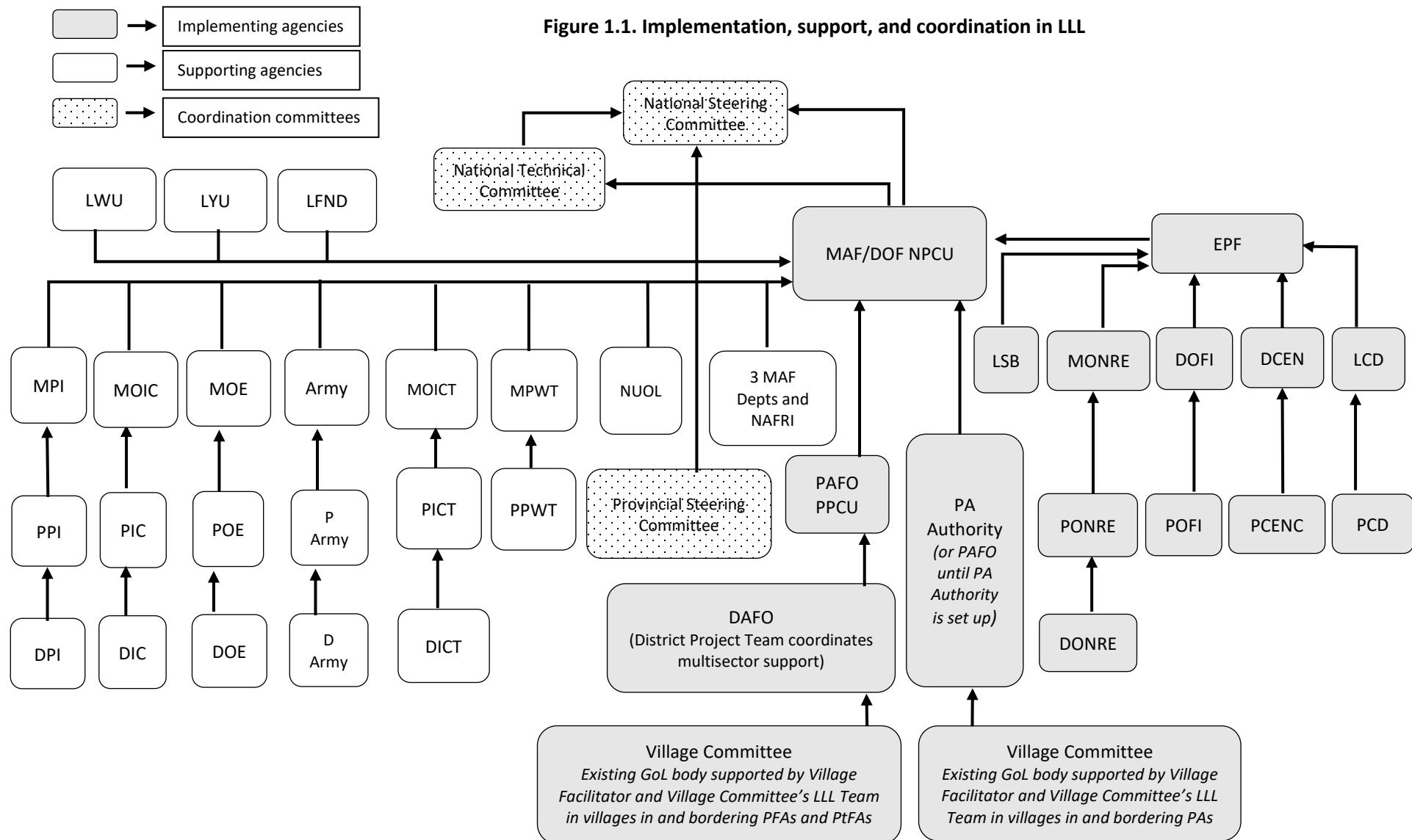
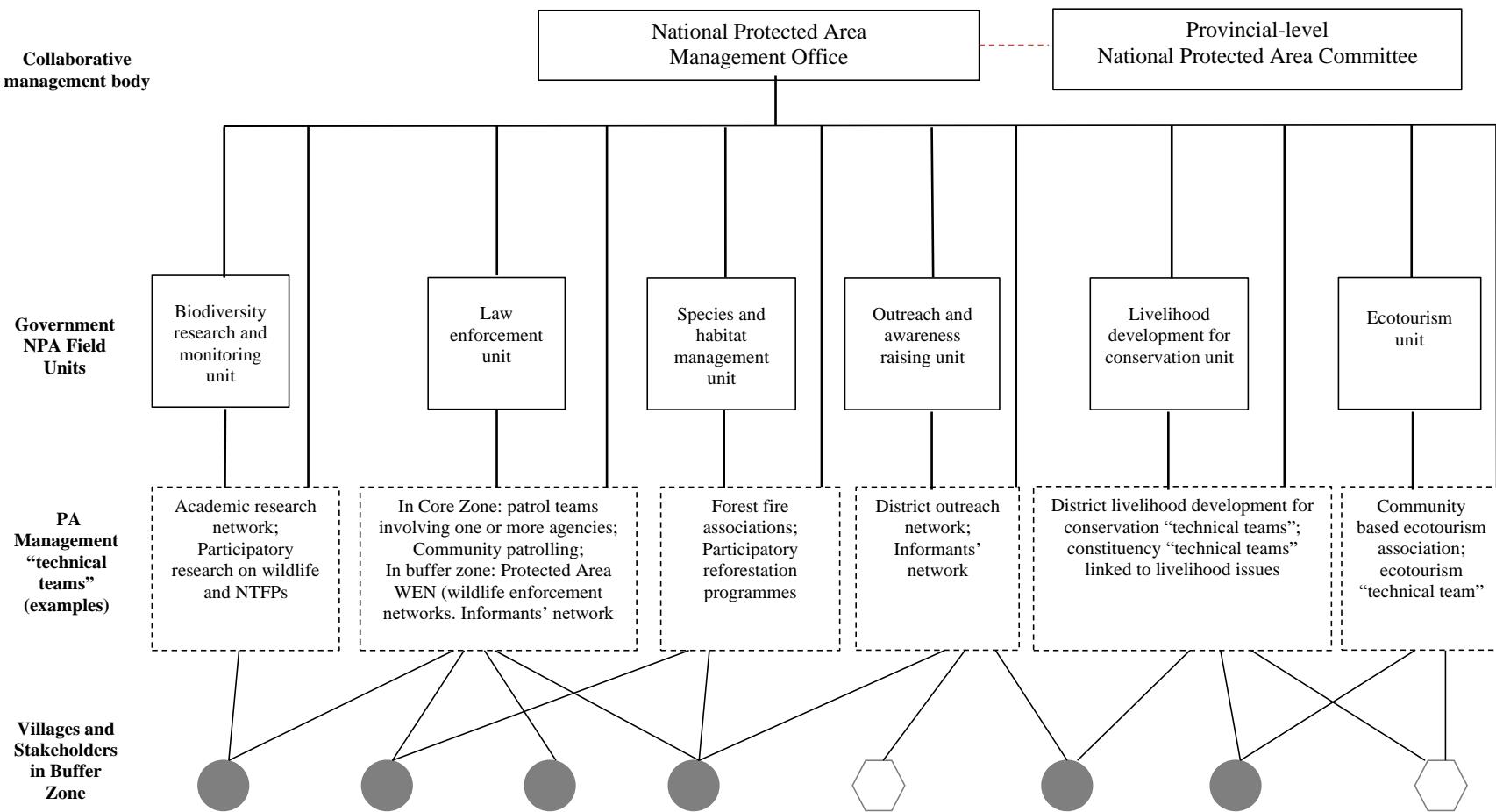




Figure 1.2. Generic Multi-level Collaborative Management Arrangements for a PA



**Village Livelihoods Block Grants Implementation (Subcomponent 2.1)**

13. Under LLL Component 2, a participating village is eligible to receive project-funded VLBGs through its VDF. The VLBG consists of two parts: (a) a quick-disbursing grant to support the village's 10 MVHs and (b) revolving livelihoods credits for any household, 50 percent of which have to be approved by the woman of the household, or to an economic interest group (such as a women's weaving group). The value of each village's VLBG is the kip equivalent of US\$10,000 (the amount could be higher if the overall project financing increases). Of this amount, 20 percent would be reserved for the MVH grant and 80 percent for the revolving credit. There are special criteria for households to access the MVH grant.

14. LLL will use the following existing village institutions to implement VLBGs. Village governance structures are responsible for implementing the VLBGs and VDF and tend to be organized as follows:

- (a) *Nai Ban* (village chief) chairs the Village Committee.
- (b) The Village Committee is responsible for decisions on the allocation of revolving credits and MVH grants to relevant households. The composition of the committee varies from village to village and includes a representative of LWU and a representative of the LFND. The Village Committee's LLL Team will support and advise on the community targeting, book keeping, and overall technical support to the implementation household livelihoods activities.
- (c) Villagers participate in village meetings and borrow from the VDF.
- (d) The VDF is a revolving fund generally managed by the village itself through the Village Committee. Most villages already have an established VDF, which would be strengthened. Villages without a VDF would be supported to establish one.

15. **Step 1 - Village selection.** Candidate villages are invited to join a project consultation by the project team (LLL village facilitator or other project staff and DOF, PAFO and/or DAFO officials as appropriate). Together, the project team and the village consider the following criteria to decide whether or not the village should join the project:

- (a) **Villages inside or adjacent to PAs** (supported under Subcomponent 1.1 and activity 2.1.1):
 - (i) The village is located in immediate proximity to high biodiversity zones within or bordering targeted PAs.
 - (ii) The village is located in immediate proximity to NBT assets.
 - (iii) The village administration and most of the community express their interest to join the project and participate in co-management of the PA.
 - (iv) The village administration agrees to not use the MVH grants for activities in the negative list of ineligible activities (see step 2 below).
- (b) **Villages inside PFAs and PtFAs** (supported under Subcomponent 1.2 and activity 2.1.2):
 - (i) The village has relatively good forest cover.
 - (ii) The village is vulnerable to forest fire, floods, droughts, erosion, or landslides.



- (iii) The village administration and most of the community express their interest to restore degraded village forests and take advantage of economic opportunities for wood products and NTFPs.
- (iv) The village administration and most of the villagers are supportive of VFM or have been trained in PSFM or forest certification.
- (v) The village administration and most of the villagers express their interest to join the project.
- (vi) The village administration agrees to not use the MVH grants for activities in the negative list.

VLBG MVH Grant Implementation Arrangements

16. **Step 2 - Identification of the village's 10 MVHs.** These households are identified by the village itself through a participatory community-based targeting exercise led by the Village Committee. As part of the exercise, a list of ineligible activities (negative list) will be presented, and the selected households will agree not to use the funds for items in the negative list. DAFO will review compliance with the selection procedures. This exercise is based on meeting criterion (a) plus at least one additional criterion among (b)–(f):

Household must meet the mandatory criterion:

- (a) **Poverty.** Household is among the bottom 40 percent of income earners in the village in the past year (to be cross-referenced with existing District Office database on the poorest households).

Household must meet at least one of the following criteria:

- (a) Economic disaster. Household is victim to a pandemic or epidemic, natural disaster, excessive debt, sudden family death, and so on.
- (b) There is loss of household assets from natural or climate disasters (such as flood, drought, erosion, fire, storm, earthquake, pests, or disease).
- (c) Some or all household members have health problems, including chronic disease or disability, or other conditions that prevent earning a livelihood.
- (d) Some or all household members face social exclusion or disadvantage.
- (e) Head of household is single.

17. **Step 3 - Funds transfer.** DOF transfers the VLBG (US\$10,000) to the VDF, which then transfers the MVH grants (US\$2,000) to the 10 MVHs identified in step 2. The remaining US\$8,000 to be used as revolving credit will be held in the Village bank account at a commercial bank until step 6. The use of the MVH grant is restricted by the 'negative list' in the ESMF (that is, activities the grant cannot be used for, such as encroachment, illegal timber felling or hunting, tobacco farming, weapons, and so on). Each recipient household should report on the use of the grant to the Village Committee. The Village Committee will document the use of the grant and report this to the village facilitator (see paras below).



VLBG Revolving Credit Implementation Arrangements

18. **Step 4 - Participatory plans are developed and approved (funded under Component 1).** The village will be supported by village facilitators, outreach specialists, and extension agents from PAFO, DAFO, or PA Authority, to develop participatory land and resource management plans. Approval of the plans is the condition to receive and spend project funds. Each plan's approval process differs slightly depending on local contexts. Plans to be developed are

- (a) Village Land Use Plan. If one already exists, it is reviewed and updated;
- (b) Village (Community) Action Plan;
- (c) VCA if the village is in or adjacent to a PA; and
- (d) VFM Plan if the village is in or around a production or protection forest.

19. **Step 5 - Safeguards: preparation of site-specific ESF documents.** After the planning process is completed, DOF initiates the process of preparing a site-specific ESMP, the Community Engagement Plan, and other site-specific ESF instruments as relevant that are prepared for the selected village in accordance with procedures in the ESMF. No resettlements are anticipated as a result of project activities, but if needed, an ARAP will be prepared.

20. **Step 6 – The VLBG balance (US\$8,000), held at the Village bank account, can now be accessed for revolving credit, upon approval of the relevant participatory village plans.**

21. **Step 7 - Credits from the VDF are provided to households or to economic interest groups for specific farm or nonfarm income-earning sub-projects in line with the plans approved earlier.**

22. **Step 8 - Households or economic interest groups design, implement, monitor, and report on their own VLBG sub-project activities.** Extension, outreach, and village advisory services (funded under Component 1) will be provided throughout the process. Examples of forest-smart VLBG sub-projects could include, among others,

- (a) Promotion of silkworm and mulberry value chain (weaving),
- (b) Fishponds and fish raising in irrigated paddies,
- (c) Home gardens,
- (d) Traditional homestays for tourism,
- (e) Bamboo production and marketing,
- (f) Crispy riverweed production and quality improvement and marketing, and
- (g) Improved native and black chicken raising and marketing.

23. **Women's participation and empowerment in VLBG sub-projects.** 50 percent of the revolving funds out of the village block grants are taken-up by women to implement women-owned sub-projects. In these cases, the female household member registers with the VDF; subscribes the loan; and is accountable for planning, implementation, and financial reporting on the household sub-project itself (irrespective of the status of the male in the household).



24. In addition, female-headed households where the woman is the *only* income earner (widow, separated, divorced, single mother, or husband working outside of the village or abroad and not sending money) could also be considered vulnerable and therefore could also be eligible for the MVH grant.

25. Decision on how to allocate resources from VLBGs will be made via equal representation of men and women on the Village Committee. This approach helps address persistent participation gender gap identified in the gender analysis for LLL.

26. Women will represent two thirds of the Village Committee's LLL team, providing technical and implementation support to the Village Committee.

Implementation Arrangements for Village FM and Reporting on VLBGs

27. **The Village Committee, supported by its Village Committee's LLL Team, keeps records and manages reflows to the VDF.** As household sub-projects are implemented, the Village Committee will keep track of progress of the VLBG sub-projects and the use of MVH grants. The Village Committee will also record repayments to the VDF for the next generation of credits. DAFO staff, PA staff as relevant, and/or village facilitators will assist with the FM and in building the capacity of the Village Committee. NGO partners or firms may be secured by DOF to assist in the process.

28. For villagers, the level of detail or accounting, record keeping, and required testifying to the proper use and disbursement of VLBGs will depend on the kind of activity the household has selected. The Village Committee will oversee and manage contracting, procurement, bulk purchases, and so on.

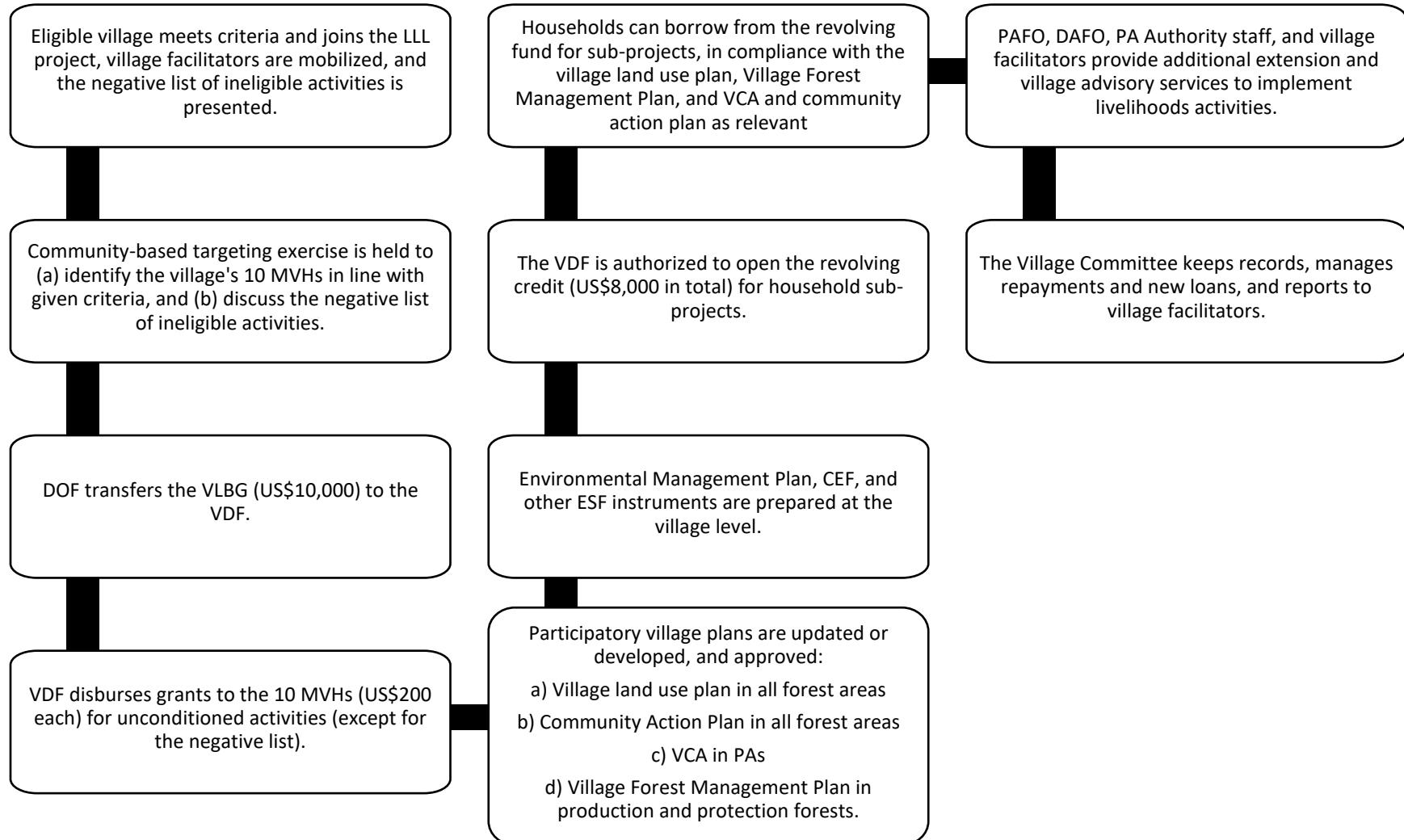
29. The Village Committee is also responsible for the village bank account records.

30. For MVH grants as mentioned earlier, the Village Committee will document the use of the grant and report this to the village facilitator.

31. **Reporting.** The Village Committee, supported by the Village Committee's LLL Team, will report to the (project-hired) village facilitator, who will in turn report to the district project team. The district project team will consolidate data and report to the provincial PCU. The provincial PCU will report to the NPCU, which is in charge of compiling aggregated data, producing annual reports for the Bank and implementing fiduciary requirements and M&E on project activities.



Figure 1.3. Implementation Arrangements for VLBGs in LLL Subcomponent 2.1



**Monitoring and Evaluation Implementation**

32. **Project monitoring and broader natural resource monitoring and impact assessment will be carried out by the NPCU at DOF.** Provincial PCUs will be responsible for M&E for their respective provinces and report to the NPCU. A rigorous M&E system equipped with geographic information system (GIS) and other facilities for data collection, storage, and analysis will be established at the central level enabling the project's progress toward the results to be measured and assessed. The project M&E system will utilize existing country systems as far as possible.

33. **M&E functions could be supported by a third party contracted by the client with project funds.** This entity will be secured via a performance-based contract with the GoL to train Government staff in a range of relevant institutions to carry out M&E and impact assessment and will provide regular reports documenting and quantifying this progress to build capacity.

34. **Project M&E specialists (Government staff) will lead on M&E and will be supported by a dedicated M&E advisor and M&E assistants where relevant.** The M&E advisor will support the NPCU to (a) review and update the M&E section of the Project Operational Manual (POM); (b) ensure that data collection, analysis, presentation, and reporting follow quality standards and processes outlined in the POM; (c) work in close collaboration with provincial and district authorities to implement and maintain appropriate M&E processes and reporting mechanisms; and (d) contribute to learning and communication, working closely with the project communication specialist and advisors.

35. **Data and reporting.** Most baselines are set at zero, and the project will monitor the change attributable to project intervention over the implementation period and report it in the Results Framework. The Results Framework includes definitions, data sources, frequency of data collection, methodology, and institutional responsibilities. Targets for the Results Framework are set based on previous experience in the country and in consultation with sector experts and client counterparts. GHG emissions will be reported annually. Additional project indicators beyond the project Results Framework and GEF tracking tools may be monitored by the project as necessary. For some indicators, such as the PA METT and others, the client will rely on a third party (firm, NGO, or consultant) to conduct monitoring, audits, and assessments. See Appendix A in the project files for additional details on M&E.

36. A project MTR and ICR will be undertaken with consultants hired by the NPCU. Project funding will be provided for capacity development on results monitoring.

37. The project will update GEF core indicators and dedicated GEF tracking tools on PA management effectiveness (METT) at beginning, midterm, and project completion.

38. **Learning and knowledge management from M&E.** Impact assessments would complement project M&E and inform the project's adaptive learning activities and the MTR. Impact assessments help understand, learn from, and adapt project management and activities related to key results areas that are often too complex for conventional project Results Frameworks.

39. Methodologies for the impact assessments are diverse (for example, these are not necessarily randomized controlled trials) and would generally include baseline, midline, and end line data collection and dialogues with key stakeholders. Different assessments would be completed at different times,



depending on the topic, to complement project M&E, and will inform the project's adaptive learning activities and the MTR and the project completion reports by both the GoL and the Bank.

40. Impact assessments would also likely support future external decisions to expand LLL financing.

41. Dedicated knowledge management and communications approaches will be part of the POM. Implementation of these approaches will result in the convening of key groups, producing flagship studies and practical publications that influence practitioners, policy makers, and investors, among other interventions. Through knowledge management and communications, plus the country dialogue, the project will provide the 'space' needed to seek solutions across multiple scales, as a means to amplify project impact.

42. The project will work closely with stakeholders to (a) generate and exchange knowledge, (b) consolidate efforts to share lessons and best practices, (c) promote outreach for strategic knowledge products, and (d) produce tools for scale-up and replication. Through a feedback loop, it will convene information from different landscapes and provinces, synthesize lessons learned and findings, and return relevant insights back to the village-level activities. Knowledge and communication activities are built in all components, with dedicated resources according to the topic and the level of the interventions.

Financial Management

43. The Finance Division of DOF and related provincial and district offices had been responsible for implementing project FM and disbursement for many phases of Bank-financed projects (SUFORD and SUPSFM) and series of FCPF Readiness grants. The team was supported by individual qualified and experienced consultants. An additional FM assessment was carried out in accordance with the Bank Policy and Bank Directive on IPF to determine whether existing capacity and systems at different levels of implementation are sufficient to implement the project. The assessment was based on interviews, discussions, and reviews of previous performance of the Finance Division and related provincial offices, project activities, and other entities proposed to be involved in the implementation of the project. Based on the assessment, the project activities, and the multiple implementing entities at different levels, the project will be implemented in a substantial risk environment.

44. FM risks identified include (a) the risk of non-compliance of FM procedures and use of funds due to inadequate FM capacity within new implementing entities and at the village level, (b) delay of funds reaching the intended beneficiaries on time due to the complexity of project activities coupled with multiple implementing entities, and (c) delay in reporting of expenditure and consequently delays in financial reporting of the project due to multiple implementing entities and weak coordination.

45. The mitigation measures proposed to address the FM risk identified include the following:

- a) **Staffing.** (i) Maintain or increase the current level of staff at the Finance Division of DOF, including consultants (one senior and one junior); (ii) hire two additional accountants. One to be based at DOF to assist with increased financing, follow up with implementing entities for reports, and provide technical support to the central-level and provincial-level implementing agencies as needed. Another accountant to be based at EPF to augment the current capacity to provide financial management support to certain activities of the project; (iii) maintain or assign staff with experience implementing Bank-financed projects at the provincial level; and (iv) recruit an



accountant for PAFO Khammouane until the Hin Nam No NP and Phou Hin Poun NPA management authorities are established; and recruit accountants for other PA/NP management authorities when they are fully established as offices with official stamp. ToRs for the accounting related positions will be reviewed, and ‘no objection’ by the Bank team will be required.

- b) **Funds flow.** Design the flow of funds to beneficiaries or implementing entities directly from the Designated Account (DA) as much as possible for different types of activities (see funds flow diagram in Figure 1.4).
- c) Update the Financial Management Manual (FMM) for (i) improvement on flow of funds and disbursement, (ii) budgeting, (iii) monitoring of funds, (iv) commitments and payables, (v) advance liquidation, (vi) review of eligible expenditure allowed for specific activities of the project that are currently not dealt with in the Government expenditure norms, and (vii) reporting procedures from other agencies to DOF. Other manuals, for example, the VLBG manual, will also need to be reviewed and updated.
- d) Training in the processes/procedures contained in the FMM will be provided to all entities involved in project implementation, and will be conducted by DOF. The Bank team will provide disbursement refresher training to DOF staff.
- e) Upgrade accounting software. Require certain new implementing agencies with capacity to use the accounting software to record and report on expenditure. The software will improve timely recording, consolidation of data, and preparation of interim financial reports (IFR) on time.
- f) To ensure that IDA proceeds have been used for the intended purposes, the project will be subject to an annual financial statement audit. The audit will include an audit of expenditure of (i) all entities at the central level, (ii) a sample of provinces, (iii) a sample of districts within the province, (iv) a sample PA management authorities, and (v) activities implemented at the village level. By the final year of the project, the audit should cover all provincial offices and PA management authorities involved in the implementation of the project.

46. **FM organization and staffing.** Finance staff at DOF (a part of DOF/NPCU) have many years' experience in implementing Bank-financed projects but not without consultant support. Due to increased financing and complexities of the new activities coupled with multiple implementing entities at different levels, it is essential to augment the current capacity with additional consultants.

47. **Central level.** The Finance Division of DOF will be the main entity responsible for the overall FM and disbursement of the project. DOF staff will be supported by the two FM consultants (one senior FM consultant and one accounting assistant) currently hired under an existing forest sector project (SUPSFM, P130222); three additional accountants will be hired to provide additional support to DOF and other central-level implementing agencies and provide technical support to provincial and other entities as needed. All staff and consultants involved in implementing project FM are part of the NPCU team.

48. **PA Authority.** An accountant will be hired for PAFO Khammouane Province to assist with the increased responsibilities in managing funds for activities to be implemented in three PAs (Phou Hin Phoun, Hin Nam No, and Khoung Xe Noma), and an accountant shall be put in place when the PKK management unit is established. Before the PKK Authority is established, the NPCU will be responsible for managing, accounting, and reporting on the use of funds.



49. **Provincial level.** Finance staff at PAFO with experience in Bank-financed operations shall be assigned or maintained. Where this is not possible, finance/accounting staff shall be assigned to FM responsibilities. The staff assigned will be part of the provincial PCU team. Technical support will be provided by the central-level NPCU team as needed.

50. **District level.** A focal point shall be assigned to report back to the provincial level.

51. All ToRs for the accountant positions shall be submitted for the Bank team's 'no objection'.

52. The current FMM used in the SUPSFM project (P130222) will be adopted. The FMM will be reviewed and revised to reflect funds flow, with more details on budgeting procedures, monitoring, and reporting of use of funds. SUPSFM's Village Livelihoods Development Grants Operational Manual will also be reviewed and revised for LLL application to implement the VLBGs as envisioned in LLL. The revised FMM will be completed within three months of project effectiveness. The FMM will be part of the POM.

53. **Budgeting.** DOF/NPCU will be responsible for consolidating the annual project budget based on the project annual work plan. Implementing entity(ies) will be responsible for implementing selected subcomponents and activities, and shall prepare their own budgets based on their work plans and submit to DOF/NPCU for consolidation. The budget prepared shall be broken down into budgets for components/subcomponents/activities and by financing source as each source of financing does not finance 100 percent of each subcomponent. Each implementing agency shall include budgets for its subnational entities involved in implementing the activities of the project. The project annual budget and work plan shall be submitted to the Bank for 'no objection' by November 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.

54. The project will follow, with some exceptions as announced from time to time by the Bank, the rates specified in the Decision of the Minister on Public Administrative budget expenditure norm applicable at time of project implementation. Any rates specific to certain activities of the project shall be agreed up-front with the Bank team and specified in the project's FM manual.

55. **Accounting.** The project expenditure will be accounted for on a cash basis. Accounting policies and procedures shall be specified in the FMM. The FMM includes (a) all key accounting policies and procedures, (b) budgeting, (c) recording, (d) financial reporting, (e) auditing, and (f) disbursement arrangements. All accounting and supporting documentation will be retained by DOF, respective provinces, and agencies in a systematic manner that allows authorized users easy access. ACCPAC software will be used to record project receipts and expenditure. The project will support an upgrade of the software. The PA management authorities and PAFOs will also use the software to record expenditure. The software will be used to produce the project's IFR.

Disbursement Arrangements and Funds Flow

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



57. A DA, denominated in US dollar will be opened at the Bank of Lao. All sources of funds will flow to this DA. The DA will have a variable ceiling. Funds will be advanced to the DA based on six months cash forecast approved by the Bank. Cash forecast shall be prepared to include all financing. Reporting of payment from the DA will be quarterly, using the Statement of Expenditure (SOE). As each source of financing does not finance all expenditures, DOF/NPCU will provide a confirmation statement in the SOE that the financing of expenditure is in line with the approved work plan and budget or the financing percentages. The audit will include review of the expenditure charged to each financing source.

58. DOF/NPCU will open an Operating Account (OA) at a commercial bank for the day-to-day operation of the project. The ceiling of the OA will have a ceiling of US\$500,000 (the same level as the current SUPSFM project). The ceiling may be revised from time to time based on business needs. The OA will be replenished from the DA based on National Treasury procedures.

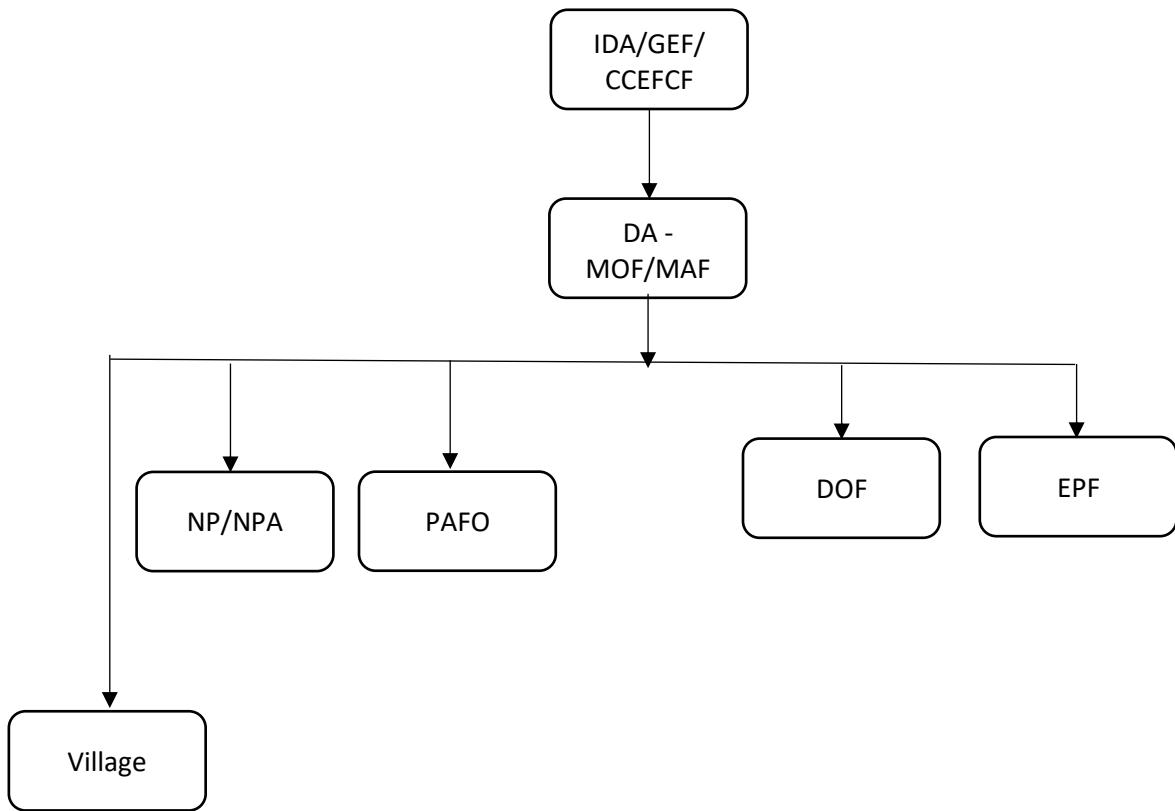
59. Each participating PAFOs, PA management authorities, and EPF will open bank accounts at a commercial bank to receive funds. Each PA Authority with established offices, staffed in line with GoL law and policy, and with official stamps, will open bank accounts at a commercial bank. At this stage, only Nakai Nam Theun NP meets the criteria above, and will open a bank account. Other PAs will share bank account with PAFO until they have established offices, staff and official stamps. For PKK, in particular, DOF will be responsible for the management of budget, recording, and reporting until the PKK Authority is operational. These bank accounts will be in US\$ as practiced in SUPFM and to avoid multiple translation of currency. PAFOs, PA management authorities and EPF will request funds from DOF-NPCU. Funds will be transferred from the DA to the respective bank accounts. Methods and procedures on request for funds and replenishment will be determined and included as part of the FMM. Reporting of expenditure paid from those account shall be monthly.

60. Other central implementing agencies and their subnational offices will receive funds based on activity requests to DOF/NPCU or EPF. Reporting of use of funds shall be no later than 10 business days after the end of the activities. The same applies to DAFOs. DAFO will make a request to PAFO by activities.

61. Subcomponent 2.1: Village Livelihood Block Grants to Village Development Funds. Grants will flow to the village bank accounts directly from the DA, based on satisfactory completion of activities identified in the POM. Funds will be considered expensed when they reached the village bank account. The POM contains village-level accounting and reporting procedures. The annual project audit will also cover the review of the use of grants on a sample basis.



Figure 1.4. Flow of Funds: IDA, GEF and CCEFCF



62. Disbursement will be made against the following categories:



Table 1.4. Project Disbursement by Category as reflected in the Legal Agreements

Category	Amount of the IDA Credit Allocated (expressed in SDR)	Amount of the GEF Grant Allocated (expressed in US\$)	Amount of the CCEFCF Credit Allocated (expressed in US\$)	Percentage of IDA Expenditures to Be Financed (inclusive of Taxes)	Percentage of GEF Expenditures to Be Financed (inclusive of Taxes)	Percentage of CCEFCF Expenditures to Be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training and Incremental Operating Costs, under Parts 1.1, 1.2, 3.1, 4.1 of the Project	17,100,000	7,370,000	11,360,000	59%	14%	27%
(2) Goods, works, non-consulting services, consulting services, Training and Incremental Operating Costs, Matching Grants, and Block Grants under Parts 2.1, 2.2, 2.3, 3.2, 3.3, 4.2 of the Project	6,600,000		4,640,000	67%		33%
Total Amount	23,700,000	7,370,000	16,000,000			

63. **Incremental Operating Cost** means reasonable costs of goods and non-consulting services required for the day-to-day coordination, administration and supervision of the project, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), translation, printing and photocopying expenses, bank charges, publications and advertising expenses, vehicle insurance, Project-related meeting expenses, Project-related travel, subsistence and lodging expenses, other administrative costs, and cost of contractual staff directly related to the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient's civil service.

64. **Reporting and monitoring.** Financial reporting at each level of the project will be elaborated in the FMM. For the project, the semi-annual IFR will be prepared by DOF/NPCU on cash basis in the form and substance acceptable to the Bank. The IFR will report on all sources of funds, summarize project progress and provide variance analysis. Such reports will be prepared on time and submitted to the Bank within 45 days after the end of each six-month period starting from the end of the first period after disbursements begin. The format of the IFR will be included in the FMM.

65. **External audit.** The project's annual financial statements will be audited in accordance with International Standards on Auditing by independent qualified auditors based on terms of reference



acceptable to the Bank. DOF/NPMU will be responsible for engaging and managing the audit contract. The auditors will be appointed within six months after the project becomes effective. The cost of the audit will be financed from the project's proceeds. By the final year of the project, the audit should cover all provincial offices and PA management authorities involved in the implementation of the project. The audit report and management letter will be submitted to the Bank within six months after the end of each fiscal year and on the closing date of the project.

66. **Supervision plan.** Since the FM risk is assessed as Substantial, implementation support and supervision of project FM will be performed at least twice a year to review the project FM systems. Random reviews of financial transactions will be conducted. Where possible, the financial transaction review will be conducted as a joint review with procurement. The project's FM risks will be assessed at each review and influence the frequency of supervision.

Procurement Management

67. Procurement will be carried out in accordance with the Bank's Procurement Regulations. The Bank standard procurement documents will be used for (a) procurement of goods and works, request for bids following the international market approach, and (b) selection of consultants involving international competition under the project.

68. The GoL's standard harmonized bidding documents and request for quotations, with Bank's additional provisions on environmental, social, health, and safety where required, will be used for (a) procurement of goods, works, and non-consulting services, request for bids following the national market approach, and (b) request for quotations. Under LLL, the Bank's planning and tracking system, STEP, will be used to prepare, approve, and update Procurement Plans and conduct all procurement transactions for the project.

69. **Procurement risk is assessed as Moderate.** A procurement capacity and risk assessment of MAF conducted by the Bank identified the following procurement risks: (a) lack of experience with Bank procurement procedures that may lead to delays and non-compliance, (b) limited contract monitoring and management skills and tools to ensure efficient and timely contract implementation, and (c) a limited number of consultants in the local market.

70. To mitigate the risks, the project will take the following actions, some of which are already being implemented by MAF: (a) procurement training is provided to NPCU staff, including initial training during project preparation by the Bank and in-depth on-the-job procurement trainings will be conducted during project implementation by the national procurement consultant; (b) a full-time national procurement consultant will be hired to provide procurement support to the project during implementation; (c) to ensure that capacity is built and sustained within MAF, the ministry will assign Government staff to work alongside the consultant; and (d) a POM will be developed to clearly define roles and responsibilities, as well as to strengthen the control and coordination arrangements between the NPCU and the Finance Department and other departments and provincial levels of MAF, to ensure well-coordinated implementation.

71. MAF/DOF has prepared a PSD for the project with support from the Bank team, and the document will be made available in separate project files. The PSD presents how procurement activities will support the development objective of the project and deliver the best value for money under a risk-



based approach. In addition, the PPSD includes the rationales for procurement decisions, including the selection of the approach to market and procurement methods. The PPSD and the Procurement Plan of the project shall be regularly updated as appropriate during project implementation.

72. A number of international and national consultants will be hired to assist implementing project activities. Most of the consulting services under the project are relatively small-value assignments, such as NBT investment advisor, forest and wildlife crimes advisor, livelihoods advisor, forestry advisor, administration and FM advisor, communication advisor, environmental risk and sustainability advisor, procurement advisor, M&E advisor, rural engineer, and GIS advisor, with cost estimates ranging from US\$90,000 to US\$300,000 and up to US\$600,000 for chief technical advisor.

73. The remaining budget of the project will finance the procurement of goods, construction of a small training center and ranger stations, and other activities such as training and workshops. Goods comprise furniture, office and field equipment, vehicles, and motorcycles, and the market research as part of the PPSD showed that there are sufficient potential suppliers/contractors in the country with the capacity to supply this type of goods. Therefore, it is proposed to use (a) request for bids in international market method for contracts costing US\$600,000 and above, (b) the national market approach for contracts between US\$100,000 and US\$600,000, and (c) the request for quotations method with a national market approach for contracts less than US\$100,000.

74. The PPSD analysis concluded that most of the small-value consulting services could be carried out by international and national consulting firms, and the national approach will be considered appropriate using the Selection Based on the Consultants' Qualifications selection method. For contracts with individuals for some positions that do not require international experience and for which there are individuals with the required qualifications and experience in the national market, the national approach will be used. The international market approach should be considered for contracts that need international experience, in which case, hiring international consultants will be beneficial for project implementation.

75. Based on the PPSD, an initial Procurement Plan covering the first 18 months of project implementation has been developed. The initial Procurement Plan is available as a separate project document that will be updated at least annually, or as needed, to reflect the current status of implementation of each procurement activity/contract or to modify/delete or add activities/contracts. Updates of the Procurement Plan will be submitted to the Bank for its review and approval before implementation. Contracts below the prior review thresholds as captured in the approved Procurement Plan shall be subject to post review by the Bank team on an annual basis, in accordance with the procedures set forth in the Procurement Regulations. The sampling rate of post review is at least 10 percent of the total Bank-financed contracts awarded across the Bank portfolio that have not been subject to prior review by the Bank.

Strategy and Approach for Implementation Support

76. The strategy and approach for implementation support will rely on the provision of expertise and operational support to the client regularly, with most of the Bank's task team ideally based in Vientiane. Close coordination with other Global Practices and IFC will reinforce multi-sector implementation.



77. **Convergence and Global Practice collaboration is a foundation for LLL.** First, collaboration with the Agriculture and Food Global Practice on livelihoods and non-timber value chains has been productive during design and will be strengthened at the implementation stage when integrated forest and land use plans will be developed at the village level, leveraging client expertise from Agriculture and Forest Departments within MAF. Second, analytical and policy work on NBT has benefited greatly from the co-leadership of Macroeconomics Trade and Investment Global Practice in a flagship report that informed the project design. Follow-up analytics and implementation of tourism-related project activities will continue to leverage this collaboration. Third, the Environment, Natural Resources, and Blue Economy Global Practice and Water Global Practice worked closely on information and data sharing on floods and disaster risk-prone areas. Fourth, coordination with the Social, Urban, Rural and Resilience Global Practice is leading to complementarities between LLL and the proposed Enhancing Systematic Land Registration Project (P169669), which will target land outside the three forest categories.⁴¹ Fifth, IFC is working closely with the Bank on activities related to private sector development in forestry and tourism.

Implementation Support Plan and Resource Requirements

78. **The Implementation Support Plan and resource requirements follow the standard approach for IPF.** The strategy for implementation support will include formal supervision missions, including field visits to project sites (possible after COVID-19) and remote support to the implementing agency (MAF). Special focus is placed on the following:

- (a) Monitoring overall project implementation and performance, including results indicators
- (b) Supporting the capacities of MAF, other national agencies, province, district, PA, and village authorities, and participating financial institutions to monitor their own performance
- (c) Supporting MAF with the implementation of the credit line for the nature-based support facility activities through financial intermediaries
- (d) Assessing project activities and results and possibly engaging international experts in the areas of forest sector governance, PA management and biodiversity monitoring, forest management and silviculture, information communication, climate-change adaptation, community-led development, forest-based enterprise, procurement and FM, outreach, knowledge sharing, M&E, and impact assessments
- (e) Ensuring that service providers effectively build the required capacities for MAF and other national agencies, as well as the provincial, PA, district, and village authorities
- (f) Monitoring the development, implementation, and performance of the supported NBT enterprises
- (g) Implementing a proactive communication and consultation strategy that requires stakeholder engagement at the national, provincial, district, and village levels for implementation of the project activities
- (h) Supporting multi-stakeholder governance and multi-sectoral dialogue

⁴¹ Land titling inside forest areas currently lacks regulatory clarity. LLL at this stage will not finance land titling inside forestlands but will strengthen the policy dialogue with relevant counterparts to clarify the process and therefore provide viable and legal solutions for potential future interventions



- (i) Ensuring that the complementarity between the project activities and other Bank-supported activities is maintained
- (j) Using innovative technologies to conduct remote supervision, such as geo-tagged photography, drone imagery, and remote sensing, combined with the potential increased use of national consultants based in provinces
- (k) Supporting ESF implementation and compliance.

79. **Fiduciary implementation support is based on risk management.** The FM and procurement specialists for the project will participate in implementation support missions, as appropriate. Missions will involve review of the FM and procurement arrangements at MAF and will include field visits to project-supported provinces to ensure that the arrangements are understood and being appropriately followed. FM issues identified during implementation support missions and arising through audits will be appropriately dealt with by MAF for satisfactory closure. In the first year of project implementation, FM supervision will focus on (a) generating the monthly accounts for submission and (b) preparing unaudited IFRs for submission to the Bank. Review and monitoring of procurement activities, as guided by the Procurement Plan, will be undertaken to ensure compliance with the Bank procurement policies and procedures. This will include post review of contracts not covered under prior review. Procurement training will be provided. Last, ESF training will be continually provided.

Resource Requirements

80. The Implementation Support Plan reflects estimates of skill requirements, timing, and resource requirements over the life of the project. Keeping in mind the need to maintain flexibility over project activities from year to year, the Implementation Support Plan will be reviewed periodically to ensure that it continues to meet the implementation support needs of the project.



Table 1.5. World Bank Task Team Implementation Support Plan and the Required Skill Mix

Time Needed	Focus	Skills Required
84 months	<ul style="list-style-type: none">• Monitoring overall project implementation and performance, including results indicators• Supporting the capacities of MAF, other national agencies, province, district, PA, and village authorities, and participating financial institutions to monitor their own performance• Supporting MAF with the implementation of the credit line for the nature-based business leveraging facility activities through financial intermediaries• Assessing project activities and results and engaging international and national experts in forest governance, PA management and biodiversity monitoring, forest management and silviculture, wildlife and natural resource crime, information innovations, communication, climate-change adaptation, community-led development, forest-based enterprises, knowledge sharing, M&E, procurement, and FM• Ensuring that service providers effectively build the required capacities for MAF and other national agencies, as well as province, district, PA, and village authorities• Monitoring the development, implementation, and performance of the supported nature-based tourism enterprises• Implementing a proactive communication and consultation strategy that requires stakeholder engagement at the national, provincial, district, and village levels for the implementation of the project activities• Supporting multi-stakeholder governance and multi-sectoral dialogue• Ensuring that the complementarity between the project activities and other Bank-supported activities and partner activities is maintained.	<ul style="list-style-type: none">• Fiduciary: FM, procurement, and ESF• M&E• PA management and biodiversity• Wildlife and natural resource crime• Tourism• Forestry• NRM• Agriculture• Livelihoods• Gender• Climate change• Rural infrastructure/engineering

**Table 1.6. Skill Mix and Team Composition**

Team Member	No. of Staff Weeks	Number of Missions	Comments
Task team leader	16	2 per year but 4 in the first year	
Procurement specialist	4	2 per year including field travel	
FM specialist	4	2 per year including field travel	
Social specialist (ESF)	4	2 per year including field travel	
Environmental specialist (ESF)	4	2 per year including field travel	
PA management and biodiversity	10	2 per year including field travel	Regional and global expertise
Wildlife and natural resource crime	5	2 per year including field travel	
Tourism specialist	10	2 per year including field travel	Private sector expertise
Forestry specialist	10	2 per year including field travel	
NRM and climate change specialist	10	2 per year including field travel	
Agriculture specialist	5	2 per year including field travel	
Livelihoods specialist	10	2 per year including field travel	
Gender specialist	5	2 per year including field travel	
Rural infrastructure/engineering	10	2 per year including field travel	

**ANNEX 2: GEF INCREMENTAL ASSESSMENT**

1. Financing will be convened from a variety of sources and pooled for concentrated, spatially explicit action on the ground. Parallel financing from other actors (existing and future projects) and the private sector will be leveraged, crowded-in, and coordinated in the framework of the relevant forest, PA, watershed, and/or land use plans. Sources include

- US\$34,000,000 IDA credit
- US\$16,000,000 CCEFCF credit
- US\$7,366,976 GEF grant

Table 2.1. GEF-7 System for Transparent Allocation of Resources (STAR) Allocations to LLL

Source of Funds	GEF Agency	Focal Area	Amount (in US\$)
GEF Trust Fund	World Bank	Biodiversity	4,627,250
GEF Trust Fund	World Bank	Land degradation	2,739,726
Total GEF resources			7,366,976

GEF Requirements*Rationale for GEF-7 Financing*

2. GEF resources were allocated by the GoL from the country's STAR allocation to deliver global environmental benefits from more sustainable management of landscapes for economic development. The GEF focal point of Lao PDR submitted a letter of endorsement on January 14, 2019, to the GEF Chief Executive Officer requesting GEF-7 STAR resources for this operation. A new revised letter was submitted on March 4, 2020. The GEF grant will be blended with the IDA credit into one operation (that is, two project codes but one supervision, Implementation Supervision Report, and Project Completion Report). The proposed operation was accepted by the Council into the 58th GEF work program on June 2, 2020.

Baseline Scenario (without GEF)

3. The baseline scenario, without GEF, is characterized by fragmented projects, programs, policies, and private investment in forest plantations and tourism. Because these baseline activities are generally single sector or limited scale, they cannot deliver a sufficient range of global environmental outcomes across themes, sectors, and stakeholders. Persistent forest degradation and loss in the forest estate have led to ecosystem degradation which is experienced locally as greater frequency and intensity of flood, erosion, and drought and amplified by climate risks. These risks are resulting in reduced livelihoods opportunities, necessitating restoration of ecosystem function in the landscape from community-driven approaches such as assisted natural regeneration and agroforestry. While there is significant progress in the situation and considerable baseline financing to help tackle these issues, without GEF participation, there will be a reduced chance of leveraging the recent progress being made by Lao PDR to holistically address deteriorating natural resources.



4. In the baseline scenario, degradation of forest landscapes will continue, including (a) continued decline of globally significant wildlife populations; (b) continued land and forest degradation, conversion of native forests to other uses, and associated environmental and social risks; (c) continued weak capacity to manage PAs and reduce forest and wildlife crimes; (d) more siltation of waterways and disturbance of important freshwater habitat; (e) greater fragmentation within and among production and conservation landscapes as habitats and Annamites ecosystems degrade or become impossible to restore; and (f) greater vulnerability to climate variability and change including through reduced food security and increased frequency and severity of landslide, drought, and flooding events.

5. **Fragmented but improving policies.** Lao PDR has been making progress on improving the policy and legal framework for delivering environmental benefits. This progress is expected to continue and provides a good basis for more integrated landscape approaches that GEF can support to deliver global environmental benefits at scale when blended with concessional lending and coordinated with parallel private investments. A new forestry law was enacted in 2019, a new land law is under final review by the National Assembly as of February 2020, and a new water resources law was enacted in 2017. The World Bank is supporting the reform of the policy and legal framework through a US\$120 million IDA-financed Green Growth Development Policy Financing series. Key policy reforms that are setting the stage for implementing integrated landscape approaches address PAs, forestry, land degradation, wildlife and forest crime, land administration, forest carbon, Strategic Environmental Assessment, and ESIA.

6. **Fragmented projects.** IDA financing, for example, has been focused on forest management over the past decade, targeting 40 of Lao PDR's 51 PFAs as well as enhancing the policy and institutional environment and private sector partnerships. But this support has not been sufficiently coordinated spatially on the ground with PA financing, including from blended IDA/GEF, which is currently financing 11 PAs throughout the country. Other partners are investing in conservation at a limited scale. As a result of this fragmentation of efforts, global environmental benefits have been suboptimal.

7. The opportunity that cannot be easily addressed in the baseline scenario is to connect and network these various interventions to improve institutions, information, and incentives. Blended GEF/IDA financing in LLL can help shift the equation toward sustainable production and conservation landscapes that generate more benefits by helping manage the trade-offs among natural resource use and connectivity in broader landscape units. Other elements of a programmatic approach to sustainable landscapes are moving into place and will also benefit from GEF participation. For example, a jurisdictional REDD+ Emissions Reduction Purchase has been signed with the World Bank FCPF Carbon Fund. IFC is supporting the implementation of a private sector pilot for forestry, under the Forest Investment Program (FIP), and is considering further investment but preferably in the context of a larger landscape approach.

GEF Incremental Reasoning

8. The added value of GEF financing blended with IDA resources will be to help move beyond the fragmentation and limited global and local environmental benefits inherent in single projects and single-sector approaches. The GEF support will assist the GoL to take an integrated landscape approach across GEF focal areas and sectors at scale in five landscapes facing fragmentation, loss of natural capital, and deterioration of a wide range of ecosystem services.

9. Rural landscapes include a mosaic of land uses and assets, including different production systems and conservation designations, many of which are forest based in Lao PDR. A landscape approach that



manages the interconnectivity between these systems and assets can help stakeholders, institutions, companies, and land managers manage trade-offs and harness complementarities among activities, projects, programs, policies, and development objectives. Individual sector activities in the landscape must be undertaken in coordination with other sectors to avoid the negative effects of land use competition and negative downstream impacts and externalities. Examples include the forest/water/energy/food/land nexus, the swidden agriculture system, and the conservation/tourism nexus. Addressing these challenges and harnessing mutual opportunities require skilled management and sustained action across stakeholders and sectors over a long period. Many countries have moved in this direction, including Lao PDR, which has the initial building blocks including management plans in production forests and some PAs, land use planning processes under way, a large network of PAs plus some corridors linking them and increasing capacity to manage them, a new Forest Law enacted in 2019, new policies on PA management, two new national parks, a new policy on strategic environmental assessment, a new decree on environmental impact assessment, and an emerging new land law that will enhance and clarify land access and rights. This momentum should be sustained and dialogues strengthened across sectors, stakeholders, and sources of financing.

10. Key activities for GEF financing include the following: (a) PA management, (b) VFM and restoration, (c) village land use planning, (d) extension and outreach support, (e) support to enhance the legal and policy framework for enabling environmentally and socially sustainable forest plantations, and (f) support for coalitions of action at the national and regional levels. This package of interventions, leveraging larger-scale IDA resources, will allow the project to generate significant global environmental benefits from larger-scale impact in terms of geographies covered, financing mobilized, and number of actors influenced.

11. Through these activities, GEF financing will deliver measurable global environmental achievements including (a) sustainable use and conservation of globally significant biodiversity, b) increase in land area treated for restoration and under sustainable practices without increasing the total land area used, (c) increase in carbon sequestration, and (d) reduction in GHG emissions. Because the operation will target five large landscapes during implementation, there is greater potential for economies of scale in achieving objectives of the GEF biodiversity and land degradation focal areas. These two focal areas are mutually reinforcing: the growing regional and global demand for wood inevitably increases the pressure on conservation, protection, and production forests and the globally significant biodiversity and flow of ecosystem services in the forest estate.

12. Under the biodiversity focal area, the project will contribute to implement Aichi targets including Target 1 on people's awareness of biodiversity value; Target 2 on integration of biodiversity values in national and local development; Target 3 on eliminating incentives harmful to biodiversity; Target 4 on promotion of sustainable production and consumption; Target 5 on loss of natural habitat; Target 7 on sustainable management of areas under agriculture, aquaculture, and forestry; Targets 8 and 13 on protecting agricultural ecosystems; Target 9 on invasive alien species; Target 11 on the protection of inland water ecosystems; Target 12 on extinction prevention; Target 14 on restoring and safeguarding ecosystems considering the need of the poor and the vulnerable; Target 15 on ecosystem resilience; Target 18 on traditional knowledge and customary use of natural resources; Target 19 on science and technology for biodiversity; Target 20 on the mobilization of financial resources for implementing the Strategic Plan on Biodiversity (SPB) 2011–20.



13. **Innovation.** The project will focus on innovation by (a) promoting collaborative management of conservation, production, and protection forests with villages; (b) promoting an integrated landscape approach for multiple benefits based on forest products, agriculture, conservation, resilient green infrastructure, and the jobs and livelihoods from these; (c) leveraging private investors to partner with the GoL and villages on forestry and tourism, partnering in some situations with IFC; and (d) improving village resilience by linking small-scale green/grey infrastructure with forest protection.

14. **Sustainability.** Environmental sustainability will be enhanced through all project activities that are designed to deliver local and global environmental benefits. Financial sustainability at the village level will be enabled by the revolving mechanism of the VDFs, coupled with continued extension support throughout project implementation. Institutional sustainability will be strengthened by broad and comprehensive capacity building at the national, province, district, and village levels. Institutional sustainability is also promoted by the project by relying on and strengthening existing Government frameworks. In addition, international consultants hired by the project will have dedicated capacity development activities built in their terms of reference. One example of how environmental, financial, and institutional sustainability come together at the activity level is the package of small irrigation plus forest protection. This activity could be sustained post the project via payments for environmental services among downstream irrigation villages and upstream forest villages. The project will pilot and refine this approach through inter-village agreements to accompany civil works and VFM.

15. Post-project sustainability for maintenance of PA trails, observation towers, ranger stations and other assets will be ensured by fund-raising with other donors or private sector partners. Increased park revenues from nature based tourism would also contribute to general maintenance beyond the project.

16. **Scale-up.** The project is designed for scaling up activities as additional funds are raised. New landscapes, provinces, PAs, and villages can be added based on the prioritization framework and selection criteria developed under the project design. Specifically:

- a) The project provides a framework for new landscapes and forest areas, provinces, districts, and villages to enter the project if and when ready and new financing becomes available.
- b) The project provides technical approaches for key areas of forest and biodiversity management such as collaborative PA management, VFM, and partnerships with private sector for tourism/PAs and for commercial planted forests.
- c) The project provides a framework for other donors and financiers to enter the project, with additional major financial support possibly being provided.



Table 2.2. Alignment with GEF-7 Focal Area Strategy

GEF Focal Area	GEF Priorities to Be Addressed through the Proposed Operation
Biodiversity The project supports GEF objectives: <ul style="list-style-type: none">• BD-1-1 - Mainstream biodiversity across sectors as well as landscapes and seascapes through biodiversity mainstreaming in priority sectors.• BD2-7 - Address direct drivers to protect habitats and species and improve financial sustainability, effective management, and ecosystem coverage of the global PA estate.	<ul style="list-style-type: none">• Conserve and sustainably use globally important biodiversity in key landscapes and forested areas in production landscapes.• Enhance the effectiveness of PA systems, and manage biodiversity in PAs (that is, conservation landscapes).• Implement laws on illegal wildlife trade.• Manage biodiversity in production landscapes, such as through management of agroforestry, riparian areas, and village forests and maintenance of forest connectivity in areas that buffer forested or conservation landscapes.• Harness biodiversity for sustainable food production and medicines.• Identify and set aside high conservation value forest areas inside of commercial managed areas (for example, concessions, environmentally and socially sustainable plantations, and farms) and within the broader production landscape.• Support natural solutions developed with systems thinking that take advantage of synergies to seek multiple global environmental benefits across conventions while reducing trade-offs and duplication.• The project will also contribute to the objectives of the Global Wildlife Program.
Land Degradation The project supports GEF objectives: <ul style="list-style-type: none">• Maintain or improve flows of ecosystem services, including sustaining livelihoods of forest-dependent people through forest landscape restoration.• LD2-5 - Create an enabling environment to support voluntary United Nations Convention to Combat Desertification Land Degradation Neutrality (LDN) target implementation.	<ul style="list-style-type: none">• Restore degraded forest landscapes, in particular, treeless areas inside designated production and protection forests.• Target investments to sustain and rebuild productive forest areas, mitigate the effects of drought, increase resilience, and prevent conflict and migration.• Support sustainable land management in forest and mixed-use systems at the forest margin.• Support agroforestry.• Support smallholders through special financing and through extension systems.• Build capacity at all levels required to restore and maintain functional forest landscapes.• Develop monitoring and information systems and targeted research on impacts, trade-offs, costs-benefit analysis of restoration, and genetic diversity for maintaining the flow of ecosystem services.• Support natural solutions developed with systems thinking that take advantage of synergies to seek multiple global environmental benefits across conventions while reducing trade-offs and duplication.• The activities listed above will contribute to achieve LDN targets by promoting land-based mitigation options as cost-effective opportunities to capturing carbon and restoring degraded forest, offering multiple benefits.

**Table 2.3. Alignment with Objectives**

LD-1-3	Maintain or improve flows of ecosystem services, including sustaining livelihoods of forest-dependent people through forest landscape restoration.
LD-2-5	Create enabling environments to support scaling-up and mainstreaming of sustainable landscape management and LDN.
BD-1-1	Mainstream biodiversity across sectors as well as landscapes and seascapes through biodiversity mainstreaming in priority sectors.

**ANNEX 3: COUNTRY PROGRAM ADJUSTMENT RESPONDING TO COVID-19**

1. **Approach to country COVID-19 response and impact on country programs.** The CPF supports the GoL development strategy outlined in the Eighth NSEDP for the period 2016 to 2020, and includes a program of assistance to support inclusive growth, invest in people, and protect the environment. A cross-cutting theme on strengthening institutions complements these pillars. A Performance and Learning Review (PLR) of the CPF was discussed by the Board on March 12, 2020. The PLR maintains that the CPF remains well-aligned to the GoL's aspirations and continues to provide an adequate collaborative framework for Lao PDR and the WBG. The PLR does not propose any major changes in the CPF but calls for the consolidation of the portfolio and renewed emphasis on macroeconomic management (including the energy sector), human capital, the protection of the environment, and connectivity to the region.
2. **While adjustments are needed given the impacts of the COVID-19 pandemic on the Lao PDR economy (see below), the main areas of WBG engagement, as updated in the PLR, remain relevant.** In line with corporate guidance, the current CPF will be extended by one year until end-FY22 to better assess the conditions and impacts on the economy and poverty caused by the crisis, which would be essential before developing a new strategic framework.
3. **Impact of the COVID-19 pandemic on the country and GoL response.** The impact of COVID-19 worsened the long-standing structural vulnerabilities of Lao PDR, stemming from a growth model reliant on debt-funded, large infrastructure investments with generous tax concessions, unfavorable trading arrangements, and limited forex earning. The pandemic mostly affected labor-intensive sectors and those linked to global and regional value chains. Tourism-related sectors, including transport, food and accommodation services, and retail trade—accounting for 11 percent of total employment—were hit particularly hard. Supply chain disruptions caused delays in delivering inputs to export-oriented industries and the construction sector. COVID-19 has also eroded some earlier gains in poverty reduction.
4. **Lao PDR is facing a macroeconomic crisis,** with growth estimated to range between -1.8 and 1 percent in 2020 (compared to 4.8 percent in 2019). The fiscal deficit is projected to increase to 7.5–8.8 percent of GDP from 5.1 percent in 2019. Debt levels are expected to increase to 65–68 percent of GDP from 59 percent in 2019. Reserves stand at less than one month of imports. With rising external debt service payments and low forex reserves, Lao PDR has insufficient buffers to absorb shocks.
5. The GoL's COVID-19 response has focused on implementing preparedness and response activities. On the economic front, the GoL has set up tax relief schemes and payment deferrals for affected businesses and individuals, and compressed spending by reprioritizing public investment and postponing new infrastructure projects. Without well-developed social protection systems, targeting the most affected segments of the population has been difficult.
6. **WBG support for responding to the crisis.** The WBG response and ongoing program adjustments, organized around relief, restructuring and resilient recovery, have focused on the health sector and support to SMEs. Lending and Advisory Services and Analytics (ASA) have been adjusted as follows:
 - a) **Support to health for saving lives threatened by the virus:** The Lao PDR COVID-19 Emergency Response Project (FY20, US\$18 million) supports: (a) preparedness and emergency response activities, including infection prevention and control, case detections and contact tracing, case



management, and risk communication and (b) the upgrade of Lao PDR's surveillance capacity and the skills of health care workers.

- b) **Protecting the poor and vulnerable:** Teams are working with counterparts to adjust ongoing projects to be relevant to the crisis. Options are being explored to promote labor-intensive work in the transport portfolio (Lao PDR Road Sector Project 2 and Lao NR13 Project). In addition, several ongoing projects under the Nutrition Convergence Agenda in four northern provinces are well suited to implement activities to tackle COVID-19. For instance, the Scaling Up Water and Sanitation Project can address the immediate need for safe WASH services in hospitals and health centers during the emergency phase and, in the recovery phase, ensure the continuity of water availability. Other FY21 projects will be delivered as planned with some adjustments in the design to ensure, respectively, better support to rural livelihoods (LLL) and COVID-19 awareness and distance learning (Global Partnership for Education III, US\$30 million IDA, US\$16.9 million Global Partnership for Education).
- c) **Ensuring sustainable business growth and job creation:** In FY21, to address the constraints in access to finance due to the pandemic, the MSME Access to Finance Emergency Support and Recovery Project (US\$40 million) will help channel resources to bankable MSMEs.
- d) **Strengthening policies, institutions, and investment for rebuilding better:** The Bank is supporting this pillar mainly through ASA adjustments. The Lao Economic Monitor has been instrumental in analyzing the impact of the restrictions and lockdown imposed on the Lao PDR economy as a result of COVID-19. A High Frequency Survey is ongoing to provide fresh data on this front. A Poverty Assessment is in the final phase of delivery and includes estimates on the poverty impact of the pandemic. A Country Economic Memorandum will also provide policy options to make growth more inclusive and resilient. Ongoing dialogue is expected to generate demand for additional just-in-time advice and analytic support.

7. **Selectivity, complementarity, partnerships.** Collaboration with development partners on the response to COVID-19 has been excellent and articulated around the GoL's COVID-19 National Preparedness and Response Plan. A US\$1 million grant from the Pandemic Emergency Financing Facility was channeled to the United Nations Children's Fund and World Health Organization. Dialogue on COVID19 has been mainstreamed into the existing Sector Working Groups—the Bank co-chairs the Environment and Macroeconomic groups with Germany and the Asian Development Bank (ADB). An ad hoc committee, of which the WBG is a core member, was established to support the GoL in the elaboration of NSEDP-9. At the macroeconomic level, there is close coordination the Bank MSME Access to Finance Emergency Support and Recovery Project (P174169) between the Bank, IMF, European Union, and ADB to support the GoL in achieving a sustainable macroeconomic framework.

8. **Financing needs and sources of financing.** The financing gap for 2020 is estimated at US\$1 billion, comprising of a balance of payments gap of US\$800 million and a fiscal gap of US\$200 million. Sources of external financing include a mix of domestic and international bonds. In parallel, efforts have commenced to restructure/reprofile external debt with prominent bilateral creditors. Meanwhile, in the context of the IDA19 Sustainable Development Finance Policy, the Bank and GoL are discussing the Performance and Policy Actions for FY21, which focus mainly on debt sustainability and transparency.

LLL response to the COVID-19 crisis



9. **Forests are critical for Lao PDR to recover from COVID-19.** The forest estate provides jobs, livelihoods, food, medicine, wildlife habitat, tourism opportunities, and environmental services such as water filtering and flood and erosion risk reduction, as well as climate change mitigation. The Bank finances a strong program on the forest sector, which also enhances the performance of sectors such as hydropower that depend on intact forests. IFC and the Bank are building a coordinated MFD approach. Two current projects (SUPSFM and LENS2) and the LLL pipeline project also address the illegal wildlife trade, which is fundamental to the One Health approach. There is renewed political and popular will in China, Lao PDR, and neighboring countries to act to end illegal wildlife consumption.

10. **The proposed IDA/GEF/CCEFCF-financed LLL will support the GoL to improve SFM and enhance livelihoods opportunities in selected landscapes in Lao PDR.** The proposed IPF will support the GoL at the national, subnational, and local levels to manage its forest estate (that is, the forest landscape) to achieve conservation, production, and protection objectives, which in turn will help deliver jobs, poverty reduction, livelihoods development, and law enforcement objectives.

11. **New infectious diseases and viruses tend to have greater negative consequences for the most vulnerable citizens, namely children, elderly, and ethnic minorities, which typically reside in rural and forest areas.** At the same time, these areas are becoming more and more vulnerable to the spread of zoonotic diseases, such as the COVID-19 pandemic. This could be a combined result of habitat loss due to forest encroachment for agriculture and livestock, as well as the hunting and consumption (and associated trade and marketing) of wild meat of potential vector species such as bats, pangolins, and other small mammals.

12. **The LLL project will be the main engine to boost the post-COVID-19 recovery of rural livelihoods in forest areas, which in Lao PDR cover 70 percent of the country surface and host close to 70 percent of its citizens.** The project will use existing Government systems to quickly channel funds directly to forest villages through the Village Development Funds, while for villages inside PAs, the funds will be managed by the PA management unit. Both systems have been successfully used in other existing projects and are fully operational.

13. **Restoring natural habitats and engaging in community-based information and outreach campaigns will be vital in preventing and slowing contagion in case of new outbreaks or future pandemics while at the same time providing meaningful support to the law enforcement efforts to combat wildlife and forest crimes.** Local jobs in NBT, agroforestry, NTFPs, and related value chains will be created while small-scale infrastructure such as community irrigation schemes will improve rice productivity and food security, thus reducing forest encroachment. Finally, building institutional capacity of relevant public authorities such as PA management units, urban planners, veterinarians, and public health professionals to understand and regulate human-wildlife interactions in markets, farms, and the natural habitat will further contribute to avoid spreading of new disease.

**ANNEX 4: LIST OF APPENDICES IN THE PROJECT FILES**

1. The table 4.1 below lists appendices in the project files. Each appendix covers relevant topics to complement information included in the PAD and is part of the project file.
<https://wbdocs.worldbank.org/wbdocs/drl/objectId/090224b087f9e5e0>

Table 4.1. LLL Appendices in the project files

Appendix A: LLL Results Framework, Monitoring and Learning
Appendix B: LLL Detailed Component and Activity Description
Appendix C: LLL Climate Co-benefits
Appendix D: Selected Landscapes and Selection Criteria for Landscapes, PAs, and Villages in LLL
Appendix E: LLL Gender Action Plan
Appendix F: Economic and Financial Analysis of LLL
Appendix G: Lessons Learned and Incorporated in LLL Design
Appendix H: Maximizing Financing for Development (MFD) in LLL



ANNEX 5: MAP

The Target Landscapes of the LLL Project

