

# World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref. TF014777

Reporting Period: 07/01/2019 to 06/30/2020

Printed On: 03/25/2021

Report Type: Progress Report

Report Status: Final

Assignment: TF014777

## Lao PDR - FCPF REDD+ Readiness

## FCPFR - Forest Carbon Partnership Facility

Task Team Leader: 00000269425 - Stephen Danyo

Approving Manager: 00000208182 - Mona Sur

Summary Information	
TF Status	ACTV
Recipient Country	Laos
Executed By	Recipient
Managing Unit	9532 - SEAE2
Grant Start Date / End Date	08/11/2014 to 06/30/2022
Original Grant Amount	3,600,000.00
Grant Amount	8,175,000.00
Outstanding Commitments	0.00
Cumulative Disbursements	6,560,574.36 as of 06/30/2020
Disbursed 07/01/2019 to 06/30/2020	1,733,740.98
Donor	TF602001 - MULTIPLE DONORS

This GRM report includes the following sections: Overview, Components, Outcome, Execution, Program (FCPFR), Disbursements.

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## OVERVIEW

### Overall Assessments

#### Grant Objectives:

The Project Development Objective is to contribute to Lao PDR's efforts to design and implement a sound national REDD+ strategy.

#### Overall progress from 07/01/2019 to 06/30/2020 with regard to Achieving Grant Objectives:

##### Comment:

During the reporting period, the Project made important contributions to Lao People's Democratic Republic's (PDR's) capacity for achieving the Project Development Objective (PDO) for REDD+ readiness (REDD+ refers to reducing emissions from deforestation and forest degradation, forest carbon stock conservation, the sustainable management of forests, and the enhancement of forest carbon stocks in developing countries). The project continues to put in place the building blocks for sustainable forest management, including the development of strategies and policies, measurement and safeguard systems, institutional capacity and consultation processes. All project components are advancing and the Project is expected to achieve the PDO. However, with the delays the coronavirus disease 2019 (COVID-19) crisis presented to grant implementation, the Government of Lao PDR (GoL) was unable to fully utilize the remaining grant budget in fiscal year 2020 (FY20). The closing date of the grant was extended to June 30, 2022 to utilize the remaining undisbursed amount of approximately US\$1.6 million.

The Readiness Grant is part of a broader engagement by the Bank to support Lao PDR's National REDD+ Readiness framework and to prepare for the implementation of a proposed Emissions Reduction (ER) Program at the subnational level. The Project has continued to build national and sub-national capacity, finalizing key systems that would underpin the success of an Emissions Reduction Payment Agreement (ERPA) of up to US\$42 million in results-based payments under the FCPF Carbon Fund: Lao PDR Northern Laos Emission Reductions Payments Project (P165751). Through the support provided by the Readiness Grant, the ER Program is in the final stage of program preparation. (ERPA negotiations concluded November 3, 2020, and ERPA signature on December 30, 2020). The grant will continue to provide critical strengthening for implementation capacity, including to support the Government to meet the conditions of effectiveness, and contribute to ensuring the successful implementation of the ERPA and delivery of ERs.

#### Overall progress from 07/01/2019 to 06/30/2020 with regard to Implementation of Grant Financed Activities:

##### Comment:

Overall progress in FY20 remained moderately satisfactory. The REDD+ Division under the DOF has made good progress overall. The Project's key achievements, delivered and finalized in the last 12 months, are:

- (a) a National REDD+ Strategy (NRS) (finalized and aligned with the Forest Law 2019). The NRS draft has been agreed in principle and awaiting final approval by the vice Minister who is the Chairperson of the National REDD+ Taskforce;
- (b) REDD+ institutional and implementation arrangements at the national and provincial levels, including project management units (PMUs), steering committees, technical working groups (TWGs) and field monitoring units;
- (c) safeguards documents for the ER Program, including the Strategic Environmental and Social Assessment (SESA), Environmental and Social Management Framework (ESMF), Ethnic Group Planning Framework (EGPF), Resettlement Policy Framework (RPF), Process Framework (PF), a Gender Action Plan, and a Feedback and Grievance Redress Mechanism (FRGM), including the necessary multi-stakeholder consultations. The final safeguard documents were disclosed in March, 2020;
- (d) preparatory work for the safeguards due diligence for potential retroactive ERs. A condition of ERPA effectiveness the report will be finalized in early 2021;
- (e) an advanced draft Benefit Sharing Plan (BSP) for the ER Program. The advanced draft BSP was disclosed in June, 2020;
- (f) an updated national reference emission level, and improvements to and capacity building on national monitoring systems for forests and safeguards;
- (g) revision of the forest law, including the nomination of the Forest Protection Fund (FPF) as the agency to manage and distribute REDD+ funds;
- (h) all requirements for ERPA signature. The ERPA package of documents was completed (and the agreement was subsequently signed on December 30, 2020);
- (i) provincial REDD+ action plans (PRAPs) for each of the six northern provinces;
- (j) a cross-sector capacity needs and gap assessment, and a capacity building plan, including for the establishment of units to manage social and environmental risks in the provinces of the ER Program;

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- (k) comprehensive stakeholder consultation process, with a wide range of stakeholder representatives from the central to the village cluster levels;
- (l) various capacity building events, national and provincial outreach and public awareness events on REDD+ and communication products distributed.

In FY20 the client was able to disburse US\$1,733,740.98. As of June 30, 2020, overall grant expenditure was US\$6,560,574.36 and US\$1,614,425.64 remained undisbursed or unspent. Financial management (FM) performance remained Moderately Satisfactory, due to late submission of the audit report for the Year End December 31, 2019 and several outstanding FM improvements (delay in liquidating of advances, control over fixed asset management, supporting document and book keeping). The remainder of the grant is committed with an approved annual workplan, budget and procurement plan.

During the GRM reporting period (FY20), the parallel implementation of the readiness activities (focusing on national capacity) and the preparation of the ER Program (in the six northern provinces) resulted in slower progress than anticipated. With the delays that the COVID-19 crisis presented to grant implementation, the GoL was unable to fully utilize the remaining grant budget in FY20. The closing date of the grant was extended to June 30, 2022.

## Grant follow-up and structure

### Description and context of Grant:

The Readiness Preparation Grant Agreement was signed on March 4, 2014, for an amount of US\$3.6 million. Additional Financing of US\$4.575 million was approved in March 2018, bringing the total grant amount to US\$8.175 million

### Expected follow up (if any):

### Comment on follow up:

While the first grant (US\$3.6 million) was successfully implemented, the priority of the second grant (US\$4.575 million) is to continue to build capacity to effectively implement REDD+ actions and to build capacity at both the national and sub-national level. These priorities are especially important with respect to the implementation of an operationally sound ER Program in the six northern provinces, as an entry point for investments in the landscape.

The World Bank is supporting a transition towards a more integrated approach on forest landscapes through a strong lending and non-lending portfolio. This portfolio includes the programmatic Green Growth Development Policy Operations (GGDPO) series; two phases of the Green Growth Advisory Program, including four discrete ASAs: (i) Lao PDR Forest Note: Toward Sustainable Forest Landscapes for Green Growth, Jobs, and Resilience; (ii) Partnerships and Opportunities for a New Green Forest Economy in Lao PDR; (iii) Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao PDR; and (iv) Valuing Lao Landscapes. Complementary investments include the closely related Forest Investment Program (FIP)/International Development Association (IDA) Scaling-up Participatory Sustainable Forest Management (SUFORD-SU), recently completed FIP/Asian Development Bank (ADB) Protecting Forests for Sustainable Ecosystems Services Project, and ongoing Additional Financing to greater Mekong Subregion (GMS) Biodiversity Conservation Corridors Project, International Finance Corporation (IFC)/FIP Smallholder Forestry Project, IDA/Global Environment Facility (GEF) Second Lao PDR Environment and Social Project; IDA Agricultural Competitiveness Project, Poverty Reduction Fund III Additional Financing. In the investment pipeline is large-scale landscape engagement addressing protected areas, forestry, and nature-based tourism, financed by IDA, GEF7, Canadian Clean Energy and Forest Carbon Facility (CCEFCF) and PROGREEN resources, and leveraging coordinated parallel co-financing from IFC and private sector investments.

The Readiness Grant fits into the Bank's sector-wide approach on forests and land use in Lao PDR and is aligned with the Bank's COVID-19 recovery priorities and corporate commitments on forests and climate change.

Going forward, with the ER program then in the final stage of preparation, the focus shifted in FY21 to: (i) support institutional arrangements at national and sub-national levels; (ii) provide critical strengthening for implementation capacity (for safeguards, financial management, monitoring and reporting, and benefit sharing); and (iii) finalize the work underway and maintain momentum despite the implications of the COVID-19 pandemic.

### End Date of Last Site Visit:

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## Restructuring of Grant:

As noted above, a second grant was processed with the same objective as the first grant, though with more focus on implementation at the subnational level.

## OUTCOME

### Comments on outcome achieved from 07/01/2019 to 06/30/2020

The Grant, along with support from other development partners, has created the necessary momentum for the GOL to transition from REDD+ readiness phase to implementation and participation in results-based payments. The critical outputs such as the NRS, safeguards documents, institutional capacity, consultation processes, reference scenarios, measurement systems, benefit sharing arrangements and the ER Program form the basis for the GOL to implement REDD+. Furthermore, the Project continued to make progress in meeting the requirements of the ER Program in six northern provinces and ERPA.

It remains important to continuously build and improve sectoral performance and coordination. Ensuring long-term institutional operational capacity for implementation of the NRS, safeguards, benefit sharing and sustaining the NFMS and associated measurement, reporting, and verification (MRV) functions is essential. In addition, the transition from REDD+ readiness to implementation including operationalizing the NRS, especially at sub-national in line with other national and sectoral development policies and strategies is an area where further work remains necessary for the GOL. It needs to be recognized that the NRS and ER Program will rely on domestic and international financing of measures to reduce emissions.

See comments on achievements by component.

## Grant Outcome Indicators

No Outcome indicators are defined or used for this grant.

## COMPONENTS

### Comment on planned and actual Output

At the output level the GOL has generally maintained the necessary focus to achieve its REDD+ Readiness objectives.

### Comment on component implementation progress

#### 1. Readiness Process Management and Stakeholder Consultation

The REDD+ Division under the Department of Forestry continues to coordinate and support the development of the implementation framework and has established the institutional framework for REDD+ implementation at provincial levels through the Provincial REDD+ Task forces, and coordination with Provincial Agricultural Forestry Offices (PAFOs) and District Agricultural Forestry Offices (DAFOs).

The Grant also strengthened critical capacities of relevant institutions and stakeholders at national and sub-national levels. However, the capacity of institutions remains low and further support is necessary to sustain the momentum built through the grant support. Availability of senior government staff, representatives of development partners and TWGs can lead to delays. The availability of consultants with experience of REDD+ requirements and familiarity with Lao PDR remains a challenge.

Consultations took place at the national level, provincial, district and community levels in the ER Program area. REDD+ awareness raising materials were distributed to ER Program provinces and districts. Separate consultations were undertaken on legal documentation and the draft BSP. Consultations in other regions of Lao were undertaken to develop the national safeguards information system (SIS).

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COVID -19 restrictions emerged as a significant challenge but was mitigated through use of virtual meetings, virtual appraisal, and protocols for improved communication. Several meetings, field visits, and events had to be cancelled and postponed due to COVID-19, including data collection for SIS development and REDD+ awareness.

## 2. REDD+ Strategy Development

The NRS has generally been accepted and is awaiting final sign-off by the Vice Minister (chair of the National REDD+ Task Force). A review of the NRS was undertaken and it is now aligned with the Forest Law 2019 and on-going revision of the Forest Strategy 2030 that is currently being drafted. The land use, land use change assessment for 2019 was also completed and approved by the Ministry of Agriculture and Forestry (MAF).

The requisite legal assessment and documentation for the ERPA were completed. The Term Sheet was negotiated with the Carbon Fund, and all legal documentation related to the Program Entity's ability to transfer ERs, sub-agreements, and reversal management were completed.

The GoL has continued to advance important sectoral and institutional reforms to improve land and forest management, including through the Forestry Law of 2019, which has provisions related to emissions reduction and carbon revenue management. The new law also features decentralized "village forest management" and private sector participation in production forest areas; both are key reforms that could, if well managed, result in reduced emissions. Furthermore, the Project has also contributed to improved coordination across multiple sectors (notably agriculture) on land use and the alignment of Bank and other development partner projects.

While the current policy environment is favorable for implementation of the ER Program and its proposed interventions, it remains important for the GOL to invest in capacity among provincial and local level government authorities to implement and enforce existing policies and regulations. At the sub-national level, for each of the six provinces involved in the ER Program, a Provincial REDD+ Action Plan (PRAP) has been prepared and approved through a consultative process, which identified the drivers and appropriate interventions to address these drivers. Adequacy of institutional, technical and financial capacity have been identified as critical success factors for both the NRS and the ER Program, hence they are well prioritized and are being supported by the grant. The ER Program consolidates the interventions outlined in the PRAPs and also adopts the strategic level interventions outlined in the draft NRS.

The safeguards package was completed. This includes SESA, ESMF, EGPF, RPF, PF and Gender Action Plan.

In addition to the advanced draft BSP for the ER Program, outlining the institutional arrangements, mechanism, rules and procedures for distributing the proceeds from ER payments to beneficiaries.

The safeguards package and advanced draft BSP were publicly disclosed.

A capacity building plan has been developed and training and resource material in Lao language is under development.

## 3. Reference Emission Level and Monitoring Systems

Reference level: Following the technical assessment of the national forest reference emission level (FREL) and acceptance by the United Nations Framework Convention on Climate Change (UNFCCC), focus shifted to developing the National Forest Monitoring System (NFMS) and designing the necessary measurement, monitoring, reporting and verification functions (with technical support from the Japanese International Cooperation Agency (JICA)).

Monitoring Systems for Forests and Safeguards: Multiple consultations and discussions clarified improvements to the NFMS. A detailed multi-year NFMS plan is being prepared. A Technical Note has been drafted, prioritizing ER reporting schedules and ERPA monitoring and verification requirements. A work program is being implemented to support potential technical improvements to the FREL and ER Program.

A consortium of Development Partners has been established that will provide technical support to measurement, monitoring and reporting and develop feasible response through improved methods. A work plan has been developed and adequate funds secured.

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Procurement for and the initial replacement of IT infrastructure (hardware and software) for managing data for the NFMS and reporting under the ER Program was undertaken.

The SIS is still under development. A first draft of the SIS has been prepared including a work plan

## EXECUTION

### Bank project related to the grant

**Project ID / Name:** P125082 - LA-FCPF Implementation Support  
**Project Status:** Lending  
**Global Focal Area:** Climate change  
**Product Line:** RE- Recipient Executed

### Implementing agency and contact details

**Agency:** Ministry of Agriculture and Forestry, Dept. of Forestry, REDD+ Office  
**Contact:** Mr. Khamsene Ounekham  
**Address:** Ministry of Agriculture and Forestry, Dept. of Forestry, REDD+ Office  
**Phone:** +856 2054466829 **Email:**  
**Website:**

## PROGRAM

### Program Specific Questions

#### 1. Describe progress in how the Grant activities are being coordinated with other REDD+-related initiatives, including those funded by Describe progress in how the Grant activities are being coordinated with other REDD+-related initiatives, including those f

The GOL continues to work with several other development partners including Kreditanstalt für Wiederaufbau [German Development Bank] (KfW), ADB, JICA, and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH [German Society for International Development Cooperation] (GIZ). Development partners have provided significant support for REDD+ to the GOL in the past ten years, which has been coordinated through continuous bilateral arrangements, and sector and subsector working groups covering the forestry, agriculture, and energy sectors.

Over the last few years and since the GOL's submission of its Nationally Determined Contribution (NDC) to the UNFCCC (currently being updated), MAF has increased efforts to ensure sharper sectoral coordination at all levels. Thus, grant activities are now embedded in the Lao PDR's National Green Growth Strategy and reform agenda for the forestry sector to achieve more sustainable, more resilient, and more inclusive growth, including leveraging significant private sector investment which is already occurring in Lao PDR. The GOL has taken deliberate steps to streamline project and program implementation by establishing joint project implementation units at the national and sub-national level to reduce the administrative burden. For instance, a single NPMU will have oversight of both the Northern Lao Governance, Forest Landscapes and Livelihood (GFL) and the Implementation Plan for the GFL (I-GFL).

#### 2. Describe any important changes in the technical design or approach related to the Grant activities.

There are no major changes to the technical design or approach related to the grant activities. However, during this reporting period focus has been on actions relevant for meeting ERPA requirements and preparation for commencing implementation of the ER Program.

#### 3. Describe progress in addressing key capacity issues (implementation, technical, financial management, procurement) related to this Grant.

The World Bank Team has continued to provide technical support to the government staff on procurement and financial management related to grant execution, as well as work planning. As part of the readiness process for the ER Program implementation, the grant, in collaboration with other development partners, supported the preparation of a capacity development plan for the ER Program implementation. The plan focuses on increasing the overall capacity for fund

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management of the Forest Protection Fund (the proposed Benefit Sharing Mechanism, as per provisions made in the new Forestry Law) in relation to administration, fund management process, financial management, project management and implementation of relevant social and environmental safeguard frameworks for projects.

## 4. Describe progress in addressing social and environmental issues (including safeguards) related to the Grant. Is the SESA conducted in accordance with the Common Approach?

As above, key safeguards documents include the Environmental and Social Management Framework (ESMF) and its associated frameworks, including Ethnic Group Planning Framework (EGPF), Resettlement Policy Framework (RPF), Process Framework (PF), a Gender Action Plan, and a Feedback and Grievance Redress Mechanism (FRGM) have been completed, including the necessary multi-stakeholder consultations. The Strategic Environmental and Social Assessment (SESA) was prepared in accordance with the Common Approach. The final safeguard documents were disclosed in March 2020.

## 5. Is the ESMF prepared in accordance with the Common Approach?

Yes.

## 6. Describe progress in stakeholder consultation, participation, disclosure of information, and the FRGM related to this Grant.

Stakeholder Consultation and Participation: The grant has supported a comprehensive stakeholder consultation process, with a wide range of stakeholder representatives from the central to the village cluster levels. The preparation of the NRS, SESA, ESMF, and the ER Program has taken place concurrently with broad stakeholder participation. Participation methods included technical level consultations with the six REDD+ Technical Working Groups (TWGs); strategic level consultations with the National REDD+ Task Force; existing sector coordination mechanisms such as the Forestry-Sub-Sector Working Group (FSSWG) under the Agriculture and Forestry Sector Working Group; committee meetings; workshops with non-government stakeholder groups of REDD+ of civil society organizations, private sector, and development partners; and consultation meetings with representatives of provinces, districts, and kumban (village clusters). From 2016, the six provinces engaged in their respective processes of developing their Provincial REDD+ Action Plans (PRAPs), the central instrument through which the ER Program interventions will be rolled out. For the PRAP preparation in the six provinces, consultation meetings were held in all 50 districts and 50 selected kumban, engaging with provincial and district staff, and village representatives.

Information disclosure: The GOL has established systems and platforms to make information related to REDD+ readily and easily accessible in a transparent manner. Key documents including the safeguards instrument and advanced draft BSP have been summarized in local languages and disclosed.

Feedback and Grievance Redress Mechanism and accountability: The GOL has outlined a grievance mechanism based on its existing national and sub-national institutions and mechanisms, ensuring that the system is independent, transparent, effective, and accessible to multiple stakeholders. The feedback and grievance mechanism is in line with existing policies, strategies, and regulations on grievances, as defined by GoL. This requires project owners and proponents to set up grievance mechanisms starting from the village level, and also follow legislation under Decision No. 08/MOJ, 2005 that seeks to strengthen conflict resolution at the grassroots level, by establishing Village Mediation Units (VMU). The grievance mechanism will also be institutionalized in each village by a selected group of people, involving ethnic groups, women, and representatives of other vulnerable groups in the village. The FRGM builds on and seeks to strengthen existing government systems such as the VMUs, combined with existing local structures, especially for ethnic groups, but primarily includes measures to ensure concerns and grievances of beneficiaries and affected people will be adequately addressed.

## DISBURSEMENTS

### Disbursements Summary in USD

Date From	Date To	Planned Cumulative	Planned Period	Actual Cumulative	Actual Period
07/01/2014	12/31/2014	0.00	0.00	300,000.00	300,000.00
01/01/2015	06/30/2015	0.00	0.00	305,004.86	5,004.86
07/01/2015	12/31/2015	0.00	0.00	500,677.67	195,672.81

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01/01/2016	06/30/2016	0.00	0.00	963,207.83	462,530.16
07/01/2016	12/31/2016	0.00	0.00	1,446,354.39	483,146.56
01/01/2017	06/30/2017	0.00	0.00	2,197,700.36	751,345.97
07/01/2017	12/31/2017	0.00	0.00	2,854,843.55	657,143.19
01/01/2018	06/30/2018	0.00	0.00	3,542,170.76	687,327.21
07/01/2018	12/31/2018	0.00	0.00	3,888,766.08	346,595.32
01/01/2019	06/30/2019	0.00	0.00	4,826,833.38	938,067.30
07/01/2019	12/31/2019	0.00	0.00	5,682,247.01	855,413.63
01/01/2020	06/30/2020	0.00	0.00	6,560,574.36	878,327.35
07/01/2020	12/31/2020	0.00	0.00	0.00	0.00
01/01/2021	06/30/2021	0.00	0.00	0.00	0.00
07/01/2021	12/31/2021	0.00	0.00	0.00	0.00
01/01/2022	06/30/2022	0.00	0.00	0.00	0.00