

World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref. TF014777

Reporting Period: 07/01/2020-06/30/2021

Printed On: 09/30/2021

Report Type: Progress Report

Report Status: Final

Assignment: TF014777

Lao PDR - FCPF REDD+ Readiness

FCPFR - Forest Carbon Partnership Facility

Task Team Leader: 00000444333 - Maurice Rawlins

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	8,083,593.47 as of 06/30/2021
Disbursed 07/01/2020-30/06/2021	1,523,019.11
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 07/01/2020-30/06/2021 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, consultation processes, awareness raising, and capacity building. All project components are advancing, and the Project is expected to achieve the PDO. Disbursement increased in FY21 following delays in grant implementation in fiscal year 2020 (FY20) due to the coronavirus disease 2019 (COVID-19).

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 an 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 ERPA was signed in December, 2020, with two conditions of effectiveness as follows: i) submission of a final Benefit Sharing Plan (BSP) outlining clear institutional arrangements for management and disbursement modalities for the anticipated upfront advance in 2022, and result-based payments in 2023, and 2025; and ii) submission of Safeguards Due Diligence Report demonstrating that results (emission reductions) that were achieved since January 2019 (the beginning of the reporting period of the ERPA) and before ERPA signature, were compliant with the agreed safeguards framework for the GFLP program.

The grant will continue to provide critical strengthening for implementation capacity, including to support the Government to meet the conditions of effectiveness by December 2021 (within 12 months of ERPA signature), and contribute to ensuring the successful implementation of the ERPA and delivery of ERs.

Overall progress from 07/01/2020-30/06/2021 with regard to Implementation of Grant Financed Activities:

Comment:

Overall progress in FY21 was 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. The National REDD+ Strategy (NRS) to 2025 and Vision to 2030 was approved by the Minister of the Ministry of Agriculture and Forestry (MAF) in April 2021;
- b. The Nationally Determined Contributions (NDC) was updated, approved in March 2021 and submitted to the UNFCCC;
- c. Key targets, programs, and activities from the NRS were incorporated into the advance draft National Forest Strategy 2030, national and sub-national Socio-economic Development Plan (2021-2025), Master Plan for the National Protected Areas 2025, and natural resources management projects;
- d. The National Land Use, Land Use Change, Assessment for 2019 was approved by MAF;
- e. ERPA negotiations concluded November 3, 2020 and the ERPA was signed on December 30, 2020;
- f. Social and Environmental Safeguards Units at central and provincial levels were established;
- g. A Safeguards Information System technical document was developed, and safeguard's training materials were approved by the World Bank;
- h. The first Biennial Update Report (BUR), including the REDD+ Technical Annexure, was submitted to the UNFCCC in July 2020;
- i. A National Forest Monitoring System (NFMS) Roadmap was approved by the Department of Forestry (DoF) in February 2021;
- j. National Forest Management System (NFMS) webportal and database has been made operational and is hosted by the new server under Forest Inventory and Planning Division (FIPD)

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- k. Capacity building activities for the Forest Protection Fund (FPF), safeguards unit, and measurement, monitoring, and reporting (MMR) team at national and sub-national levels.

In FY21 the client was able to disburse US\$1,523,019.11. As of June 30, 2021, overall grant expenditure was US\$8,083,593.47 and US\$91,406.53 remained undisbursed or unspent. Financial management (FM) performance remained Moderately Satisfactory, in line with the audit report findings requesting additional supporting documents on expenditure. The remainder of the grant is committed with an approved annual workplan, budget and procurement plan.

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. The closing date of the grant was extended from Jun 30, 2020 to June 30, 2022 in June, 2020.

The focus in FY22 is 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); (iii) support finalization of the ERPA effectiveness requirements (by December 2021); (iv) facilitate the \$3 million upfront advance payment (in Q3 of FY22); and (iv) prepare inputs for the first ER Monitoring Report (due FY23).

Expected follow up (if any): N/A

Comment on follow up: N/A

End Date of Last Site Visit:

A virtual implementation support mission for the REDD+ Readiness Grant (P125082) and Northern Laos Emission Reductions Payments Project (P165751) was held on June 30 - July 1, 2021.

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 07/01/2020-30/06/2021

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 revision of National Forest Strategy, the NRS, institutional arrangements, safeguards, measurement systems and benefit sharing arrangements form the basis for the Government of Lao PDR (GOL) to implement REDD+ and achieve ERs in the six northern provinces under the ERPA.

It remains important to build and improve sectoral performance and coordination. Ensuring long-term institutional operational capacity for safeguards, benefit sharing and sustaining the NFMS and associated MRV functions is essential. In addition, the transition from REDD+ readiness to implementation - including operationalizing of the national forest strategy and the NRS, especially at sub-national in line with other national and sectoral development policies, strategies, and plans - is an area where further work remains necessary for the GOL. It needs to be recognized that the NRS and ER Program implementation 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.

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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 Department of Forestry and REDD+ Division under the Department of Forestry of the Ministry of Agriculture and Forestry continues to coordinate and support the development of the implementation framework and has established the institutional framework for REDD+ implementation at national and sub-national levels through Technical Working Groups (TWGs), National and Provincial REDD+ Task forces, and implementation teams. Cross-sectors coordination on REDD+ aspects at all levels is on-going.

The Grant also strengthened coordination and capacities of relevant institutions and stakeholders at national and sub-national levels. However, the coordination and capacity of institutions remains low and further support is necessary to sustain the momentum built through the grant support. Availability and capacity of senior government staff, representatives of development partners and TWGs can lead to delays. The availability of national and international consultants with experience of REDD+ requirements and familiarity with Lao PDR remains a challenge. The COVID-19 situation remains a significant challenge but was mitigated through the use of virtual meetings, virtual appraisal, and protocols for improved communication. Awareness rising and capacity building were integrated into other development activities and some events including data collection for development of Safeguards Information System (SIS), REDD+ awareness and field visits were postponed due to COVID-19.

2. REDD+ Strategy Development

The NRS was approved by the MAF Minister. NRS programs, priorities projects, and activities have been integrated into an advance draft of the Forest Strategy 2030, and national and sub-national socio-economic development plans and agendas (2021-2025), programs and projects.

The GOL has continued to advance important sectoral and institutional reforms to improve land and forest management, including through the Land Law 2019 and the Forestry Law 2019. Programs and priority projects of NRS have been reflected in the national forest strategy, the national and sub-national social economic development plans, sectoral development programs and projects. The GOL has been exploring possibilities to engage private sector investment in forest carbon credits and has contributed to improve across-sector coordination notably on policy and regulatory framework on forest and land tenure in compliance with policies of Lao PDR, World Bank and other development partners.

Implementation of the ER Program and its proposed interventions requires the GOL to invest in capacity and coordination between government and non-government sectors. Central level government needs to integrate emission aspects into the processes of improving/development consistent policies, regulations, and guidelines. This will support improvement of collaboration and capacities of sub-national government authorities with engagement of local communities to implement and enforce existing policies, regulations and Provincial REDD+ Action Plans (PRAPs). The PRAPs were revised and validated by provincial REDD+ Task Force. PRAP priorities to address the drivers of deforestation and forest degradation have been integrated into the objectives of Socio-economic Development Plan (2021-2025) of the six northern provinces. GOL shows commitment to implement REDD+ activities through in-kind contribution, with financial support from FCPF Carbon Fund, Green Climate Fund (GCF), German Society for International Development Cooperation (GIZ), Scaling Up Participatory Sustainable Forest Management Project (SUFORD-SU), Asian Development Bank (ADB), International Fund For Agricultural Development (IFAD), and Deutsche Gesellschaft für Internationale Zusammenarbeit [German Development Bank] (KfW), and technical support from Japan International Cooperation Agency (JICA)/F-REDD. Distribution of human, technical, and financial resources to relevant government institution both at the national and sub-national levels is critical for the success of the implementation of the NRS and the ER Program. This includes support on land use planning, village forest management, forest and land use monitoring and information management.

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Subnational implementation of the REDD+ strategy is progressing through advances in the GFL ER Program. Following ERPA signature in December 2020, the GoL is working to meet the conditions of effectiveness (preparing a safeguards due diligence report and final benefit sharing plan, both expected in FY22). Under the Advanced Draft BSP, the Forest Protection Fund (FPF) was designated to receive and disburse the advance and results-based payments, and the GOL committed to build its capacity to meet World Bank fiduciary requirements. While the FPF capacity building plan advanced (including draft finance and procurement manuals, Information Technology (IT) and Financial Management Information System (FMIS), despite challenges related to procurement of technical assistance due to COVID-19 limitations), the GOL decided that the FPF readiness would need additional time and resources and activated the contingency plan. The plan, as outlined in the advanced draft BSP, will utilize the existing and well-established implementation modality of the FCPF Readiness Grant, and will continue to strengthen the capacity of the FPF to manage the future carbon revenue.

The preparation of the related Program Operational Manual (POM), containing the operational detail for the implementation of the project is progressing well, and expected in FY 22 (October 2021).

The DoF/MAF issued a decision to establish the SESU at central and province levels. In addition, GFL and I-GFL coordinators have been appointed in all six provinces. Safeguard's capacity building is being planned and will be conducted for SESU staff in FY22. Safeguard's training material, which includes a guidebook, has been developed and will be used for capacity building training.

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: National Forest Monitoring System (NFMS) Roadmap with a multi-year plan was approved by DoF (in February 2021); the NFMS web-portal and database have been operationalized by government forest inventory organization; and documents on safeguards, gender, benefit sharing plan have been made available through the Lao REDD+ website.

To meet the requirements of the ERPA, a plan for gradual technical improvements of the FREL and estimates from forest degradation has been developed. Technical issues for MMR and NFMS and options for corrections to the Reference Level MMR approach was identified. Emission reduction factors and activity data are being corrected and implemented by the MMR team (FIPD, F-REDD and Silvacarbon) and will be finalized in FY22 (October 2021). The technical corrections will be applied in the first ER Monitoring Report (ERMR1) expected in FY23 (December 2022).

The overall development of e Safeguards Information System (SIS) is at advance stage and technical SIS preparation is finalized. The SIS document has been developed and reviewed and will be finalized in August 2021. A SIS manual is being developed and is planned to be completed in FY22.

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
Contact: Mr. Khamsene Ounekham
Address: Ministry of Agriculture and Forestry, Dept. of Forestry
Phone: +856 2054466829 **Email:** khamseneok@gmail.com

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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 KfW, ADB, JICA, FAO, GIZ, and International Union for Conservation of Nature (IUCN). 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 land, 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, MAF has increased efforts to ensure wider 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 land and 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 National Project Management Unit (NPMU) will have oversight of both the Northern Lao Governance, Forest Landscapes and Livelihood (GFL), Implementation of GFL (I-GFL), and Lao Landscapes and Livelihoods (LLL).

- 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. During this reporting period focus has been on actions relevant for meeting ERPA requirements and preparation for commencing implementation of the ER Program. With the activation of the contingency arrangements, the REDD+ division will take on the role in managing future results-based payments (with some redirection of operating costs). Strengthening of the FPF will continue in order to prepare its capacity to manage carbon revenue in the future (as per provisions made in the Forestry Law 2019).

- 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 includes increasing the overall capacity for project and financial management and implementation of relevant social and environmental safeguard frameworks.

- 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?**

The Strategic Environmental and Social Assessment (SESA) was developed in accordance with the Common Approach. Safeguards instruments were prepared and disclosed (March 2020), including 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). Development of these documents were based on results from multi-government and non-government stakeholder consultations at national, sub-national and community levels.

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

Yes.

- 6. Describe progress in stakeholder consultation, participation, disclosure of information, and the FGRM 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,

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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 Forest Sector Working Group (FSWG) and Forestry-Sub-Sector Working Groups (FSSWGs); committee meetings; workshops with non-government stakeholder groups of REDD+ of civil society organizations, private sector, development partners, and projects; and consultation meetings with representatives of provinces, districts, and village clusters. From 2016, the six provinces engaged in their respective processes of developing and updating 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 village clusters, 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 (FGRM) 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 (VMUs). The grievance mechanism will also be institutionalized in each village by a selected group of people, involving elders, ethnic groups, women, and representatives of other vulnerable groups in the village. The FGRM 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
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	7,613,925.00	1,053,350.64
01/01/2021	06/30/2021	0.00	0.00	8,083,593.47	468,668.47
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