



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 16-Dec-2020 | Report No: PIDA28679

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

Country Lao People's Democratic Republic	Project ID P170559	Project Name Landscapes and Livelihoods Project	Parent Project ID (if any)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 30-Nov-2020	Estimated Board Date 19-Mar-2021	Practice Area (Lead) Environment, Natural Resources & the Blue Economy
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Agriculture and Forestry	

Proposed Development Objective(s)

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

Components

Investing in Natural Wealth and Resilience in Forest Landscapes
Livelihoods Opportunities from Sustainable Forest Landscapes
Institutions, Incentives, and Information
Project Management, Monitoring and Learning.

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
Global Environment Facility (GEF)	7.37
Miscellaneous 1	16.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

1. **The Lao People's Democratic Republic (PDR) achieved rapid growth and significant poverty reduction between 2005 and 2015, though inequality widened.** Since 2000, gross domestic product (GDP) growth has averaged around 8 percent per annum. The poverty rate declined from 34 percent in 2003 to 23 percent in 2013, with preliminary estimates showing further decline to about 18 percent in 2019.¹ Yet the Gini coefficient increased from 32.5 to 36.2, reflecting lower gains for the bottom 40 percent. Poverty is concentrated in rural areas, most of which are forestlands. The Bank's 2020 poverty assessment determined that the poverty hotspot in the country has shifted to the central region, which is also where the some of the highest values for productive forestry, nature based tourism and biodiversity are. COVID-19 is placing an added economic burden on the country, with 2020 GDP growth expected to decline to 1 to -1.8 percent compared to the pre-COVID estimate of 6 percent growth. Poverty is estimated to increase by 1.4 to 3.1 percent in 2020 compared to a 0.6 percent decline in a no-pandemic scenario.²

¹ World Bank 2019a, *Performance and Learning Review of the Country Partnership Framework for the Lao PDR for the period FY2017 – FY2020*.

² World Bank 2020a, *Lao PDR Poverty Assessment 2020: Catching Up and Falling Behind*.



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 (NSED-9) for 2021-2025.** 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 shifting its growth framework 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.**³ 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 to 2015.⁴ 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 lost 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 COVID-19 impacts and reduce vulnerability to climate risks.** The forest estate is 70 percent of Lao PDR's landmass and hosts close to 70 percent of its people. Continued degradation and loss of forest and biodiversity undermine livelihoods resilience and amplify risks from floods, erosion, forest fires, and droughts. Up to 31 percent of rural villages reported in the 2010/11 Agriculture Census were 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.⁵ G

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 rural and forest areas.**⁶ 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 can be 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 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 natural solutions can help reduce vulnerability to climate and disaster risks, and complement conventional engineering in "grey-green" hybrid infrastructure.⁷ At landscape level,⁸ natural solutions offer substantial, durable and cost-effective benefits.⁹

Sectoral and Institutional Context

³ World Bank 020b, *Valuing Lao Landscapes: A Province, District, And Household Level Analysis of Natural Capital in Khammouane Province*.



7. **The comparative advantage of Lao PDR is its natural wealth, which comprises over 50 percent of the economy.** Recognizing this, the 2030 National Green Growth Strategy (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, village forestry,¹⁰ 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 nature-based tourism. Other national policy frameworks include the National Socio-Economic Development Plan (NSED), Localization of Sustainable Development Goals, 2019 Land Law, 2007 Wildlife and Aquatic Law, the emerging National REDD+ Strategy, 2019 Decree on Environmental and Social Impact Assessment, Nationally Determined Contribution, 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, the 2016 Prime Minister's Order 15 (halting logging and timber exports), and large-scale private investment in plantation forestry.** Degraded lands in national production forests have been opened to industrial plantations which are expanding significantly, largely in the central and southern regions. New policies promoting village forest management and nature-based tourism are high priorities. Some of the conservation forests, also known as protected areas (PA), are being re-designated as national parks, reflecting renewed commitment to biodiversity conservation and development of nature-based tourism for good jobs that can benefit women in particular.

⁴ World Bank, 2020, *Environmental Challenges for Green Growth and Poverty Reduction in Lao PDR*.

⁵ Government of Lao PDR, UN, World Bank, EU 2018. *Post-disaster Needs Assessment, 2018 Floods*.

⁶ World Bank 2020a, *Lao People's Democratic Republic Poverty Assessment 2020: Catching Up and Falling Behind*.

⁷ 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); and grey infrastructure refers to built structures such as roads and dams.

⁸ 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. Biologically and economically, a landscape is defined globally as 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 cross-cut 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).

⁹ By restoring forests in critical watersheds, for example, the flow of sediments would 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.

¹⁰ Village forestry, and village forest management (VFM), refer to the decentralized management of forest resources by villagers inside their village use forests in compliance with forest management plans. The 2019 Forestry Law grants rights for villages to engage in commercial activities for wood (in 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.



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 so 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 households, comprising diverse ethnic groups. There are three globally outstanding conservation landscapes: a) the wet evergreen forest ecosystem in the Annamites, bordering Vietnam, arguably has the highest biodiversity, b) the massive karst formations of Central Lao PDR, and c) the montane forest ecosystem in the Greater Annamites has high species uniqueness. These three priority ecosystems are fairly well represented within the PA system. To strengthen its commitment to conservation, the Government of Lao PDR (GoL) designated the country's first two National Parks in February 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 a National Park in January 2020. The Department of Forestry (DOF) of the Ministry of Agriculture and Forestry (MAF) has identified six further PAs as candidates for upgrading to National Park status, as nature-based tourism has become a high priority in the country's strategic development framework.

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 nature-based tourism 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 forest areas (PFAs) are not yet generating the jobs and revenues that it could for a forest-rich country facing such growing international demand for "good wood."** Up to 300,000 jobs could be created from about 300,000 hectares via private investment in environmentally and socially sustainable plantations and downstream industries given effective enabling policies.¹² 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 650,000 ha of degraded forest for restoration by commercial tree plantations. Significant large-scale private investments have been made, and more is on the table. Forest restoration generates an estimated US\$7-30 in benefits globally for every dollar invested.¹³ Participatory sustainable forest management (PSFM) and village forest management (VFM), including native forests restoration and smallholder plantations, complement large-scale environmentally and socially sustainable forest plantations.

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 49 PtFAs

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

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

¹³ WRI 2017, *Roots of Prosperity: The Economics and Finance of Restoring Land*.



are the largest land designation in Lao PDR, and host at least 1,896 villages. These villages depend on diverse livelihoods from forests, soil, and water resources. Yet these areas are generally highly degraded, with 35 percent of actual forest cover. Under the 2019 Forestry Law there is a renewed opportunity to actively manage them, including for restoration and non-wood forest products and climate-smart smallholder agriculture, which would also reinforce the protective role of these forests while generating local livelihoods. Support for sustainable smallholder tree plantations can also contribute to strengthening small and medium enterprises for the domestic market.

13. **The forest estate had annual average net greenhouse gas (GHG) emissions of 34.1 MtCO_{2e} from 2005 to 2015.** The National REDD+ Strategy identified the main drivers of deforestation as a) permanent agriculture and tree crops, mainly rubber,¹⁴ b) pioneering shifting cultivation, c) infrastructure development, and d) unsustainable and illegal timber harvesting.¹⁵ Approximately 60 percent of the emissions were due to converting forests for agriculture.¹⁶ The trends have remained relatively constant during the past two decades, although there is evidence that the deforestation rate has been slowing since Prime Minister's Order 15 was enacted in 2016.¹⁷

14. **The 2019 Forestry Law recognizes that a productive forestry sector built on sustainable management of forest landscapes and high quality private investment could restore some 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 would continue. Large-scale international investments will lack a framework for decisions to manage competing land uses and harness mutual opportunities such as nature-based tourism, or village forest protection combined with small irrigation.

15. **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. The GoL continues to build the capacity of forest institutions and address weaknesses in multisector coordination. Past sector support from the Bank and others has brought the country from a largely unregulated and un-managed 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.

16. **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 would support the

¹⁴ 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.

¹⁵ GoL Department of Forestry, *Draft National REDD+ Strategy (forthcoming)*.

¹⁶ SUFORD-SU 2018, *Forest Cover Assessment*.

¹⁷ 2018 Forest Reference Emissions Level of Lao PDR reported to UNFCCC https://redd.unfccc.int/files/2018_frel_submission_laopdr.pdf



government 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 would take an integrated, spatially concentrated approach to investment in productive forestry, conservation, nature-based tourism, land use, livelihoods, reduction of climate risk and emissions, and curbing the illegal forest and wildlife trade. The project would help boost post-COVID-19 economic recovery and create jobs and secure livelihoods including in the country's new poverty hotspots. The project would support a sector-wide platform for scaling up coordinated action in additional landscapes as more experience is built. Coordinated action would deliver a range of environmental and economic benefits related to functioning and resilient ecosystems, and the protected areas, wildlife, production, protection, tourism opportunities, and villagers dependent on them.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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

Key Results

- **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) (50 percent women) (Corporate Result Indicator [CRI]).

D. Project Description

18. The project has four components that together help convene and 'crowd in' coordinated actions and investments in eight priority conservation and production forest landscapes. Component descriptions are detailed in the following paragraphs, split by co-financing sources: IDA, Global Environment Facility (GRF), and Canadian Clean Energy and Forest Carbon Facility (CCEFCF).

19. **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 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.

20. *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 (d) and 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, PA infrastructure, and tourism-enabling 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 on climate co-benefits.

21. 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.

22. **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 the management of PAs for biodiversity conservation and tourism opportunities. The subcomponent focuses on investing in eight national parks or PAs with internationally significant biodiversity values and high potential for sustainably developing nature-based tourism and, by doing so, creating direct and indirect jobs and livelihoods opportunities.

23. **Activities** include (a) collaborative PA management; (b) ranger patrols; (c) extension and outreach (d) village forest and land use planning; and (e) village conservation agreements (VCAs), which include a list of livelihood practices that will promote forest wildlife and vegetation conservation, contributing to climate benefits; (f) enabling activities to facilitate private sector participation in nature-based tourism within the targeted PAs; and (g) civil works to upgrade park facilities using climate-resilient and energy-efficient practices.

24. **GEF grants will complement IDA and CCEFCF by financing** all activities listed above in the 8 target PAs.

25. **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 sector productivity for green growth and economic recovery.

26. **Activities** include (a) state forest management planning and zoning in selected PFAs and PtFAs; (b) village forest and land use planning and zoning in village forests; (c) VFM and restoration, contributing to maintain and increase forest cover and contributing to climate mitigation; (d) extension and village advisory services; (e) enabling activities for private investment in environmentally and socially sustainable industrial tree plantations;



(f) research and development for production forestry; and (g) green infrastructure for resilient villages, livelihoods, and jobs (for example, multi-village package of small irrigation plus forest protection, climate-resilient feeder roads, and slope stabilization with trees to improve climate adaptation).

27. **GEF grants will complement IDA and CCEFCF by financing** only activity (d), extension and village advisory services.

28. **Component 2: Livelihoods Opportunities from Sustainable Forest Landscapes** (led by DOF) (US\$9.2 million, of which US\$6.3 million IDA, 0 GEF, and US\$2.9 million CCEFCF). The objective of this component is to improve forest-smart livelihoods opportunities, vocational skills, and nature-based tourism 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 to Village Development Funds, (b) Subcomponent 2.2: Vocational Training and Skills Development, and (c) Subcomponent 2.3: Nature-based Tourism Business Leveraging Facility.

29. **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 government systems to channel funds to forest villages through the village development funds (VDFs), based on successful models used in other ongoing projects in Lao PDR. Vocational training for locally appropriate market-based activities will provide additional employment opportunities.

30. **Subcomponent 2.1: Village Livelihood Block Grants to Village Development Funds** (led by DOF) (US\$6 million, of which US\$4.1 million IDA, 0 GEF, and US\$1.9 million CCEFCF). The objective of this subcomponent is to strengthen forest-smart village livelihoods in targeted landscapes.

31. **Activities.** The project will finance villages in the three forest categories to select and implement forest-smart livelihood activities. The project will provide funding to VDFs in the form of village livelihood block grants (VLBGs). VDFs are managed by the villages themselves as revolving mechanisms through a Village Committee and are provided to households or groups as credits for specific farm and nonfarm income-earning activities based on specific criteria and risk management.

32. 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. 50 percent of the revolving funds out of the village block grants are taken-up by women, to strengthen women participation in village institutions and decision-making power on natural resource management (NRM) and livelihoods, which helps fill a persistent gender gap.

33. **Subcomponent 2.2: Vocational Training and Skills Development** (led by DOF) (US\$1 million, of which US\$0.7 million IDA, 0 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) and 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 devising courses responding to their vocational interests and job market opportunities. Training will be delivered in the village and through a scholarship system for selected youth, based on agreed criteria including poverty, vulnerability, and interest to attend vocational schools in district or province capitals.

34. **Subcomponent 2.3: Nature-based Tourism Business Leveraging Facility** (led by DOF) (US\$2.2 million, of which US\$1.5 million IDA, 0 GEF, and US\$0.7 million CCEFCF). The objective of this subcomponent is to strengthen the development of nature-based tourism by encouraging private sector participation, especially SMEs in and around PAs. The project will finance the establishment of a nature-based tourism business leveraging facility, to strengthen nature-based tourism development and private sector participation by SMEs. The nature-based tourism business leveraging facility will provide (a) advisory services to tourism companies on product development, market surveys, and so on; (b) financing for small public infrastructure, marketing, and other aspects of the local enabling environment for tourism development in accordance with private sector investment plans and public destination management plans; and (c) training and capacity building for the management and staff of the applying SMEs.

35. **Component 3: Institutions, Incentives, and Information** (led by DOF) (US\$8.8 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.

36. **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.

37. **Activities** include (a) supporting government institutions to strengthen and develop relevant public policy, strategy, regulations, and guidelines and to meet various international commitments; (b) establishing and implementing a GoL-led multi-sector and multi-stakeholder coordination platform; and (c) implementing capacity building on landscapes for the GoL to inform decision-making and manage trade-offs and mutual opportunities across sectors.

38. **GEF grants will complement IDA and CCEFCF by financing** only subcomponent 3.1, supporting government institutions to strengthen and develop relevant public policy, strategy, regulations, and guidelines and to meet various international commitments, with targeted support to the Protected Area Management Division (PAMD) in DOF.

39. **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, 0 GEF, and US\$0.8 million CCEFCF). The objective of this subcomponent is to strengthen institutions and policies to reduce forest and wildlife crimes.



40. **Activities** include (a) strengthening and developing relevant public policy, strategy, regulations, and guidelines in coordination with and among agencies as relevant; (b) participating in and meeting various international commitments such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), in coordination with and among agencies as relevant; (c) developing and maintaining public awareness efforts and local networks on how to reduce wildlife and forest crime in coordination with and among agencies as relevant; (d) strengthening and implementing a GoL-led multiagency coordination platform on reducing wildlife and forest crimes (Lao Wildlife Enforcement Network [Lao-WEN]); (e) carrying out field activities by relevant national agencies, in cooperation with and among agencies when and where relevant; and (f) supporting the capacity of provincial agencies to implement field activities through Provincial Wildlife Enforcement Networks (P-WENs) in selected provinces.

41. **Subcomponent 3.3: Information for Decision Support** (Led by EPF, implemented by Ministry of Natural Resources and Environment [MONRE], and Lao Statistics Bureau [LSB]) (US\$1.1 million, of which US\$0.6 million IDA, 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.

42. **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 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).

43. **Component 4: Project Management and Monitoring** (led by DOF) (US\$6.8 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, 0 GEF, and US\$0.1 million CCEFCF). Subcomponent 4.1 focuses on project management, monitoring, learning, and adaptive management. Subcomponent 4.2 supports the GoL's strategic communication, resource mobilization, and regional coordination and dialogue on project-related issues.

44. **GEF grants will complement IDA and CCEFCF by financing:** activity (a) in subcomponent 4.1, on project management and M&E.



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

45. **Knowledge and communications activities are built in all components, with dedicated resources according to the topic and the level of the interventions.** Dedicated knowledge management (KM) and communications approaches are part of the Project. Implementation of these approaches will result in convening of key groups, producing flagship studies and practical publications that influence practitioners, policymakers and investors, among other interventions. Through KM 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.



Legal Operational Policies

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

Summary of Assessment of Environmental and Social Risks and Impacts

46. The project investments are expected to result in more positive environmental and social impacts and livelihood development outcomes from better managed forest landscapes and the many benefits from them.

However, potential risks and impacts that may be generated and associated with proposed project activities in relation to the World Bank Environmental and Social Framework (ESF) exist. Climate co-benefits for both mitigation and adaptation would be generated from restoration and reforestation activities, better conservation and management of protected areas, and improved forest-smart livelihoods and community-based green infrastructure.

47. 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 nature-based tourism 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.

48. Social:



- a) Direct risks and impacts include restriction of access to forestland and resources. This may affect natural resources-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. 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 will unlikely be required and, if required, will be minimal as the civil works will be mainly undertaken within the existing premises. If private land needs to be acquired for the construction of new offices or facilities with co-financing made available by the government agencies, an Abbreviated Resettlement Action Plan (ARAP) for the work sub-project 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 Government and private investment projects without, or with inadequate, compensation. Communities 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.

E. Implementation



Institutional and Implementation Arrangements

49. **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 to DOF, as well as other ministries, departments, and provincial and district institutions implementing specific project activities.

50. **Each collaborating institution will have a small project implementation team 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 government 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.

Results Monitoring and Evaluation Arrangements

51. **Project monitoring and broader natural resource monitoring and impact assessment would be carried out by the PCU 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 government to train government staff in a range of relevant institutions to carry out M&E and impact assessment, and would provide regular reports documenting and quantifying the capacity building process. The relevant GEF Tracking Tools would be completed at approval, mid-year and completion. GHG emissions will be tracked using Ex-Act tool. Additional project indicators beyond the project results framework and GEF tracking tool may be monitored by the project as necessary. A project Mid-term Review (MTR) and Borrower's Completion Report (BCR) would be undertaken with consultants hired by the PCU, starting in the project's final year. The Bank would undertake an Implementation Completion Report (ICR) based on the BCR, also starting in the project's final year.

52. **Impact assessments would complement the project results framework and the KM approach of the project.** Assessments would 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, and f) wildlife law enforcement and zoonotic disease prevention as part of the One Health approach.

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APPROVAL

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