

Document of
The World Bank

READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

ON A

PROPOSED GRANT

IN THE AMOUNT OF US\$ 3.6 MILLION

TO THE

GOVERNMENT OF LAO PEOPLE'S DEMOCRATIC REPUBLIC

FOR

REDD+ READINESS PREPARATION SUPPORT

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DATA SHEET

LAO PDR – FCPF REDD+ Readiness

READINESS PREPARATION PROPOSAL (R-PP) ASSESSMENT NOTE

EAP - EASTS

Date: October 22, 2013 Country Director: Ulrich Zachau SectorManager/Director: Julia Fraser/John Roome Project ID: P125082 Lending Instrument: Grant Team Leader(s): Robert Davis	Risk Rating: Substantial Sectors: Agriculture, fishing and forestry sector: Forestry (100%) Themes: Climate Change (67%; Other Environment and Natural Resource Management (33%)
Date of country selection into FCPF: July 2008 Date of Participation Agreement signed by Country: October 3, 2008 Date of Participation Agreement signed by Bank: November 19, 2009 Date of R-PP Formulation Grant Agreement signature: October 15, 2009 Expected date of Readiness Preparation Grant Agreement signature: November 30, 2013	
Project Financing Data:	
<input type="checkbox"/> Loan <input type="checkbox"/> Credit	<input checked="" type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other, explain:
For Loans/Credits/Others: US\$ 3.6 million Total Project Cost (US\$M): N/A Cofinancing: N/A Total Bank Financing (US\$M): N/A	
Source	Total Amount (US\$)
FCPF	3.6 million
Regional FCPF Trust Fund Number: TF093772 FCPF Country Child Trust Fund Number: TF014777	
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Project Implementation Period: 2014 – 2017	
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PURPOSE OF THE READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

As part of its responsibilities for the Forest Carbon Partnership Facility (FCPF), the World Bank has been asked to ensure that the FCPF's activities comply with the relevant World Bank Operational Policies and Procedures, in particular the Safeguard Policies, and the policies on Procurement and Financial Management.

The World Bank has also been asked to assist REDD+ (Reduced Emissions from Deforestation and Forest Degradation) Country Participants to formulate and implement their Readiness Preparation Proposals (R-PPs).

The purpose of this Readiness Preparation Proposal Assessment Note (R-PP Assessment Note), therefore, is for the Bank to assess if and how the proposed REDD+ Readiness Support Activity, as presented in the R-PP, complies with Safeguard Policies, and the Bank's policies on Procurement and Financial Management, discuss the technical quality of the R-PP, record the assistance it has provided to the REDD+ Country Participant in the formulation of its R-PP, and describe the assistance it might potentially provide to the REDD+ Country Participant in the implementation of its R-PP.

ABBREVIATIONS AND ACRONYMS

ACIAR	Australian Centre for International Agriculture Research
ADB	Asian Development Bank
ANRWG	Agriculture and Natural Resource Working Group
ARPF	Access Restriction Process Framework
BCS	Broad Community Support
BMU	German Federal Ministry for the Environment
CIF	Climate Investment Funds
CIFOR	Center for International Forestry Research
CLiPAD	Climate Protection through Avoided Deforestation
CoC	Chain of Custody
CPS	Country Partnership Strategy
CSO	Civil Society Organization
DAFO	District Agriculture and Forestry Office
DEP	Department of Environmental Promotion
DESIA	Department of Environmental and Social Impact Assessment
DFA	Designated Forest Area
DFD	Deforestation and Forest Degradation
DGM	Dedicated Grant Mechanism
DIMEX	Department of Import and Export
DoF	Department of Forestry
SPAD	Department of Public Administration Development
DoFI	Department of Forest Inspection
EGPF	Ethnic Group Planning Framework
EMF	Environmental Management Framework
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
FAO	Food and Agriculture Organization
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program
FIPD	Forest Inventory and Planning Division
FLEG/T	Forest Law Enforcement, Governance/ and Trade
FSSWG	Forestry Sector Sub-Working Group
GDG	Gender Development Group
GDP	Gross Domestic Product
GEF	Global Environment Facility
GoL	Government of Lao PDR
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IBRD	International Bank of Reconstruction and Development
ICRAF	World Agroforestry Center
IDA	International Development Association
IFC	International Finance Corporation

IPLC	Indigenous People's and Local Communities
IUCN	International Union for the Conservation of Nature
JICA	Japanese International Cooperation Agency
KfW	Kreditanstalt fur Wiederaufbau
LBA	Lao Biodiversity Association
LDC	Least Developed Country
LEnS	Lao Environment and Social Project
LNFR	Lao National Front for Reconstruction
LNCCI	Lao National Chamber of Commerce and Industry
LUFSSIP	Lao Upland Food Security Improvement Project
LULUCF	Land-Use, Land-Use Change and Forestry
LWU	Lao Women's Union
MAF	Ministry of Agriculture and Forestry
MEM	Ministry of Energy and Mines
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MoIC	Ministry of Industry and Commerce
MoJ	Ministry of Justice
MoNRE	Ministry of Natural Resources and Environment
MOU	Memorandum of Understanding
MPI	Ministry of Planning and Investment
NAFES	National Agriculture and Forestry Extension Service
NAFRI	National Agriculture and Forestry Research Institute
NEC	National Environmental Council
NGO	Non Government Organization
NLMA	National Land Management Authority
NPA	Non-Profit Association
NRMWG	Natural Resource Management Working Group
NSEDP	National Socio Economic Development Plan
NSO	National Statistics Office
NTFP	Non Timber Forest Product
NT2	Nam Theun 2
NUoL	National University of Laos
PAFO	Provincial Agriculture and Forest Office
PAREDD	Participatory Land-Use and Management for REDD+
PFA	Production Forest Area
PHRD	Policy and Human Resource Development Technical Assistance Program Japan
PLUP	Participatory Land-use Planning
PONRE	Provincial Office of Natural Resources and Environment
PROFOR	The Program on Forests
PSFM	Participatory Sustainable Forest Management
RECOFTC	The Center for People and Forests

REDD+	Reduced Emissions from Deforestation and Degradation
REL	Reference Emission Level
RPF	Resettlement Policy Framework
R-PP	Readiness Preparation Proposal
RRI	Rights and Resources Initiative
SEA	Social and Environmental Assessment
SESA	Strategic Environmental and Social Assessment
SIDA	Swedish International Development Cooperation Agency
SNV	Netherlands Development Organization
SPCP	Stakeholder Participation and Consultation Plan
SUFORD	Sustainable Forest and Rural Development Project
TAP	Technical Advisory Panel
TF	Task Force
TFESSD	Trust Fund for Environment and Social Sustainable Development
TWG	Technical Working Group
UNDP	United Nations Development Program
UNFCCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
VPA	Voluntary Partnership Agreement
WCS	Wildlife Conservation Society
WREA	Water Resources and Environment Administration
WWF	World Wide Fund for Nature

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Lao People’s Democratic Republic REDD+ Readiness Preparation Support

I. Introduction

1. Lao PDR is a small landlocked country with a total land area of 236,800 square km. It shares borders with China and Myanmar in the north, Vietnam in the east, Thailand in the west and Cambodia in the south. Approximately 80% of the country land area is classified as sloping hillsides and mountains. The population growth rate is 2.1% annum (National Statistics Office Population Census 2005). By 2010, the total population reached 6.25 million people. The most concentrated areas are population centers located along the Mekong River and main tributaries including the capital city of Vientiane.
2. Surrounded by some of the fastest growing economies in the world including China, Thailand and Vietnam, the country has benefited from external demand and Foreign Direct Investment (FDI) inflows from those neighboring countries over the past decade, which resulted in steady economic growth of 6.5 per cent per annum on average between 1990 and 2009 despite the global financial crisis. Gross Domestic Product (GDP) per capita has risen from \$818 in 2007-2008, to \$906 in 2008-2009 and \$1018 in 2009-2010. Despite these advances, the poverty rate in Lao PDR remains higher than in neighboring countries.
3. Lao PDR is well endowed with natural resources. The forestry and agriculture sectors together contributed 30% of GDP in 2008-2010 and provided 75% of total employment. Forest products (wood and non-timber forest) consumed domestically are estimated to be worth around \$31.4 million and \$74.4 million is exported. In the rural areas, it is estimated that forestry resources including Non-Timber Forest Products (NTFPs) contribute between 30-70% income for forest-dependent households.
4. The government’s Seventh National Socio-Economic and Development Plan (7th NSEDP) for 2011-2015 was approved by the National Assembly (NA) in June 2011. The Plan highlights the government’s intentions (i) to attract significant Foreign Direct Investment and (ii) to increase forest cover from 41% in 2010 to 65% by 2015 and 70% by 2020.

Strategic Context and Relationship to the Country Partnership Strategy

5. During the 7th NSEDP period, the Government of Lao PDR (GoL) anticipates that FDI will contribute significantly to economic growth, providing more than half of GDP expansion. The GoL has also signalled their expectation to exit Least Developed Country (LDC) status by 2020.
6. Lao PDR is at a cross roads with respect to sustainable natural resources management. Many if not most growth opportunities in the country are tied to natural resources development. The country has adopted the nickname “Battery of Asia” in recognition of the substantial hydropower development opportunities within its borders. The mining

sector has also attracted increasing attention and international investment offers in recent years.

7. A newly created Ministry of Natural Resources and Environment (MoNRE) is tasked with evaluating, approving, and monitoring implementation of environmental and social impact assessments and mitigation plans under Lao's Environmental Impact Assessment Decree (2010). Accelerating growth in FDI, current and future hydropower development potential, and potential expansion of both exploration and exploitation of mineral resources will require review, monitoring and oversight by the new Ministry.
8. The World Bank has been requested to support MoNRE efforts to develop national strategic frameworks for natural resources management and sustainable development more broadly. Key to this process will be (i) greater and more regular coordination among ministries on decisions related to land allocation and (ii) clarification of procedures and mandates in the process of decentralizing decision making to the provincial level. The erstwhile Forestry Sub-Sector Working Group (FSSWG) in the Ministry of Agriculture and Forestry (MAF) has been renamed the Natural Resource Management Working Group (NRMWG) and is being moved to MoNRE and will be chaired by the Minister. The Bank has been requested to co-chair this working group with the Ambassador of Germany.
9. The program of activities, outlined in the Readiness Preparation Proposal (R-PP), is well aligned with the new Country Partnership Strategy (CPS) 2012-2016, which was developed jointly with the Government of Lao PDR (GoL), the International Finance Corporation (IFC) and the Asian Development Bank (ADB). This proposed REDD+ Readiness Preparation Support project is aligned with the CPS Strategic Objective 2 Sustainable Natural Resource Management, Outcome (2.2) sustainable environmental, social and water resource management, and Outcome (2.3) sustainable management and protection of forests and biodiversity. The proposed program builds on experiences of the GoL in the implementation and coordination of the REDD+ activities in Lao PDR, including the preparation of the approved R-PP, which required extensive inter-ministerial coordination and consultation. It also incorporates the experience of the World Bank's engagement in participatory sustainable forest management under the Sustainable Forestry and Rural Development (SUFORD) Project and preparation of Lao's Forest Investment Plan. Also lessons learned through on going investments associated with the Nam Theun 2 (NT2) hydropower project and its associated programs on the Nakai Plateau (Nakai Social and Environment Project or NTSEP) and downstream (Downstream Livelihood Restoration Program and Khammouane Development Project). Lessons from on going work on regional trade (Lao PDR Trade Investment Facility Project) and biodiversity conservation (Lao Environment and Social Project or LENS) have also been incorporated.
10. Prompt implementation of the Readiness Phase of REDD after the approval of the Lao PDR R-PP document by the FCPF Participant Committee (PC) in November 2010 has become urgent in light of the leveraging opportunities presented by Lao PDR's induction into the Forest Investment Program (FIP), and the availability of accompanying

investments from bilateral donors (Japan, Germany, Finland, Australia etc) in REDD+ related projects and multi lateral development banks supporting FIP implementation in the country (ADB, IFC and IDA). The provision of dedicated funds for engaging Ethnic Groups and Local Communities under the FIP Dedicated Grant Mechanism (DGM) presents a unique opportunity for these groups to engage directly in both the planning, design and the implementation of government planned FIP investments and REDD+ activities more broadly at local and national levels.

11. The FCPF PC approved Lao PDR's Readiness Preparation Proposal (R-PP) and the Readiness Preparation grant of US\$ 3.6 million in November 2010 and the completeness check was passed in June 2011. Among many other activities proposed in the approved R-PP, this Readiness Preparation grant support of US\$ 3.6 million will assist the GoL in preparing for a comprehensive National REDD+ Strategy and setting up necessary instruments including the establishment of the National REDD+ Office and associated Technical Working Groups which facilitate improved inter agency and inter ministerial coordination and implementation of all REDD+ activities and sustainable management of forest resources. Since the approval of the R-PP in November 2010, the GoL has been working on the institutional framework for implementing REDD+ and pilot REDD+ activities (for example, Reference Emission Level (REL) and MRV using Voluntary Carbon Market Standards) in selected conservation and production forests using its own resources and grants from Japanese International Cooperation Agency (JICA), Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ), Kreditanstalt fur Wiederaufbau (KfW), Government of Finland, World Bank and others. These on going activities will be invaluable as the GoL moves ahead in establishing the national systems for REDD+.
12. The MAF annual review of REDD+ activities in Lao PDR (2011) indicates a commitment of approximately US \$ 90 million from multi and bilateral sources and international non-government organisations. Some of these projects will run through 2018 and cover a diversity of activities related to REDD+ at the national and sub-national levels. In addition a further amount of approximately US\$ 13 million is earmarked for regional REDD+ initiatives, which will include Lao PDR. Annex 1 provides further details on projects, institutions and donors.

Current Status and Policy Context in the Forest Sector in Lao PDR

13. Lao PDR has approximately 9.5 million ha of forest cover (40.3% of the total land area; Table 1). The country has been undergoing rapid changes in land-use over the past two decades, driven mainly by demand for hydropower, mining resources and agriculture products from the dynamic South East region. In the forestry and agriculture sector key demand is for growing commercial trees such as teak, eucalyptus, agar wood and rubber as well as a wide range of cash crops. In addition to conversion of forest to cash crops and commercial tree plantation, a steady fragmentation of forest blocks and decline in the average growing stock within residual forest is also occurring, both reducing carbon values and negatively impacting biodiversity through the loss of connectivity that promotes species migration and dispersal. Data suggest that during the 1990s the annual loss of forest cover was around 1.4% annually, giving an average annual loss of forest

cover of about 134,000 ha per year. Loss of carbon and species diversity due to selective logging is not well known.

14. Lao’s Forestry Law (2007) defines tenure rights and management responsibilities over forestland. Natural forest and forestland are considered property of the national community, with central management authority vested in the State and ownership rights granted over planted forests to duly recognized individuals and organizations. There is a wide range of forest resource tenure rights, including state property; communal rights that may be shared by members of the community (Village Use Forest inside and outside production and designated forest areas); private rights assigned to individuals, corporate bodies and non-profit organizations; and open access. As a result, several different stakeholders may have rights and interests, and consequently entitlements to REDD+ benefits. The entitlement of ethnic groups and local communities to REDD+ benefits presents a particular challenge because they often do not hold registered title and enforceable rights over the land they manage.

Table 1: Forest Categories and Forest Cover Areas in Lao PDR

Forest Categories	Area (M ha)	Forest cover	
		M Ha	Forest cover (%)
Protection Forest	8.2	3.13	38%
Conservation Forest	4.7	2.64	56%
Production Forest	3.1	1.48	48%
Plantation	0.3	0.30	100%
Other Land Areas	6.8	2.00	29%
Total Land Area	23.1	9.55	41%

Source: DoF, 2010

15. The priority policy directions for agriculture, forestry and natural resources sectors as outlined in the 7th NSEDP (2011-2015) include:
- a) Systematically develop all aspects of agriculture and forestry in line with industrialization and modernization priorities in areas that have favorable conditions; ensure food security; promote commodity production for domestic use and export; and improve productivity and enhance end-product quality; and
 - b) Establish a land use system, protect and develop land and other natural resources in a sustainable, integrated and efficient manner.

16. There is a recognized tension and an inherent set of trade offs that must be addressed in GoL efforts to simultaneously pursue their stated goals of increasing forest cover and expanding FDI (largely in land-based activities -- hydropower, mining, agricultural concessions, and other infrastructure development). Expanding foreign direct investment into the agriculture sector, if not properly planned and managed could potentially undermine both food security by taking land needed by local communities for food production, and sustainable forest management through clearing and converting forest. GoL is fully aware of this tension and the National Assembly in the process of revising the legal and regulatory frameworks for natural resources to improve GoL's ability to manage these tradeoffs efficiently and effectively. In November 2011 the MAF co-hosted a national workshop on forest tenure and policies jointly with The Center for People and Forests (RECOFTC), Bangkok, and Rights and Resources Initiative (RRI), Washington DC. RRI has been commissioned by the National Assembly to assist with global best practices on forest tenure reform.
17. Overarching objectives for the forestry sector which must be achieved to contribute to poverty eradication are set out in the Forestry Strategy 2020:
- a) To improve quality of existing forested areas (about 70% of the total land area), by naturally regenerating up to 6 million ha and planting trees up to 500,000 ha in unstocked forest areas as an integral part of a rural livelihood support system encompassing stable water and forest product supplies and prevention of natural disasters.
 - b) To generate a sustainable stream of forest products for domestic processing and consumption, and many of them for eventual export generating adequate household incomes, contributing to the country's foreign exchange resources and fiscal revenue, and increasing direct and indirect employment.
 - c) To preserve the many species and unique habitats, which are threatened with extinction
 - d) To conserve environment including protection of soil, conservation of watershed and climate.
18. Many important steps have been taken towards achieving these objectives, such as the establishment of three forest categories: **Conservation Forests** for biodiversity conservation, **Protection Forests** for watershed protection, and **Production Forests** for sustainable timber harvesting. Forest certification and controlled wood levels of sustainability have been introduced and significantly large areas are under certification. The Forest and the Wildlife and Aquatic Laws and subsidiary Decrees on both Protection Forest and Production Forest Management have been promulgated as well as a National Biodiversity Strategy and Action Plan.
19. The Readiness Preparation Proposal presents an overview of the drivers of deforestation and forest degradation. The analyses are largely based on a recent land use and forest cover change study that included the analysis of current drivers of Deforestation and Forest Degradation (DFD) in Lao PDR (Mekong Map, 2010) based on a review of secondary data sources, consultations with resource persons and field investigations in selected districts, each representing one of the three regions (northern, central and

southern). This study identified nine causes, (fire, unsustainable wood extraction, pioneering shifting cultivation, agricultural expansion, industrial tree plantation, mining, hydropower, infrastructure development and urban expansion) of DFD in recent years. The identified drivers involve different actors, including farmers, shifting cultivators, logging companies and contractors, local and foreign investors, unspecified individuals (e.g. business persons), construction companies and government authorities. The decisions of these actors to engage in DFD are influenced by multiple immediate interlinked motivations (opportunistic, market oriented, subsistence related, etc.), which are site specific and change over time.

20. Some of the major causes of forest degradation include unsustainable wood extraction driven by a variety of activities including illegal or quasi-legal logging linked to domestic and foreign processing facilities, timber barter in exchange for infrastructure development (rural roads), and repayment of war debt to Vietnam and Russia. Rural households also extract significant amounts of wood and fuel wood for domestic consumption.
21. Some forms of shifting cultivation (also known as swidden) have been practiced by ethnic groups sustainably in Laos for many generations. However, repeated relocation of communities (the result of war and government policy) has led to loss of traditional knowledge of sustainable practices and a decoupling between traditional practices and local conditions. Pioneering shifting cultivation, involving the clearance of forest, which may or may not have been logged previously, contributes to degradation initially, but may eventually lead to deforestation. Shifting cultivation is often practiced on steeply sloping land leading to loss of topsoil, decreased water quality, and short rotations requiring new clearing.
22. Deforestation is caused by a number of other sources including agricultural expansion by individual farmers and commercial operators (for industrial tree plantation development, hydropower, mining, infrastructure and urban expansion). Poorly regulated salvage logging operations are known to access and extract timber from adjoining forest outside of the designated concession area. Smallholder agricultural expansion is similar to shifting cultivation, but the farmer plants cash crops such as corn or cassava or perennial crops such as rubber, generally on more accessible land, and uses the land permanently so that it does not revert to forest.
23. The magnitude of deforestation contributed by each of these drivers is not well known. Lao PDR's R-PP estimates emissions from the land use sector for 2011-15 on an average annual basis to be about 51 million tones of CO₂ equivalent, of which 50% comes from degradation of forests (via legal and illegal harvest, fuel wood collection, etc.), 20% are from shifting cultivation, 20% from land clearance (the majority from commercial concession establishment and the balance from smallholder cash crops and hydropower/mining clearings), and 10% are from plantations (net of sequestration that occurs on them).

IV. National REDD+ Developments

24. The Government of Lao PDR (GoL), represented by the Minister of the Ministry of Finance, submitted a formal letter to the World Bank expressing interest in participating in the FCPF and requesting financial assistance to prepare the REDD Readiness Preparation Proposal (R-PP) in May 2008. The Ministry of Agriculture and Forestry, especially the Department of Forestry (DoF) was delegated by the GoL to take the lead in developing the R-PP supported by FCPF in Lao PDR. In order to facilitate the development of the R-PP, the Minister of the MAF issued an agreement to establish a Technical Working Group (TWG) to develop the R-PP in November 2008. The TWG was chaired by the Director General of DoF and consisted of 12 members who are technical staff from key line ministries. The Division of Planning under DoF provided secretariat functions to the TWG including organizing the meetings, procurement of consultants and coordination with line ministries. Subsequently, the Grant Agreement between the World Bank and the GoL to prepare the R-PP in the amount of \$200,000 was signed in September 2009.
25. After receiving the grant, the DoF recruited a team of international consultants to assist the members of the TWG in preparing the R-PP five main components as follows:
- REDD Strategy Development and Management
 - REDD Implementation Framework Development
 - Development of a Reference Scenario of Deforestation and Degradation
 - REDD Monitoring, Reporting and Verification Systems
 - Environmental and Social Impact Assessment and Stakeholder Consultation
26. The TWG members met regularly on a monthly basis to discuss and provide input to the draft R-PP. Other development partners who engaged in the forestry sector and REDD activities were also invited to participate in the meetings to provide additional input and share information. Thus, the members have benefited from many other international advisors who work for different projects including the Forestry Strategy Implementation Project supported by JICA, SUFORD Project funded by the Government of Finland and World Bank, among others. It took almost a year for the R-PP to be completed through a series of consultations and meetings held between the TWG members and the public. The Lao R-PP was reviewed by the FCPF Technical Advisory Panel (TAP) and approved by the FCPF Participant Committee at its 7th meeting in Washington D.C., in November 2010 and formally endorsed following a FCPF Facility Management Team Completeness Check (June 16, 2011).
27. In response to the evolving international REDD+ developments and the extended REDD+ scope outside of the World Bank Process, MAF Decision 006 dated 7/1/2011 regarding the “Establishment of the REDD+ Task Force (TF) for the Implementation of REDD+ in Lao PDR” was signed by the Minister of MAF extending the mandate and stakeholder participation of the original REDD Task Force. This expanded REDD+ Task Force is the Lao Government’s principal institutional instrument for overseeing and coordinating national REDD+ activities. Formation of a National REDD+ Office to support the National REDD+ Task Force is expected shortly. The REDD+ Office will be

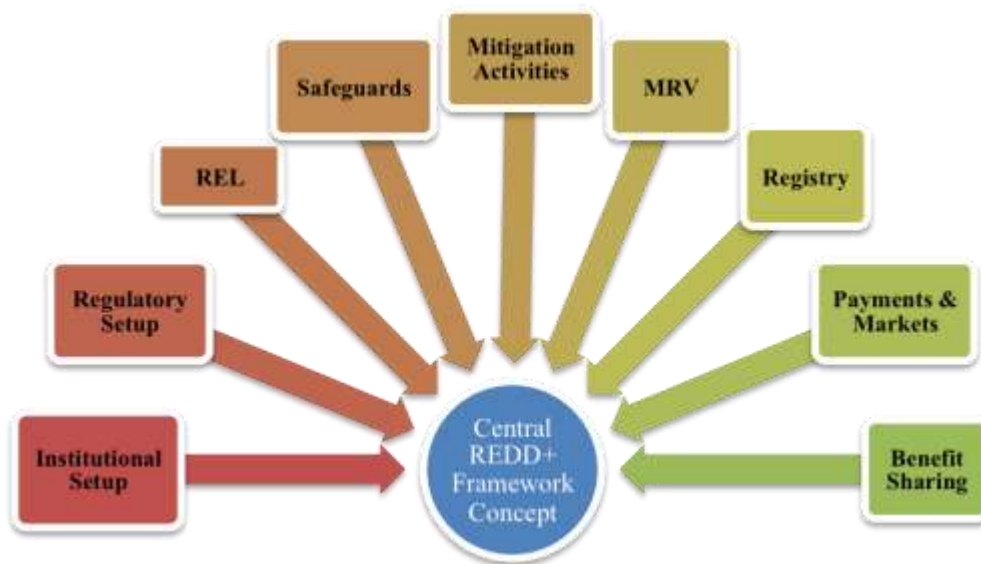
responsible for finalizing the National REDD+ Strategy with guidance from the REDD+ Task Force and will submit it for approval to the National Environmental Council (NEC).

28. In June 2011, the National Assembly approved the establishment of the new ministry called the Ministry of Natural Resources and Environment (MoNRE) that merged the former Water Resource and Environment Authority (WREA) and parts of the National Land Management Authority (NLMA). The management responsibility for the state forests categories was bifurcated – while production forests remained with MAF and DoF, the mandate for protection and conservation forest responsibility was transferred to MoNRE. MoNRE has created a new Department of Forest Resources Management (DFRM) to implement this mandate. MoNRE was also made responsible for the overall coordination and implementation of the national REDD+ activities as well as emissions reduction management and carbon credits generated within the protection and conservation forest areas. A REDD+ division will be established under the new DFRM of MoNRE where it will host the National REDD+ Office at a later stage.
29. Despite the change in terms of institutional set up for forest management and REDD+ coordination, it was agreed by both DFRM (MoNRE) and DoF (MAF) that the DoF will remain a focal point for national REDD+ activities coordination and serve as a secretariat to the REDD+ Task Force until the REDD+ division is formed and operational under MoNRE. DFRM will maintain its active engagement and working with DoF to ensure smooth transition of responsibility on national REDD+ activities coordination.

V. REDD+ Strategic Policy and Implementation Options

30. The analysis of drivers of deforestation and forest degradation in the R-PP suggests that around half the emissions from Land Use, Land-Use Change and Forestry (LULUCF) in Lao PDR are mainly under the control of the forest authorities (i.e. degradation), and the other half is highly dependent on decisions and actions by other sectors that require land to be converted for other purposes. A National Strategy for REDD+ will be developed during this project implementation to address the main drivers of deforestation and degradation that have been identified during the R-PP preparation.
31. The government has decided to adopt a hybrid approach that will aim to attract fund-based credits in the short-term, while accessing the compliance market in due course, when international protocols have been agreed and at the same time allow participation in the voluntary market. In addition it was determined that a total of nine components need to be undertaken for a country to be ready for REDD+ (Figure 1). Based on earlier discussions with the GoL and other development partners, it was agreed that at this stage the project would support four components of the overall national REDD+ framework. These would include support to the institutional set up to help establish the national REDD+ office and the Technical Working Groups; regulatory set up which will help evolve the National REDD+ Strategy; safeguards by supporting the Strategic Environmental and Social Assessment for REDD+ investments; and MRV/REL, and carbon registry depending on the assessment of the existing support by other bilateral and multi lateral donors.

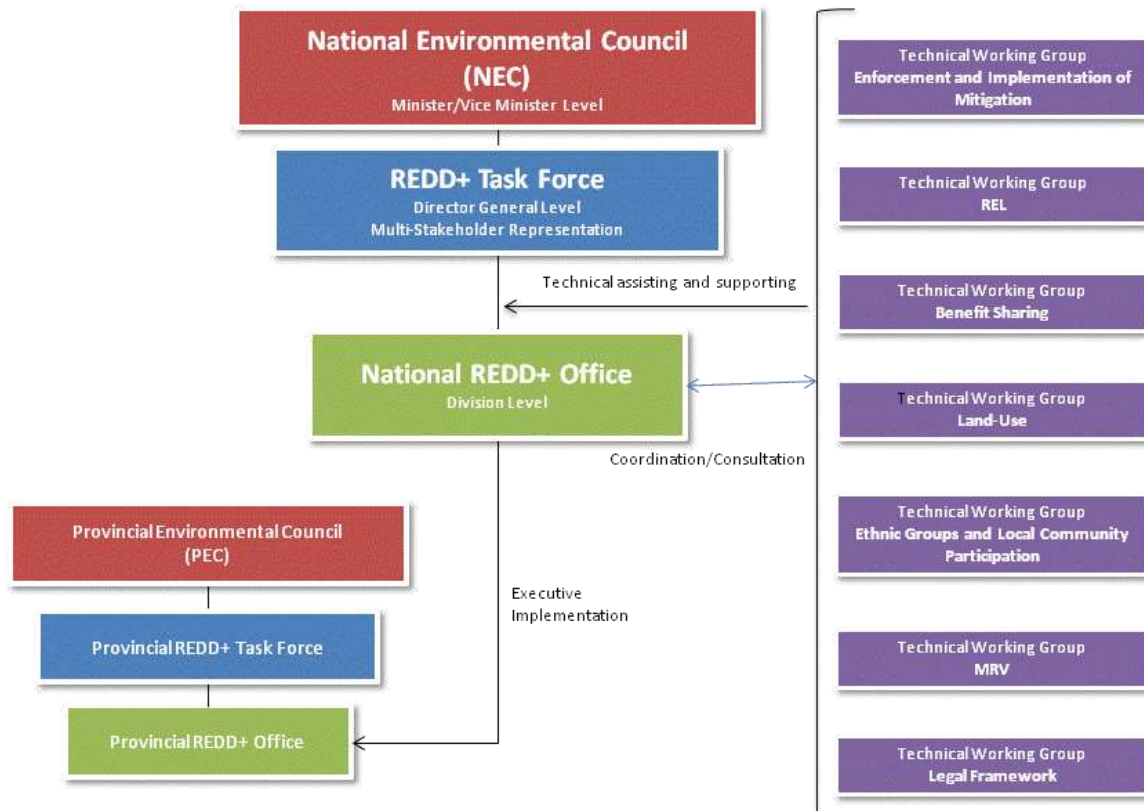
Figure 1: REDD+ Framework



VI. Institutional Context

32. The institutional arrangements for REDD+ in Lao PDR were defined in the context of the development of the Lao R-PP, presented to the FCPF Participants Committee in November 2010 as illustrated in Figure 2.

Figure 2: Lao PDR National REDD+ Organizational Structure



33. **National Environmental Council** The NEC is the highest governmental body for policy guidance and decision making on issues related to the environment and climate change. The NEC is chaired by a Deputy Prime Minister and consists of members who are either Ministers or Vice-Ministers from all the line ministries. The newly created Department of National Disaster and Climate Change Management (DNDCCM) at MoNRE has been appointed as a secretariat to the NEC. The Deputy Director General of DoF reported the progresses of the REDD+ activities in Lao PDR to the NEC members in May 2011 and proposed the establishment of the National REDD+ Office. The NEC members endorsed this in principle.
34. **REDD+ Task Force** A MAF Ministerial Decision expanded the composition and mandate of the REDD+ Task Force in January 2011. The Task Force now includes representatives from MAF, Ministry of Finance (MoF), Ministry of Planning and Investment (MPI), Ministry of Energy and Mines (MEM), Ministry of Justice (MoJ) and Department of National Disaster and Climate Change Management within the Ministry of Natural Resources and Environment (MoNRE). The TF also includes representatives from the National University of Lao (NUoL), Lao Women's Union (LWU), the Lao National Front for Reconstruction (LNFR), Lao National Chamber of Commerce and Industry (LNCCI). The roles and responsibilities of the REDD+ TF will include the following:
35. Provide specific technical and policy guidance to the Technical Working Groups (TWGs) which will be established on Referenced Emission Level (REL), MRV (Monitoring, Reporting and Verification), Land use planning and benefit sharing, among others
36. Ensure close coordination with REDD+ project activities in Lao PDR through the quarterly REDD+ TF meetings; and the Forestry Sub-working Group formed under the Natural Resource and Environment Working Group of the MoNRE, which was set up in 2011 to coordinate government and donor's activities contributing to the implementation of the Forestry Strategy 2020.
37. **REDD+ Office** This grant will support the government in the establishment and functioning of a new REDD+ Office to be based at DoF with full-time staff. This Office will have several tasks; including (i) implementation of the Readiness activities funded by the FCPF Readiness Grant, (ii) coordinating and monitoring other REDD+ related activities, (iii) coordinating and organizing stakeholder consultations and implementing agreed stakeholder plans, (iv) establishing arrangements for regional and international collaboration and for negotiations (v) preparing legal framework documents to support REDD+ implementation.
38. **Technical Working Groups** The REDD+ Office will coordinate a number of Technical Working Groups as laid out in the national REDD+ framework concept including; Institutional and Legal Framework, REL, MRV, Safeguards (Ethnic group and local community participation), Benefit Sharing, Land-use Planning, Enforcement and Implementation of Mitigation and others as required. These working groups will provide technical support and advice to the Office as needed and in particular for the preparation

of Annual Work Plans to be prepared by the Office, that will be submitted to the Task Force for endorsement by the Government. Detailed Terms of Reference for these Technical Working Groups will be evolved to outline the scope of responsibility and issues for each TWG. For example the TWG on Safeguards will not only be responsible for issues related to ethnic group and local community participation but will also cover all safeguards issues, including biodiversity co benefits of REDD+, equity, and forest certification systems.

39. **Provincial Level Structures** The REDD+ Office will also support the establishment of structures at Provincial level; in two or three Provinces where REDD+ activities are taking place or are planned for the Readiness phase and that are not financed by other donors.

VII. Project Development Objectives, Tasks and Activities

A. Project Development Objectives (PDO)

40. The Project Development Objective is to contribute to Lao PDR's efforts to design and implement a sound national REDD+ strategy.
41. This objective will help enable Lao PDR to become ready to participate in and benefit from the emerging performance-based payment system from REDD+ within the context of the UN Framework Convention on Climate Change. The activities aim to develop or enhance socially and environmentally sound policies and programs to reduce deforestation and forest degradation, an internationally recognized reference emission level, generate forest carbon emission scenarios, and design technically robust systems of forest monitoring and emissions reporting. The program will simultaneously focus on non-carbon outcomes vital to achieving REDD+ objectives which will include analyses and recommendations concerning forest policy and regulations, increasing the participation of local communities in forest management, building institutional capacity in the forestry sector, improved information and data management and related activities. .
42. To achieve the PDO the grant will support: a) the establishment and operation of the National REDD+ Office at DoF, b) developing a National REDD+ Strategy, c) developing REDD implementation approaches and benefits sharing mechanisms in coordination with other Development Partners, d) application of safeguards via the Strategic Environmental and Social Assessment (SESA) and Environmental and Social Management Framework (ESMF) processes, and e) collaboration with donors assisting in the development of Reference Emission Levels and the design of a credible monitoring system. The FCPF grant will finance some initial work on REDD+ capacity building as defined in the Lao PDR R-PP. The grant will fund only a portion of the activities identified in the R-PP, but will help Lao PDR substantially move towards achieving REDD+ Readiness, even though the country may not reach this stage until after the grant closes. Based on the activities outlined in the R-PP, it is expected that Lao PDR would eventually be able to participate in REDD+ carbon transactions, potentially including under the FCPF Carbon Fund, which would purchase emissions reductions from FCPF

countries engaged in the Readiness process. This would also depend on the development of the global carbon market for REDD credits.

43. Additional funding in the forestry sector is anticipated from the FIP program and additional International Development Association (IDA) resources, which will support the expansion of forest management and other activities to Production Forest Areas (PFA). These will build on past and current projects and move towards national coverage through the planned Participatory Sustainable Forest Management (PSFM) project. A brief description of the relative contributions of FIP and FCPF to REDD+ readiness are included in Annex IX.

B. Key Results

44. Key results, as follows:

- a) Strengthened technical and institutional capacities for effective management, implementation and coordination of REDD+ Programs, projects and policies
- b) Strategies to address drivers of deforestation and degradation
- c) REDD+ institutional framework designed and validated nationally, including an Environmental and Social Management Framework
- d) Social inclusion mechanisms in REDD+ at the national, provincial, district and community levels
- e) Regional collaboration mechanism for REDD+ implementation and avoidance of emissions displacement
- f) National reference scenario for emissions from deforestation and forest degradation prepared, taking into account the relationship between national accounting and sub-national implementation of activities; a national carbon registry developed and operational.

C. Tasks and Activities

45. FCPF grant funds will be used primarily to support the following REDD+ Tasks and Activities:

Task 1: Readiness Process Management and Stakeholder Consultation

46. Task 1.1 Establish National and Provincial REDD+ offices. The REDD+ readiness process in Lao PDR recognizes the importance of the need to establish effective offices and efficient communication and operations. The REDD+ offices will play a crucial role to ensure early start up to activities within its remit, to facilitate other departments and ministries, to establish constructive contacts and support community institutions, ethnic group organizations and broader civil society groups.

47. This task will aim to establish operational REDD+ offices at the national level and in selected provinces, and establish protocols for coordination between these offices. A key role of these institutional mechanisms will be to initiate the process of organizing forums and consultations to address the policy and regulatory framework for REDD+. Several diagnostic studies will be commissioned to inform these policy level discussions.
48. Task 1.2 Assess and Align REDD+ with National Policy Legal and Regulatory Frameworks. The successful introduction and mainstreaming of REDD+ obligations in Lao PDR will have significant bearing on the existing national policy, legal and regulatory frameworks especially in relation to its approach in the NESDP. Key drivers of the Lao PDR economy remain utilization of natural resources as a tool to address national poverty. It is important that the REDD+ preparatory process is used as a mechanism to assess tradeoffs and seek a balance between national economic goals, environmental sustainability, and REDD+ opportunities and commitments.
49. The activities in this task will involve the high-level inter-ministerial forum under the NEC that will use its office to create consensus on alignment of the national policy, legal and regulatory frameworks with REDD+. An important outcome is an approach paper that will be used for discussions and as a tool to address emerging issues of policy, legal and regulatory significance. Given the importance of safeguarding vulnerable communities and women a series of studies will be undertaken as part of SESA to assess disaggregated impact of REDD+ activities. Early action on this recommendation will enable the calibration of programs and activities in both carbon and non-carbon domains for the well being of vulnerable communities and women in Lao PDR.
50. Task 1.3 Stakeholder Consultations. A consultation and participation plan was developed during the R-PP formulation process. GoL conducted an initial stakeholder analysis and mapping exercise identifying which stakeholders are likely to be affected by REDD+, both positively and negatively. Following this plan, extensive information sharing and consultation activities were held at national, provincial and local levels throughout the country. Multi-stakeholder workshops were held at the national and sub-national levels bringing together various stakeholder groups including sectors engaged in land use at national and local government level, private sector, CSOs, and women's groups representatives. Issues discussed related to R-PP preparation, including exploration of both underlying drivers of deforestation, and lessons from existing strategies to address deforestation and degradation in Lao PDR.
51. It is recognized that an inclusive consultative process will lead to the refinement of the stakeholder participation and consultation plan in the R-PP that will provide opportunities for relevant stakeholders to participate and voice their concerns. The GoL has internalized this important aspect of REDD+ preparation and has agreed to a continuous process of stakeholder consultation and engagement.
52. A Stakeholder Participation Working Group will be established under the NEC that will have oversight on the process of seeking and eliciting the participation of all

stakeholders. The first step of this Working Group will be to agree on fundamental principles for further identifying stakeholders and a process appropriate to each stakeholder. Following this an updated Stakeholder Participation and Consultation Plan (SPCP) will be evolved and validated. It is envisaged that this plan will be accompanied by an effective communication and outreach strategy that will enable the GoL to engage different stakeholders in culturally appropriate media, and to utilize appropriate communication and outreach channels. The scope of the communication and outreach strategy will include both national and international stakeholders. In addition, through a process of research, study, and discussion, appropriate mechanisms for conflict resolution and grievance redress will be strengthened and where necessary established.

Task 2: REDD+ Strategy Development

53. Task 2.1 Develop and Finalize REDD+ Strategy. REDD+ strategy development will continue alongside the readiness process of establishing institutional arrangements, policy analysis, and stakeholder consultations. The inter-ministerial forum at the NEC will begin to examine the context of the national policy framework with REDD+ requirements.
54. The existing forestry strategy 2020 of Lao PDR will be reviewed, as will be related policy documents that guide the governance and operation of the sector. While the GoL has acceded and ratified diverse forest and environmental international obligations which include the Convention on Biological Diversity, Climate Change, Kyoto Protocol, Desertification, and Endangered Species, the Readiness process is an opportune moment to revisit and incorporate principles of sustainable forest management in Lao PDR. Given the role of natural resources in the economic development of Lao PDR a balance between sustaining the natural resource base while making an important contribution to economic growth and poverty reduction will be implemented against an improved understanding of tradeoffs. Issues of ensuring that livelihoods of forest-dependent people are duly safeguarded through review of existing policy and regulatory framework, by design of specific interventions in selected areas, and by taking due cognizance of both livelihoods and cultural practices, will be integrated into the strategy.
55. Task 2.2 Participatory Land Use Planning and REDD+ Strategy. Tenure, rights, access and land use have emerged as important issues in REDD+ discussions and implementation globally. Land and natural resources in Lao PDR are under pressure from agriculture concessions, exploration licenses for mining, infrastructure, and hydropower. Concessions for these development activities are increasingly having an impact on land allocation and land use at the local level. REDD+ provides an ideal forum to address issues of land allocation, both at the policy level and, locally as practice and attempt to secure gains in non-carbon domains. Security of tenure to land and resources, predictable and continued access to forest resources, and rights are important drivers of sustaining livelihoods and sustainable natural resource management especially for communities practicing shifting cultivation and upland agriculture. The process of consultation and discussion on a new land policy is well advanced in Lao under the oversight of the National Assembly.

56. The landscape of empirical evidence on land tenure and shifting cultivation lacks high quality information that can contribute to constructive policy debate. A review of existing studies will be undertaken and as required a set of new studies will be done. Participatory land use methods and tools will be developed to create practical and alternative models that are feasible and realistic.
57. Task 2.3 Strategic Environmental and Social Assessment. A preliminary assessment indicated that a number of World Bank safeguards policies are likely to be triggered by REDD+ related activities in Lao PDR. A SESA will be conducted as part of the Readiness process to assess the potential impacts from future national REDD+ programs and policies, formulate alternatives and mitigation strategies and enhance the decision-making process around the design of the national REDD+ framework.
58. SESA aims to refine the REDD+ strategy by assessing options for addressing environmental and social issues associated with REDD+ activities. The assessment would also identify gaps in the REDD+ strategy options and propose mitigation or remedial actions. Potentials to equitably share REDD+ benefits with broad segments of the society, including importantly Forest Dependent and Ethnic Groups, would be assessed and appropriate mechanisms to deliver such benefits would be identified, which would be reflected in the REDD+ strategy options.
59. SESA also aims to develop an Environmental and Social Management Framework (ESMF) that will outline the procedures to be followed for managing potential environmental and social impacts of specific policies, actions and projects during the implementation of the REDD+ strategy that is finally selected.

Task 3: Implementation Arrangements

60. Task 3.1 Establish Institutional and Financial Arrangements. This task and activities will aim to establish appropriate institutional and financial arrangements for supporting the REDD+ preparatory process. Financial arrangements, staff and equipment will be put into place to support the REDD+ Task Force and Office in the Ministries of Agriculture and Forestry, and Natural Resources and Environment. Necessary decrees will be issued and regulations put into place. Once these systems are fully operational a governance framework and guidelines for a future REDD+ fund will be developed.
61. Task 3.2 Develop Benefit Sharing Arrangements. To ensure fair and equitable sharing of incentives due importance to the core issue of benefit sharing has been given by situating it as a specific task with a set of activities. A number of important studies including a review of revenue management and benefit sharing mechanisms being implemented in the country and a study of the proposed system of REDD+ incentives will be undertaken. This will enable convergence with discussions on benefit sharing for revenue generated from REDD+ activities which will take place in other consultations

on related issues of forest resources use rights, tenure and land, and exclusion from potential REDD+ areas.

62. A Benefit Sharing Working Group comprising of all relevant stakeholders will be established and facilitated by the National REDD+ Office to carry out these studies and make technical recommendations to the National REDD+ Task Force for discussions and submit to the Ministers of relevant ministries/Prime Minister for approval. Adequate funds are available in the budget for these activities. As required sub-groups will be created to ensure concerns of vulnerable communities, ethnic groups and women are captured and find appropriate expression in the discussions and outcomes of the Working Group. The remit of this Working Group will also be to study and establish appropriate conflict resolution mechanisms that are close to the origin of conflicts, are accessible, and have the requisite mandate to deliver fair and rapid decisions. It is critical to recognize the diversity of Lao PDR and to ensure that conflict resolution mechanisms take into consideration existing customary and traditional mechanisms, and build on these with culturally appropriate methods and tools. Additional funds have been specifically provided by FCPF to establish conflict resolution mechanisms and these are available in the budget.
63. Task 3.3 Knowledge Management and Capacity Building. Early in the start up phase an assessment of knowledge management and capacity building needs will be undertaken. The purpose of this assessment will be to address issues of capacity within the institutions of the GoL to deal with the diversity of needs in the REDD+ preparation processes. Information and knowledge management forms a crucial component to successful and broad based REDD+ preparation and due attention will be given to this aspect. Adequate funds have been provided for strengthening capacity through a diversity of options. In addition culturally appropriate media will be produced to meet all the needs of different stakeholders and ensure an inclusive REDD+ preparatory process and outcome.

Task 4: Reference Emission Level and Monitoring Systems

64. Task 4.1 Develop Reference Emission Levels. Once the broad canvas of the REDD+ strategy is evident analytical work will begin on developing and finalizing a REL aligned to the strategy. Case studies and research will be undertaken in selected areas to establish sub-national and national emission levels. Appropriate coordination mechanisms will be created with relevant institutions and ongoing projects supported by multi lateral and bi lateral agencies including FIP/IDA financed production forests.
65. Task 4.2 Develop Monitoring, Reporting and Verification System. While the first year will see some preliminary work on developing a monitoring, reporting and verification (MRV) system it will be in the second year that focused activities will be started. The objective will be to establish a MRV system that incorporates nesting, and links several tiers at the national, sub national and project level. Technical requirements to design and set up a national system will be assessed. In addition collaboration with regional mechanisms in the Mekong river basin and/or Southeast Asia will be established.

66. Task 4.3 Establish Carbon Registry. With initial activities in the first year the second year will see enhanced action on processes to establish a carbon registry in Lao PDR. Institutional mechanisms and protocols will be finalized and community carbon monitoring mechanisms will be established to address equity issues. The registry will also ensure that it has the methods and the ability to handle both carbon and non-carbon requirements of REDD+.
67. Annex 2 provides the Framework of Tasks, Activities and Budget 2013-2016 while Annex 3 indicates the expenditure by cost category.

VIII. Project Context

a. Concept Description

68. The national REDD+ readiness process is already under way in Lao PDR. This process accelerated during the drafting of the R-PP and early consultation workshops held with a wide range of stakeholders in 2010 and 2011. The R-PP implementation will support further studies and consultations that will help to define the national REDD+ strategy and program for Lao PDR. The overall amount of funding needed to achieve REDD+ Readiness in Lao PDR is estimated in the revised R-PP at US\$ 23 million in 2013-2016, of which \$3.6 million would come from FCPF funding, and the remainder from a number of other sources including FIP and bilateral funding. Thus the activities identified in the FCPF grant agreement are a subset of an overall readiness effort laid out in the Readiness Plan, which was presented to the FCPF Participants Committee in November 2010. Other donors and programs are supporting specific REDD+ projects and general forest sector implementation and demonstration activities which will contribute to REDD+ readiness of the different departments and ministries involved in natural resources management in Lao PDR.

b. Key Risks and Issues

69. Key Risks are linked to stakeholders, governance, institutional, and environmental and social safeguards. Please refer to the Operational Risk Assessment Framework in Annex 4.
70. **Stakeholders** REDD+ is a mechanism still under discussion internationally and has attracted much attention from various groups of stakeholders. Many stakeholder groups, especially Lao PDR's CSOs and non-government organizations (NGOs) see the REDD+ debate as a welcome platform to discuss all types of issues related to land use and land use change, including indigenous rights, land tenure issues and inclusiveness. The risk is that the widespread support for REDD+ might erode if the participatory and consultative approach to the Readiness process is not maintained throughout the process and handled in a professional and transparent manner, especially when key decisions such as those concerning benefit sharing mechanisms or carbon ownership are made.

71. **Governance** A national REDD+ system will need to involve different levels of the government and various stakeholders. REDD+ revenues need to be equitably distributed to reach beneficiaries on the ground, including to forest-dependent communities to ensure their support for sustainable forest management and protection. Lao PDR's decentralization process is still on going and the institutional arrangements at a province level and below are still not fully prepared to lead the discussion on REDD+. REDD+ can only succeed in a context of good governance – where rules for carbon transactions are transparent, revenue sharing schemes are known to stakeholders and respected and funds are managed properly. Finally, some policy decisions on the national REDD+ legal framework will require strong levels of government commitment. Addressing the complexity of the institutional arrangements, and the different roles and responsibilities of governmental agencies and institutions will require a transparent process that involves multiple stakeholders.
72. Without strong governance and coordination of REDD+ readiness, there is a risk of Lao PDR not achieving the REDD+ readiness. A strong and transparent system of forest governance will need to be developed as part of REDD+ implementation. This includes clear institutional rights and responsibilities, effective law enforcement, community participation in setting up transparent and accountable governance systems, clear land ownership, and low corruption levels. Forest sector regulations are often conflicting or disputed, especially those concerning land use. Lack of clear rights to forests (and carbon) would be an obstacle to achieving broad public support for the REDD+ scheme, and could exacerbate existing disparities and place further limits on community access to forest areas.
73. **Safeguards** A preliminary assessment has indicated that a number of World Bank safeguards policies are likely to be triggered by REDD+ related activities in Lao PDR. A SESA will be conducted as part of the Readiness process to assess the potential impacts from national REDD+ programs and policies, formulate alternatives and mitigation strategies and enhance the decision-making process around the design of the national REDD+ framework. The SESA will be complemented by an ESMF, which will guide potential and future Bank investments in REDD+ projects, toward compliance with World Bank safeguards policies. Capacity in implementing the SESA is limited in the country (and elsewhere, for that matter). Interested stakeholder groups are ready to engage in this process and have high expectations of this process to help improve the Government's approach towards social inclusion and environmental management practices.
74. **Institutional Ownership and Commitment** Potential carbon revenue may be too low to enable support from communities and local authorities. While likelihood of government retaining a disproportionate share of carbon revenue is low the overall uncertainty of the future of global carbon markets is an additional risk. This could lead to loss of reduced support from communities and government agencies. A national working group on benefit sharing will be created to ensure fair and equitable carbon

sharing mechanisms are in place. In addition the National REDD+ Task Force will review recommendations and support the NEC for decision-making and implementation.

c. Implementing Agency Assessment

75. The Department of Forestry (DOF) under MAF is the implementing agency for the FCPF Readiness Fund. Prior to June 2011, DoF was responsible for overall management of the nation's forests including the state managed forest categories of conservation, protection and production forests, and forest areas outside state management such as plantation and village use forests. GoL had also delegated authority to DoF to be a focal point of the REDD+ agenda in Lao PDR, which included coordination and implementation of several REDD+ initiatives, financed by FCPF, JICA, GIZ, and KfW, United States Agency for International Development (USAID) etc since 2007. The FCPF program will be coordinated and managed by the Planning Division within the DoF, with support from the Forest Inventory and Planning Division.
76. In June 2011 through a Prime Minister decree the responsibility of the national REDD+ agenda was transferred from MAF (DoF) to MoNRE. While the new ministry is still in the process of developing capacity, DoF will continue as implementing agency for this FCPF Readiness Preparation Grant and engage the relevant departments of MoNRE in planning and implementation. In addition, because the new FIP IDA financed project, Scaling-Up Sustainable Forest Management, is implemented by DOF, the efficiency and effectiveness of the two operations working together is enhanced.
77. DoF's mandate is thus to support production forest management and policies, by implementing existing regulations and laws, and expanding participatory sustainable forest management practices, as well as managing forest concessions and new forest plantations. DoF is staffed with an adequate number of trained professionals, but relative to the vast areas of land they oversee, their numbers are limited and they face transportation and access challenges, limited control in many regions of the country, and limited budgets. DoF has a good track record of working with the Bank in implementation of the SUFORD project over the past nine years. This experience has provided a sound basis for gradually expanding participatory approaches to sustainable forest management geographically in the context of REDD+ with both FCPF and FIP funding.
78. The choice of the Department of Forestry as FCPF implementing agency is realistic and practical. The DoF retains substantial responsibility and authority for implementation of production related forest-sector policies and programs. It has remained the designated focal agency for REDD+ implementation since 2007 and is in a position to transfer responsibility of management of REDD+ related activities to MoNRE. Overall responsibility for coordinating the implementation and monitoring of the national REDD+ program, including the Forest Investment Program, and for coordination among agencies will reside with the national REDD+ office. Both DoF and DFRM will have responsibility for activities in their respective forest areas.

d. Project Stakeholder Assessment

79. **Forest Dependent and Ethnic Groups** It is anticipated that REDD+ will have widespread impacts on the management of Lao PDR's forests and forest resources, affecting both forest dependent and indigenous people, or Ethnic Groups as called in Lao PDR¹. Lao is an ethnically diverse country where 45 percent of the population belong to Ethnic Groups, who are highly dependent on forest resources as they rely on rotational rice cultivation, non-timber forest products (NTFPs), fuel, medicines, food, construction materials and other forest resources for income and livelihood. A significant number of people who belong to Lao-Tai linguistic group are also dependent on forest resources for food security, forest products and livelihoods. Constitution provides equal rights to all ethnic groups and protects their right to preserve their own traditions and culture, and law exists which safeguards the basic rights of forest dependent and ethnic groups including communal rights to land that may be shared by members of the community. Many ethnic groups and forest dependent people among the Lao-Tai group, however, do not hold registered title or enforceable rights over the land they manage, which puts their traditional tenure rights, livelihood they gain from using the land and their entitlements to REDD benefits under risk. Also, the legal and institutional framework to ensure their meaningful participation in policy matters is still emerging, and the GoL has limited experience in engaging with broad stakeholders. It will be important to ensure that existing rights of local communities to forest resources are taken into account and benefits from REDD+ are shared equitably, and mechanisms to ensure Forest Dependent and Ethnic Groups participate in and benefit from the policy developments supported under the grant should be strengthened.
80. For this purpose, the grant would initiate the Strategic Environmental and Social Assessment (SESA) process to allow the meaningful participation of and free, prior and informed consultation with Forest Dependent and Ethnic Groups in the development of REDD+ strategic options. Their views and opinions would be reflected in the Environmental and Social Management Framework (ESMF) which will fully address the Bank's Indigenous People's policy. Also, the Grant Agreement requires that the GoL would engage with a broad range of stakeholders, including Forest Dependent and Ethnic Groups, in the SESA process, so that free, prior and informed consultations would be conducted with them, leading to broad community support to the policy developments supported under the grant. The Dedicated Grant Mechanism (DGM) under FIP would also help create a platform of dialogue to ensure that such groups directly participate in a broad range of REDD+ activities at local and national levels.
81. **Forestry and Plantation Crop Industries** By changing incentives for land use, REDD+ could lead to decreased access to timber resources and reduce the availability of forested land for conversion to other land uses. This could have negative impacts on the forest products industry and could reduce the potential for expansion of plantation

¹ "Ethnic Groups" in Lao PDR meet all eligibility criteria under OP 4.10 as Indigenous People and is a preferred term to call Indigenous Peoples.

crops such as oil palm. On the other hand some progressive companies in Lao PDR view REDD+ as an opportunity for receiving incentives for adopting more sustainable management practices.

82. **Sub-national Governments** A REDD+ framework based on national crediting with sub-national implementation implies a central role for sub-national governments. This includes a role in designing and implementing the REDD+ financial and MRV architecture, design and implementation of sub-national policies to reduce emissions, and sponsoring local REDD+ projects. Lao PDR decentralization framework grants adequate control to Provincial governments over decisions related to natural resources.
83. **Academia and Research Institutions** The climate change agenda has galvanized significant research efforts related to forests and REDD+, and a number of research institutions are actively contributing to the knowledge foundation for REDD+ in Lao PDR. These include the Center for International Forestry Research (CIFOR), RECOFTC (The Center for People and Forests), RRI (Rights and Resources Initiative), and ACIAR (Australian Center for International Agriculture Research). Research-based findings on biophysical, social and economic issues related to REDD+ will be a key input to the development of a REDD+ framework.
84. **Civil Society Organizations** Environmental and social civil society organizations (CSOs) play a key role in providing analysis of relevant policy issues, in raising awareness of the risks and opportunities of REDD+, and in representing the interests of local communities. Currently the CSO definition includes both local non-profit associations and international non-government organisations that are active in Lao PDR. Several of these organizations have been involved in the consultation and planning process of REDD+ since the preparation of the Lao PDR R-PP and will continue to be actively engaged in the future. These groups include the Lao Biodiversity Association (LBA), Gender Development Group (GDG), Lao Women's Union (LWU), and Lao National Front for Reconstruction (LNFR), Wildlife Conservation Society (WCS), World Wide Fund for Nature (WWF), International Union for the Conservation of Nature (IUCN), Netherlands Development Organization (SNV), and others.
85. **Government Institutions** Significant anticipated benefits and economic incentives from REDD+ have triggered increased dialogue and coordination among numerous government institutions. The most important are:
 86. *National Environmental Council* The NEC be responsible for high level inter-ministerial coordination and setting national policy direction for smooth implementation of REDD+.
 87. *Ministry of Agriculture and Forestry* This will be a key ministry as the DoF and Department of Forestry Inspection (DoFI) are both under this ministry. DoF was the leading government agency in the REDD+ dialogues prior to officially transferring this responsibility to MoNRE. DoF is an implementing agency for the SUFORD, FCPF R-PP Preparation Grant and will be an implementing agency for this FCPF grant. A

working relationship already exists with DoFI under the World Bank/Government of Finland financed SUFORD project. DoFI will be responsible for forest law enforcement and governance (FLEG), and Chain of Custody (CoC).

88. *Ministry of Natural Resources and Environment MoNRE* was established in June 2011 by the National Assembly to replace the former Water Resources and Environment Administration (WREA). A total of 13 departments, one institute, information centre and a cabinet form the ministry. According to the PM decree on the establishment and activities of MoNRE dated November 28, 2012, in the context of forest management, MoNRE is responsible for overall management of protection and conservation forests in Lao PDR.
89. A number of other departments are relevant to program implementation including the following:
 90. *Department of Environmental Promotion (DEP)* This is a new department established under MoNRE as a successor of the former Department of Environment (DoE). The DEP will assume the responsibility of the former DoE as a secretariat to the NEC.
 91. *Department of Forest Resource Management (DFRM)* This was a Division of Forest Resource Conservation (DFRC) under DoF, MAF. The division was moved to MoNRE and established as a department responsible for the management of Protection and Conservation forests.
 92. *Department of Environmental and Social Impact Assessment (DESIA)* This department is primarily responsible for developing the relevant laws, regulations and guidelines related to environmental and social impact assessments and mitigation measures; reviewing the documents submitted by development projects and issuing the necessary environment compliance clearances. It is anticipated that this department will play an important role in the process and preparation of SESA and ESMF.
 93. *Department of National Disaster and Climate Change Management (DNDCCM)* This department is a focal point for climate change adaptation and mitigation under the United Nations Framework Convention on Climate Change (UNFCCC). It coordinates with line ministries and development partners on the implementation of climate change projects in Lao PDR. The director of the department is a member of the National REDD+ Task Force.
 94. *Department of Import and Export (DIMEX)* This department under the Ministry of Industry and Commerce (MoIC) has an important role to play in regulating timber sales, both domestic and international. DIMEX is responsible for setting a floor price for timber harvested from production forests and establishing regulations relevant for the import and export of finished wood products/logs. The department is also responsible for registration of companies in the timber industry, developing enabling environment and legislation for the export of the finished wood products and NTFPs.

95. *Department of Public Administration Development (DPAD)* Under the Ministry of Home Affairs (MoHA), this department has a division called the Civil Society Organization Management. This division has a mandate to develop relevant regulation and legislation pertaining to the establishment, operation and management of local CSOs (non profit associations) in Lao PDR. A Prime Ministerial Decree on Associations, which outlines registration and operational regulations for CSOs, was issued in 2009. This division and the MoHA will play a key role with regards to issues that are relevant to the Dedicated Grant Mechanism (DGM) established under the FIP that will be implemented by a consortium of Lao CSOs.
96. **Development Partners** Numerous bilateral and multi lateral donors are engaged in the forestry sector and REDD+ activities in Lao PDR, which include JICA, GIZ, KfW, ADB, IFC, USAID, SNV and United Nations Development Program (UNDP). Food and Agriculture Organization (FAO) is also involved in the context of regional REDD+ exchange and dialogue and international UNFCCC negotiations. Partners are coordinated under the Forestry Sector Sub-Working Group (FSSWG) established in 2007 under the umbrella of the Agriculture and Natural Resource Working Group (ANRWG) as part of the Round Table process. The FSSWG is chaired by the Director General of DoF and co-chaired by the JICA representative. The JICA project Chief Technical Advisor based at DoF also supports DoF in forest sector coordination.
97. Since the establishment of the new MoNRE, the FSSWG under the ANRWG will be moved to the new NRMWG that is chaired by the Minister of MoNRE and co-chaired by the Ambassador of Germany and the Country Manager of the World Bank. The first official meeting of the NRMWG with development partners will be held shortly. This meeting will discuss the overall framework and five year strategy of MoNRE and the roles and responsibilities of sub-sector working groups.

e. Governance and Approval of FCPF Financed Activities

98. **Management of FCPF Activities** The FCPF activities will be coordinated and managed by the Division of Planning under DoF in the lead role with active participation and close collaboration with staff of MoNRE. The DoF will assist MoNRE on technical aspects and management of grant activities. The DoF will assign the head of the Planning Division to be a Project Manager and the Director General or the Deputy Director General, who is currently a chair of the National REDD+ Task Force will act as Project Director until the project is transferred to MoNRE. The National REDD+ Task Force will act as a Project Steering Committee providing overall guidance and coordination across the ministries.
99. A new REDD+ Office with full-time staff will support the Task Force and will be responsible for implementation of REDD+ tasks and activities. The REDD+ Office will be empowered to establish a number of Technical Working Groups, including; REL, MRV, Stakeholder Consultation, Land-use Planning, Carbon Registry, REDD+ Strategy, and others as required. These working groups will provide technical support

and advice to the Office as needed and in particular for the preparation of Annual Work Plans, that will be submitted to the Task Force for endorsement to the NEC. The REDD+ Office will also support the establishment of a similar structure at Provincial level, in those Provinces where REDD+ activities are taking place or are planned during the Readiness phase.

100. GoL Approval Process for FCPF Funded Activities The activities to be funded under the FCPF are the result of a long process of discussion and coordination, with the Ministry of Agriculture and Forestry, with other key GoL agencies, and with other partners funding REDD related activities. These have included analytical work for the Lao PDR Forest Climate Alliance study and a series of meetings and consultations on FCFR meetings at the national and regional level. GoL representatives have emphasized that this has been a country-driven process and the REDD+ preparation has further helped to clarify REDD+ requirements. The current set of FCPF activities was reviewed after the UNFCCC COP 15 (Conference of Parties) held in December 2009, to ensure that these are well designed and fit into the overall needs of Lao PDR in preparing for REDD+ Readiness. These activities were designed with a future-oriented view to ensure that Lao PDR's REDD+ program is founded on the best data, scientific principles, and outreach processes and will complement the National REDD+ Task Force and strategy implementation process.

101. The FCPF grant of \$3.6 million will be implemented by the DoF on behalf of Government of Lao PDR. Besides the FCPF grant, the World Bank in partnership with the Government of Finland has been supporting the DoF through a number of projects since the 1990s including the SUFORD Project (\$9.9 m and \$10 m Additional Finance). SUFORD project closed in December 2012.

102. In addition, the GoL is eligible for up to \$30 million in grants from the Forest Investment Program (FIP), which is one of the programs under the Climate Investment Funds (CIF). The FIP Investment Plan, endorsed January 30, 2012, identifies three projects to be implemented by GoL in collaboration with participating multi lateral banks (ADB, IFC and WB). A total of \$13.33 was earmarked for the Scaling up Participatory Sustainable Forest Management Project to be implemented by DoF with the World Bank. It is expected that World Bank will contribute an additional \$15 million IDA to complement the FIP financing.

IX. Overall Risk Ratings

103. The overall risk rating for the project is Substantial. Substantial impact and high likelihood.

104. The REDD+ Readiness process presents a high level of risk, as it depends directly on a series of institutional changes and on a supportive governance environment. A successful REDD+ mechanism involves important changes to the existing institutional framework and touches sensitive issues, such as land allocation, strengthening tenure and revenue distribution across government levels. In addition, the program has high

visibility of REDD+ internationally among various stakeholders with differing interests groups and timeframes, including especially poor forest-dependent communities and ethnic groups. Also, the legal and institutional framework to allow meaningful participation of Ethnic Groups and forest dependent people is still emerging in Lao PDR, and the GoL has limited experience in engaging with broad stakeholders.

105. These risks will be mitigated through continuing consultation and participation processes and through the development of a Strategic Environmental and Social Assessment (SESA) and an Environmental and Social Management Framework (ESMF) that will identify specific risks and mitigation measures in the Lao natural resources sector. An extensive consultation and participation plan is a key component of the readiness program funded by the grant, and adequate budgeting has been set-aside for this purpose. Through the consultation and outreach process, which includes the SESA, relevant government and non-government stakeholders will be involved throughout the readiness process. The National REDD+ Office will lead the consultation process. In addition, the SESA will identify institutional gaps and challenges and will formulate policy options. The National REDD+ Office will continue to consult broadly with government and other stakeholder groups to ensure that any newly emerging risks and concerns are identified and addressed as they arise. The Grant Agreement includes a clause which requires that the GoL would engage with broad stakeholders, including Ethnic Groups and poor forest dependent people, in the SESA process, so that free, prior and informed consultations would be conducted with them leading to their broad community support to the REDD+ Strategic Options and ESMF developed under the grant. The Dedicated Grant Mechanism (DGM) under FIP would also help such groups participate directly in both the planning, design and the implementation of government planned FIP investments and REDD+ activities more broadly at local and national levels. A summary of known risks and suggested mitigation measures are outlined in the Operational Risk Assessment Framework at Annex 4. Triggered safeguard policies and associated risks are identified in Table 2.

X. Team Composition including Technical Assistance Provided by Bank Staff

106. The preparation of the 2010 Lao PDR R-PP was really the first cohesive overview of deforestation drivers and REDD+ opportunities in Lao. During the preparation and presentation of the R-PP, World Bank regional staff and Washington staff in the FCPF Facility Management Team provided guidance on how to prepare the template, how to conduct consultations on different documents, and guidance on World Bank safeguard aspects and technically relevant issues related to REDD+. Ownership and responsibility for the content of the Readiness Plan remained solely with the Government. Other national stakeholders, including international and Lao NGOs were widely consulted during the process. Bank technical support missions took place in September 2009, March 2010 and May 2010 with the objective of providing guidance for the preparation of the R-PP supporting documentation, consultation with stakeholders, for the explanation and future formulation of the SESA process. Key Bank staff involved in the R-PP preparation and implementation of this new FCPF grant are listed here:

Team Composition

Name	Title	Unit
Peter Jipp	Senior Natural Resources Mgt Spec., TTL	EASTS
Khamlar Phonsavat	Climate Change Specialist	EASTS
Robert Ragland Davis	Senior Forest Management Specialist, TTL	EASER
Satoshi Ishihara	Senior Social Development Specialist	EASTS
Siriphone Vanitsaveth	Financial Management Specialist	EAPFM
Souphanthachak Sisaleumsak	Procurement Specialist	EAPPR
Viengkeo Phetnavongxay	Environmental Specialist	EASTS
Kennan Rapp	Senior Social Development Specialist	FCPF
Daniel Gibson	Senior Social Scientist	ECAVP
Ken Andrasko	Senior Policy Analyst	FCPF
Alexander Lotsch	Senior Carbon Finance Specialist	FCPF

XI. Assessment Summary

107. The drafting of Lao PDR's R-PP has begun to contribute to the coordination of various REDD+ initiatives financed by donors and the Government. The R-PP's development has provided an opportunity for stakeholders to participate in the dialogue on REDD+ and has broadened the understanding of the challenges that the country faces when working on REDD+ readiness, as well as the potential to build upon early successful land management and conservation projects. The Participants Committee of the FCPF has already made a technical assessment of the R-PP. The document was appropriately disclosed and went through a national and international consultation process, and comments were integrated in the final document. Recommendations provided by the international community and national stakeholders for improvements of the process were taken into consideration and responses were publicly disclosed. The completeness check was approved in June 2011.
108. The R-PP identifies the key components and technical activities essential for Lao to prepare for a future REDD+ regime. These include: (i) communication and capacity building at different levels of Government and with the range of stakeholders; (ii) assessing the feasibility of proposed policies and land use practices to undertake REDD+ activities; (iii) development of the REDD Implementation Framework, including a system of REDD+ incentives, regulatory framework, and financial management and benefit sharing arrangements; and (iv) Reference Emission Level (REL) and Measurement, Reporting and Verification (MRV) system design, including incorporating subnational and project-scale REDD activities into a national framework for MRV, and for cooperation in the Southeast Asian region on REDD accounting.
109. The activities to be funded by the FCPF grants were identified in the R-PP. The R-PP proposal does plan to build on work and support by other donors, including JICA, GIZ, Government of Finland, and on Forest Investment Program (FIP) investment funds. However, the activities financed by the FCPF are critical as they involve early, systematic work on developing REDD+ management and participatory frameworks, assessment of how to implement REDD+ activities on the ground, including benefit

sharing, outreach and communication. Several activities will require coordination among various national government agencies and provincial bodies and the setting up of the institutional mechanism under the aegis of the NEC is a positive development.

a. Technical

110. As previously indicated, the R-PP has been technically independently assessed by the Technical Advisory Panel (TAP) and by the Participants Committee of the FCPF, and appropriately disclosed. The activities to be financed by the FCPF have been selected after technical discussions with the Department of Forestry, the Ministry of Finance, and the Ministry of Natural Resources and Environment. The activities have been discussed with other donors, including JICA, Swedish International Development Cooperation Agency (SIDA), GIZ, Government of Finland and the SUFORD project to ensure coordination and avoid overlap.
111. The focus on FCPF Readiness Preparation grant will be on process rather than implementation. Funds for REDD piloting and implementation are coming from investments by bilateral donors and from the FIP which is leveraging incremental resources from associated multi lateral development banks (ADB, IFC, WB). Therefore the Preparation Grant is not expected to finance implementation of REDD+ activities on the ground, but instead will contribute to developing Lao PDR's capacity to receive REDD+ investment in future. The FCPF Readiness Preparation grant would mostly support analytical work including the development of the REDD strategy and relevant legal and regulatory frameworks, capacity development including training and workshops, as well as stakeholder consultations, communication campaigns and awareness raising.

b. Financial Management

112. The assessment is based on the recent assessment of TF011624, readiness preparation proposal assessment note, and interviews with the head of financial section of the Planning Division, Department of Forestry, Ministry of Agriculture and Forestry. The financial management arrangement will be determined to meet the minimum requirement of OP/BP10.02 once mitigation measures proposed are put in place. Mitigation measures to be put in place include (1) review and revise the existing financial management manual to document the processes and procedures for budgeting, fund flow, accounting, financial reporting, audit and internal controls. This is to be in place within one month of project effectiveness (2) appointment of qualified finance staff for new provinces. The appointment is to be completed and the staff assessed as qualified before project effectiveness (3) all finance staff are to be trained in the revised financial management manual prior to commencement of activities; and (4) appoint auditors, with Terms of Reference acceptable to the World Bank, within six months of project effectiveness. The financial management risk is considered as Moderate after mitigation measures are put in place.

113. Project's financial statement is to be audited annually. Audit report is to be submitted to the World Bank within six months of the fiscal year end. The audit will be subject to the Bank's access to information policy.
114. Project's Interim Unaudited Financial Report is to be prepared and submitted to the World Bank no later than 45 days after each quarter end.
115. Implementation support is intended to be integrated with procurement and technical support where possible and is to be conducted at least once a year on a risk-based basis.

c. Procurement

116. The Bank's procurement specialist conducted a procurement capacity assessment of the Unit in charge of procurement within the Department of Forestry.
117. Procurement under this FCPF Grant consists of procurement of goods as well as selection of individual consultants and firms. It is likely that the selection of consultant firms will use the CQS method (Selection Based on Consultant's Qualifications) and that the first three contracts will be subject to prior review. The Implementing Agency has experience with national procurement rules and experience with Bank projects such as SUFORD, LUFSIP (Lao Upland Food Security Improvement Project). Based on this, and taking into account the risks and risk mitigating measures which can be taken, the project's risk related to procurement is assessed as "Average".
118. DoF procurement procedures are consistent with Bank guidelines. DoF has received grants from several international donors including from JICA, KfW, and ADB. Procurement of goods will follow the existing Guideline for Procurement under International Bank of Reconstruction and Development (IBRD) Loans and IDA Credits. The procurement of goods that cost less than US\$ 50,000 may be done using the Shopping Method. Subject to conditions in the Guidelines and prior approval from the Bank, the procurement of goods may be done on a direct award basis subject to meeting the requirements of the Bank Guidelines on Direct Contracting. For amounts greater than US\$ 50,000 National Competitive Bidding procedures acceptable to the Bank will be used.
119. Selection of Consultants will follow the existing Guidelines on Selection and Employment of Consultants by World Bank Borrowers. The selection of consultant firms will use recent versions of the Bank's Standard Request for Proposals based on the above Guidelines. Selection of consultant firms will use the QCBS method as appropriate. Selection of consultants that cost less than US\$200,000 may follow the CQS method. Further, subject to conditions in the Guidelines and to prior approval from the Bank, the selection may follow the Single Source Selection (SSS) method. The first three selections, all selections of consultant firms above US\$ 100,000 or those selected through the SSS method, shall be subject to prior review. Similarly, selection of individual consultants on a sole-source basis will be subject to prior review.

120. Selection of individual consultants should be through comparison of at least three candidates who meet the qualifications and experience required by the Terms of Reference. Subject to conditions in the Guidelines and prior approval from the Bank, the selection may be done on a sole-source basis.
121. Procurement supervision will be undertaken by the Bank team and more specifically by the procurement specialists based in Vientiane and paid out of resources set aside for project supervision. The first procurement supervision mission will take place at the time of the project's effectiveness. A post procurement review of all contracts not subject to prior review will be done annually and included in the ex-post review program.
122. DoF will prepare a Project Management Manual that includes a Procurement Section. The section will contain simplified and easy to understand sets of instructions based on the Bank's Procurement Guidelines. The section will also clearly state that Bank rules shall apply in the case of conflicts between the Bank's procurement regulations and other local rules and regulations.
123. To mitigate the risks of corruption DoF's Finance Unit will follow established measures to address corruption issues in the Manual, such as steps to report and investigate all cases of collusive, fraudulent, corrupt and coercive practices, as well as remedial actions.

d. Social and Environmental Safeguards Assessment and Management Framework

124. A preliminary assessment has indicated that a number of World Bank safeguards policies are likely to be triggered by REDD+ related activities in Lao PDR. A SESA will be conducted as part of the Readiness process to assess the potential impacts from national REDD+ programs and policies, formulate alternatives and mitigation strategies and enhance the decision-making process around the design of the national REDD+ framework.
125. The SESA contributes to the REDD+ Readiness process in Lao in two main ways. First, it helps to refine the REDD+ strategy options by assessing how REDD+ strategy options address environmental and social priorities associated with current patterns of land use and forest management. Gaps identified through this assessment would lead to adjustments in the REDD+ strategy options to address the gaps. Potentials to equitably share REDD+ benefits with broad segments of the society, including importantly Forest Dependent and Ethnic Groups, would be assessed and appropriate mechanisms to deliver such benefits be identified, which would be reflected in the REDD+ strategy options. Second, the SESA would produce an Environmental and Social Management Framework (ESMF) that will outline the procedures to be followed for managing potential environmental and social impacts of specific policies, actions and projects during the implementation of the REDD+ strategy that is finally selected. It is worth noting that, while this grant would help Lao PDR substantially move towards achieving

REDD+ Readiness, including on environmental and social issues, the country may not reach full readiness at the closure of the grant. The SESA process aims to pull together different stakeholders involved in REDD+ related activities and create a national platform of dialogue through which differences in approaches taken and policies applied among stakeholders would be clarified and gaps be closed. The ESMF to be developed from the SESA process would contribute to further harmonization in subsequent REDD+ stages by clearly presenting the provisions that are fully in line with the Bank safeguard policies and at the same time agreeable to other stakeholders.. The Bank will closely monitor the SESA process and ensure all activities funded under the grant will comply with the Bank's safeguard policies.

126. The SESA will identify ways to strengthen traditional / customary land tenure and secure access to natural resources by ethnic groups (indigenous people) and local communities. In particular the SESA will review and assess impacts of government efforts to: (i) encourage adoption of sedentary agriculture in lieu of shifting cultivation; (ii) consolidate remote villages and improve service delivery through village relocation; (iii) engage communities in Participatory Land Use Planning (PLUP) and land allocation; (iv) strengthen land / usufruct rights at the community level through expansion of village forestry and communal land titling; (v) plan for and implement effective REDD+ stakeholder consultations; and (vi) identify legal, administrative and capacity gaps that exist with regard to sound environmental and social risk management of REDD+ activities. The SESA process would also assess potential needs regarding land acquisition in REDD+ strategy options as well as potential impact on physical and cultural resources (PCR), and develop, if necessary, a Resettlement Policy Framework and/ or a management framework for PCR, respectively, as part of ESMF.
127. The Strategic Environmental and Social Assessment will (i) assess social and environmental issues to be integrated into the REDD+ Readiness process, in particular the REDD+ strategic options (ii) facilitate the participation of stakeholders groups to identify priority issues, assess policy, institutional and capacity gaps and share critical information supporting an inclusive Readiness preparation process (iii) identify measures to help enhance, and share with relevant Indigenous Peoples and Local Communities (IPLC), positive environmental and social impacts and ensure project sustainability of REDD+ activities, and (iv) develop key inputs to the Environmental and Social Management Framework to manage environmental and social risks and mitigate potential adverse impacts.
128. Discussions on the need to assess social and environmental issues have already been integrated in stakeholder consultations held at the national and sub-national levels. Based on experiences of other REDD+ countries, best practices related to SESA and advice of safeguard specialists within the Bank, a draft SESA ToR has been prepared (Annex 5). A notable feature of the ToR is to highlight the importance of the SESA process, which is iterative, and aims at inclusive participation of stakeholders and groups who are likely to be affected by REDD+ implementation. The ToR also provides a detailed timeline to ensure that the SESA process remains aligned with other REDD+ preparations.

129. It is worth noting that the status of women and the level of gender equality at national and local levels affect the degree to which REDD+ programs include or exclude women in their decision-making, consultations, design, and benefit sharing mechanisms. GoL will pay particular attention to addressing the gender dimension of REDD+ and ensure the active inclusion of women, men and youth into the design and implementation of REDD+ related activities that would impact on their lives. A thorough gender analysis will be conducted during the consultation, planning and implementation phase in order to put in place measures that address gender dimensions of REDD+ in policy, institutional arrangements, decision making, and project related activities.
130. Following the FCPF safeguard guidance, this grant incorporates measures to address the Bank safeguard policies. Relevant Indigenous People's and Local Communities (IPLC) would be encouraged to participate in the SESA process and their perspectives will be reflected in the final SESA report. Principles and approaches to be followed under the SESA process including those to ensure meaningful participation of key stakeholders and free, prior and informed consultations with IPLC are provided in a draft SESA TOR, although detailed steps and exact procedures would be developed during the first phase of the SESA process. An ESMF will be developed based on the participatory SESA process, which will include an Ethnic Group Planning Framework and Access Restriction Process Framework and, if found necessary, Resettlement Policy Framework. The ESMF would guide potential future Bank investments in REDD+ projects. Domestic capacity to prepare and implement the SESA is limited, therefore experienced consultants will be hired to support the Government to engage in SESA processes, and support will be sought from interested IPLC organizations.
131. Many Civil Society Organizations (CSOs), including local Non-Profit Associations (NPAs), Mass Organizations initiated by GOL, and International Non-Governmental Organizations (INGOs) and, have been closely involved in on going programs of participatory sustainable forest management (PSFM), REDD+ design and early implementation, biodiversity conservation and livelihood development in Lao PDR. They will play an important role particularly in helping with communication and capacity building among ethnic groups and local communities on REDD+ activities and support consultation processes, although the legal and administrative framework to allow meaningful participation of CSOs is just emerging in Lao PDR.
132. The finalized ESMF will provide a template of actions that will be taken to enhance positive benefits and address negative impacts associated with the implementation of REDD+ activities. The ESMF will set out the principles, rules, guidelines, and procedures to assess potential environmental and social issues and opportunities, develop measures to enhance positive benefits and mitigate negative impacts, conduct free, prior and informed consultations of critical stakeholders including indigenous peoples and local communities, and carry out environmental and social screening. Given the nature of likely REDD+ strategy options, the ESMF will give special consideration to issues such as livelihoods, rights of indigenous peoples and other groups, the special protection of vulnerable groups, biodiversity, cultural heritage, gender, and assessment

of institutional capacity. It will include a mechanism for monitoring implementation of the ESMF, which will be accessible to all key stakeholders and interested parties. An ESMF acceptable to the World Bank will contain specific sections addressing the requirements of the applicable safeguard policies, including the Environmental Management Framework (EMF), Resettlement Policy Framework (RPF), Access Restriction Process Framework (ARPF), and Ethnic Group Planning Framework (EGPF).

D.1 Social Safeguards

133. It is anticipated that the potential social issues related to REDD+ activities will be clearly defined through the implementation of FCPF Readiness Preparation grant, under the SESA processes. Based on the existing experience from the past and on-going projects in Lao PDR as well as international experience, it is expected that the following will constitute some of the key issues that the SESA process would focus on: traditional/customary land tenure and access to natural resources by indigenous people and local communities; benefit sharing mechanisms; the government program to halt shifting cultivation and village consolidation and relocation; enabling environment for CSOs; and existing practices and procedures on Participatory Land Use Planning, village forestry and communal land titling. The SESA would also assess issues such as current and alternative livelihoods especially of poor and vulnerable groups, cultural heritage, and gender, among others. National capacity, both within and outside of government, to address such issues will also be assessed. The resultant list of key issues as well as actions to address them, including measures for capacity development, will be described in the ESMF.
134. Relevant governmental and non-governmental stakeholders, including IPLC, will participate in the entire SESA process, starting from the sharing and finalization of ToR and the development of detailed methodology for public participation and consultation, through soliciting of comments to the final draft SESA report. Qualified consultants will be hired to support the SESA preparation and associated stakeholder consultation processes since GoL capacity is limited. Discussion has been going on between the government, donor agencies and non-governmental organizations how to allow an effective and meaningful participation of non-governmental organizations in the implementation of REDD+ activities.
135. The legal and administrative framework to allow an active participation of non-governmental organizations in REDD+ activities is still emerging in Lao PDR. As of now, more than 180 Civil Society Organizations (CSOs) operate in Lao PDR. The PM Decree on Associations, issued in 2009, requires all CSOs operating in Lao PDR to formally register with the government to be eligible for receiving financial support and approximately 27 CSOs have completed these registration formalities while another 20 are in the process of doing so. CSOs are aware of the REDD+ process and are also involved with the Dedicated Grant Mechanism. A platform to allow dialogue between stakeholders including governmental agencies and non-governmental organizations is currently emerging. The donor community will continue to facilitate a meaningful

dialogue between governmental and non-governmental organizations to ensure all stakeholders engage in REDD+ activities.

D.2 Safeguards Policies Triggered

136. The operation would help the Government of Lao PDR in developing its REDD+ Strategy so that it is technically sound and environmentally and socially sustainable, as well as in compliance with World Bank safeguards policies. Because the present operation is a planning, analytical and capacity building exercise to support strategy development and no physical investments for REDD+ are included in the design or financed by the grant, it is classified as Category B. At the same time, the Safeguards Policies that may be triggered (or TBD) in future possible REDD+ investments are shown as triggered in the table below for the present operation, so as to provide the necessary background and guidance to the development of an ESMF.
137. The FCPF Readiness Preparation grant will comply with World Bank safeguard policies regarding the management of environmental and social impacts. This grant will, in part, support the country's activities to identify the potential risks associated with REDD+ and mitigation options. In order to do this, the FCPF will finance implementation of a Strategic Environmental and Social Assessment (SESA) to integrate key environmental and social considerations into REDD+ Readiness by combining analytical and participatory approaches. In addition, through a process of research, study, and discussion, appropriate mechanisms for conflict resolution and grievance redress will be established during the grant's tenure.
138. The SESA allows: (i) social and environmental considerations to be integrated into the REDD+ Readiness process, in particular the REDD+ strategy; (ii) stakeholder participation in identifying and prioritizing key issues, assessment of policy, institutional and capacity gaps to manage these priorities and recommendations, and disclosure of findings in the REDD Country's progress reports on Readiness preparation; and (iii) an Environmental and Social Management Framework (ESMF) to be put in place to manage environmental and social risks and to mitigate potential adverse impacts. The SESA guidelines have been integrated into the R-PP template.
139. The safeguards policies noted below are triggered in the REDD+ Readiness process since the REDD+ strategy and possible policy reforms have implications for these safeguard policies, and all the safeguard policies listed as triggered (or TBD) may apply to future REDD+ investments. The SESA will assess impacts of both proposed policy reforms and strategy options as well as impacts of future REDD+ investments, while the ESMF will include provisions and requirements concerning all the safeguard policies triggered.

Table 2: Safeguard Policies Overview

Triggered Safeguard Policies	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
An environmental assessment (EA) is required for the operation as the REDD+ strategy will identify measures and propose activities to be implemented downstream in possible subsequent operations in the terrestrial landscape, largely in forest areas. Therefore the policy is triggered both for REDD+ strategy and proposed policy reforms developed during the readiness phase (the Grant) and for possible future REDD+ investments. The EA will help to ensure the REDD+ activities are environmentally sound and sustainable, and thus to improve decision making. The Environmental Assessment is used to identify, avoid, and mitigate the potential negative environmental impacts associated with activities implemented on the ground. In addition to a SESA, MAF will prepare an Environmental and Social Management Framework to establish the modalities and procedures to address potential negative environmental and social impacts from the implementation of a national REDD+ framework as well as associated mitigation measures.			
Natural Habitats (OP/BP 4.04)	X		
The operation will assist in the development of REDD+ strategies and approaches to promote conservation and the sustainable use of natural habitats, especially forests. The SESA will evaluate the possible risks associated with the strategic options and their potential impact on natural habitats, in both production and protection forests. Other proposed REDD+ activities such as new plantations would also be assessed in respect to possible impacts on non-forest habitats and ecosystems. The ESMF would include provisions to assess, avoid or mitigate potential impacts on natural habitats			
Forests (OP/BP 4.36)	X		
REDD+ activities in forest lands aim to reduce deforestation, enhance the environmental services contribution of forested areas, promote reforestation, reduce poverty, and encourage economic development. Overall, the REDD+ activities are expected to have significant positive impacts on forest, in that the main goal of the program is to reduce deforestation, while contributing to the well-being of forest-dependent communities who will be consulted during the course of the project. Critical issues related to forest governance and resources and potential impacts from the national REDD+ framework will be assessed through SESA and potential negative impact addressed in the ESMF.			
Pest Management (OP 4.09)			X
This policy could be triggered depending on the scope of REDD+ strategies, which might include reforestation activities or the intensification of agricultural activities on degraded lands. SESA will assess the application of this policy and appropriate mitigation plans including plans for Integrated Pest Management will be developed and included in the ESMF if required.			
Physical Cultural Resources (OP/BP 4.11)	X		
Future REDD+ activities will not be known in detail while preparing the ESMF. However, since such activities will operate in forest areas where local communities in Laos commonly assign particular cultural values to certain locations and habitats a Physical Cultural Resources Management Framework will be included in the ESMF.			
Indigenous Peoples (OP/BP 4.10)	X		
After the readiness phase and outside the present operation, many of the activities which will be proposed to be implemented as part of a national REDD+ program are likely to take place in			

Triggered Safeguard Policies	Yes	No	TBD
<p>areas inhabited by ethnic groups, therefore the OP is triggered for both the readiness and in possible subsequent phases. The Government (DoF) will consult with the ethnic groups identified by the ethnic screening to be present in or have collective attachment to project areas, ensure that they participate in, and benefit from REDD+ activities in a culturally appropriate way and that adverse impacts on them are avoided, or where not feasible, minimized or mitigated. As a key process to ensure this policy requirement, Free, Prior and Informed Consultation will be conducted with affected ethnic groups, and their broad community support to the project would be ascertained. Issues of ensuring that livelihoods of ethnic groups and forest-dependent people are duly safeguarded through a review of existing policy and regulatory framework, by design of specific interventions in selected areas, and by recognition of both livelihoods and cultural practices, which will be integrated into the strategy. In addition, the SESA will identify ways to strengthen traditional / customary land tenure and secure access to natural resources by ethnic groups (indigenous people) and local communities. The Strategic Environmental and Social Assessment will assess potential impacts, both positive and negative, on ethnic groups. The Environmental and Social Management Framework to be developed based on the SESA will include an Ethnic Group Planning Framework² (EGPF) that describes the processes and procedures to be followed to ensure Free, Prior and Informed Consultation by affected ethnic groups leading to their broad community support of REDD+ activities.</p>			
Involuntary Resettlement (OP/BP 4.12)	X		
<p>While no land acquisition will be carried out under the operation nor is it expected as part of future REDD+ activities, it is conceivable that local population's access to forests, forest products, forest reserves, forest management areas or protected areas could be restricted and, although unlikely, the possibility of land acquisition cannot be completely discounted at this time. Such impacts would be avoided to the extent feasible, or minimized and mitigated if they are unavoidable. The SESA would assess and identify all potential issues related to involuntary resettlement and access restriction, and the ESMF will include a Process Framework (PF) and a Resettlement Policy Framework (RPF).</p>			
Safety of Dams (OP/BP 4.37)		X	
Projects on International Waterways (OP/BP 7.50)		X	
Projects in Disputed Areas (OP/BP 7.60)		X	
Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects (OP/BP 4.00)		X	

² EGPF is the term used in Lao PDR which is equivalent to IPPF both in substance and form,

Annex 1: Summary of REDD+ Projects in Lao PDR

					US\$'000
No	Project	Implementing Institutions	Financing Institutions	Timeframe	Finance
1. Multilateral Development Banks					
1.1	R-PP Preparation	DoF, REDD+ Task Force	WB-FCPF	2010	200
1.2	R-PP Implementation	DoF, REDD+ Task Force	WB-FCPF	2013-2016	3,600
1.3	Forest Investment Program	DoF, DoFI, NAFRI, NAFES	WB, ADB,	2013-2018	30,000
		DFRM, PAFO, DAFO,	IFC		
				Sub total	33,800
2. Bilateral Agencies					
2.1	FSCAP	DoF	JICA	2010-2014	2000
2.2	MRV Methodologies	DoF	Japan	2009-2014	1800
2.3	Forest Resource	DoF	JICA	2010-2014	6000
	Info Management Center				
2.4	SUFORD	DoF, DoFI, NAFES, NAFRI,	Government of	2009-2012	20,000
		PAFO, DAFO	Finland and		
			WB		
2.5	SUFORD AF	DoF, DoFI, NAFES, NAFRI,	Government	2011-2012	2500
		PAFO, DAFO	of Finland		
			and WB		
2.6	CLiPAD TC	DoF, PAFO, DAFO	GIZ	2010-2012	2650
2.7	CLiPAD TC Additional	DoF, PAFO, DAFO	GIZ	TBD	2650
2.8	CLiPAD FC	DoF, PAFO ,DAFO	KfW	2011-2018	13200

					US\$'000
No	Project	Implementing Institutions	Financing Institutions	Timeframe	Finance
2.9	PAREDD	NAFES, PAFO, DAFO	JICA	2009-2014	4000
				Sub total	54,800
3. Non-Government Organizations					
3.1	Nam Et Phou Louey REDD+ Feasibility Study	WCS, DoF, PAFO, DAFO	Blue Moon Fund, US Fish and Wildlife Service	2010-2012	155
3.2	Xe Pian REDD+ Pilot	WWF, DFRM, DoF MoD	WWF Austria OBF	2011-2012	137
3.3	Advancing Understanding of Natural Forest Carbon Stock Enhancement	SNV, DoF, PAFO, DAFO	BMU	2010-2014 Pipeline	1,400 (with Vietnam)
				Sub total	1,692
4. Regional REDD+ Projects					
4.1	Grassroots capacity building for REDD+ in the Asia Pacific	RECOFTC, DoF, NAFES NUoL	NORAD	2010-2013	1,800
4.2	Linking Forest Communities to the Voluntary Carbon Market in Southeast Asia	FAO, DoF	FAO	2010-2012	474
4.3	I-REDD	University of Bern, CIFOR, NUoL	EU	2011-2014	3,300

					US\$'000
No	Project	Implementing Institutions	Financing Institutions	Timeframe	Finance
4.4	Lowering Emissions from Asia's Forests (LEAF)	Winrock, SNV, Climate Focus, DoF, PAFO, DAFO	USAID	2011-2015	2,000
4.5	Making the Mekong Connected	ICRAF, NAFRI	GIZ, BMU	2009-2013	3,000
4.6	CarBi Carbon and Biodiversity Project	WWF, DFRM	BMU, WWF Germany	2011-2014	2,530
4.7	Using Forests to Enhance Resilience to Climate Change	CIFOR, NAFRI, DoF SUFORD	TFESSD with PROFOR	2011-2012	550
				Sub total	13,654
				TOTAL US\$	103,946

Note: 1. This is a summary of other major funding by donors relevant to the REDD+ work plan. These activities will complement work on REDD+ and offer pilot lessons and activities to build upon. Allocation to Lao PDR in regional projects unavailable.

Source: Annual Review of REDD+ activities in Lao PDR 2011, DoF, MAF.

Annex 2: Framework of REDD+ Tasks, Activities and Budget 2013 – 2016

TASK	2013	2014	2015	2016	Total (US\$ '000)
Task 1: Readiness Process Management and Stakeholder Consultation					950
1.1 Establish National and Provincial REDD+ offices					250
1.1.1 Operationalize REDD+ offices at national and provincial level (in selected provinces)	30	90	20	20	160
1.1.2 Organize forums on policy and regulatory framework	15	15	5	5	40
1.1.3 Undertake diagnostic studies to facilitate policy decisions	20	20	10	0	50
1.2 Assess and Align REDD+ with National Legal and Regulatory Policy Framework					200
1.2.1 Utilize inter-ministerial forum to assess impact of REDD+	25	25	20	15	85
1.2.2 Identify disaggregated impact of REDD+ on vulnerable communities and women	20	30	20	20	90
1.2.3 Produce approach paper to map convergence with REDD+	15	10	0	0	25
1.3 Stakeholder Consultations					500
1.3.1 Establish and convene representative Stakeholder Participation Working Group	5	5	5	5	20
1.3.2 Finalize stakeholder participation plan and validate and organize consultations	50	100	50	40	240
1.3.3 Establish appropriate mechanisms for conflict resolution and redress	25	65	75	75	240
Task 2: REDD+ Strategy Development					900
2.1 Develop and Finalize REDD+ Strategy					250
2.1.1 Organize stakeholder consultations to develop inclusive REDD+ strategy	30	70	25	25	150
2.1.2 Incorporate principles of sustainable forest development in REDD+ strategy	10	20	10	10	50
2.1.3 Safeguard livelihoods of forest-dependent communities in REDD+ strategy	10	20	10	10	50
2.2 Participatory Land Use Planning and REDD+ Strategy					350
2.2.1 Generate empirical evidence to inform policy debate on tenure and land use	25	20	10	5	60
2.2.2 Identify feasible alternatives to shifting cultivation and upland agriculture	40	65	60	60	225
2.2.3 Develop methodology for benefit sharing mechanisms	5	25	25	10	65
2.3 Social and Environmental Impact					300
2.3.1 Undertake strategic social and environmental assessment	30	40	50	30	150
2.3.2 Create national ESMF for REDD+	0	0	50	50	100
2.3.3 Commission study to analyze impact of REDD+ on food security, nutrition and health	10	15	20	5	50
Task 3: Implementation Arrangements					1,000
3.1 Establish Institutional and Financial Arrangements					150
3.1.1 Finalize institutional and financial arrangements including audit for REDD+	15	25	15	25	80
3.1.2 Develop and approve REDD+ regulation and decrees	10	20	15	5	50
3.1.3 Establish governance framework and guidelines for a REDD+ Fund	0	0	10	10	20
3.2 Develop Benefit Sharing Arrangements					250
3.2.1 Establish and convene Benefit Sharing Working Group representing all stakeholders	20	20	20	20	80
3.2.2 Develop methodologies and finalize benefit sharing arrangements	10	40	40	30	120
3.2.3 Study and establish appropriate conflict resolution mechanisms	0	20	20	10	50
3.3 Knowledge Management and Capacity Building					600
3.3.1 Undertake assessment to identify gaps and requirements	40	30	20	10	100
3.3.2 Organize capacity building and knowledge management activities	50	75	100	75	300
3.3.3 Design and utilize culturally appropriate media for all stakeholders	20	60	60	60	200
Task 4: Reference Emission Level and Monitoring Systems					750
4.1 Develop Reference Emission Levels					300
4.1.1 Develop and finalize reference emission levels linked to REDD+ strategy	25	25	25	25	100
4.1.2 Establish reference emission levels in selected areas	25	50	50	50	175
4.1.3 Create coordination mechanisms with relevant institutions	5	5	5	10	25
4.2 Develop Monitoring, Reporting and Verification System					200
4.2.1 Establish national, sub national and project systems	5	40	40	35	120
4.2.2 Assess technical assistance requirements for MRV design	0	20	20	0	40
4.2.3 Collaborate with regional MRV mechanisms in Southeast Asia	5	10	15	10	40
4.3 Establish Carbon Registry					250
4.3.1 Finalize institutional mechanisms and protocols for carbon registry	15	30	30	20	95
4.3.2 Establish community carbon monitoring mechanisms	0	10	30	30	70
4.3.3 Ensure registry can handle carbon and non-carbon requirements	0	15	40	30	85
TOTAL FCPF REQUEST US \$'000	595	1,135	1025	845	3,600

Annex 3: Expenditure by Cost Category

(%)

TASK	Consulting Services	Training and Workshops	Goods	Incremental	Civil Works	Contingency Unallocated	Total (US\$ '000)
Task 1: Readiness Process Management and Stakeholder Consultation							950
1.1 Establish National and Selected Provincial REDD+ offices		50 (20)	175 (70)			25 (10)	250
1.2 Assess and Align REDD+ with National Policy Framework	80 (40)	80 (40)	20 (10)	10 (5)		10 (5)	200
1.3 Stakeholder Consultations	150 (30)	250 (50)	50 (10)			50 (10)	500
Task 2: REDD+ Strategy Development							900
2.1 Develop and Finalize REDD+ Strategy	100 (40)	100 (40)	25 (10)			25 (10)	250
2.2 Participatory Land Use Planning and REDD+ Strategy	70 (20)	105 (30)	70 (20)	35 (10)	35 (10)	35 (10)	350
2.3 Social and Environmental Impact	150 (50)	90 (30)	30 (10)			30 (10)	300
Task 3: Implementation Arrangements							1,000
3.1 Establish Institutional and Financial Arrangements	45 (30)	60 (40)	15 (10)	15 (10)		15 (10)	150
3.2 Develop Benefit Sharing Arrangements	100 (40)	75 (30)	25 (10)	25 (10)		25 (10)	250
3.3 Knowledge Management and Capacity Building	240 (40)	180 (30)	60 (10)	60 (10)		60 (10)	600
Task 4: Reference Emission Level and Monitoring Systems							750
4.1 Develop Reference Emission Levels	120 (40)	90 (30)	30 (10)	30 (10)		30 (10)	300
4.2 Develop Monitoring, Reporting and Verification System	60 (30)	60 (30)	40 (20)	20 (10)		20 (10)	200
4.3 Establish Carbon Registry	100 (40)	100 (40)	25 (10)			25 (10)	250
TOTAL FCPF REQUEST US \$'000	1,215	1,240	565	195	35	350	3,600

<p>IPs and CSOs: Unclear tenure, access and rights constrain participation of local communities as forest stewards</p> <p>Access to customary forest areas and resources restricted due to concessions and REDD+ requirements</p> <p>Formalization of community forest management institutions cumbersome and beyond their capacity</p> <p>While cooperative during preparation and consultation CSOs may disagree with GoL approaches</p>	<p>Risk Management:</p> <p>Indigenous Peoples and Local communities: Assess bundle of rights of communities and negotiate favorable rights to local communities in agreements</p> <p>In the long-term utilize findings from Participatory Land Use Planning (PLUP) to advocate for secure tenure to communities</p> <p>Encourage the clearance of regulatory guidance on zoning and use guidelines for project design</p> <p>Review and identify appropriate modalities for legal incorporation of forest user groups</p> <p>Ensure active participation of CSOs and communication during project implementation</p>					
	Resp: Bank	Stage: Preparation	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:	Status: Not Yet Due

2. Operating Environment Risks

2.1 Country	Rating	Substantial
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<p>Description: Governance: Absence of meaningful and sustained inter-ministerial dialogue makes it difficult to identify and resolve overlapping mandates and conflicting development plans.</p> <p>Opportunities to engage Ministry of National Defense in particular are limited.</p> <p>Transparency: Absence of mechanism which provides information prior to authorization for concessions and</p>	<p>Risk Management:</p> <p>Governance: Organize inter-ministerial workshops under FCPF and engage with National Assembly to convene national dialogue</p> <p>Structured consultations with selected Government stakeholders in coordination with IFC and ADB</p>					
	Resp: Both	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:	Status: Not Yet Due
	<p>Risk Management:</p> <p>Transparency: Encourage availability of national inventory of concessions</p> <p>Discuss options for enhancing transparency through disclosure at national, province and district level</p>					
	Resp:	Stage:	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:	Status:

Institutional capacity: Capacity to review Environment and Social Impact Assessments (ESIAs) and to monitor implementation of compliance lags behind the pace of investment.	performance from Government of Finland and a new Multi Donor Trust Fund (MDTF). Continue utilization of existing guidelines on compensation and resettlement by GoL					
	Resp: Both	Stage:	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:	Status:

3. Implementing Agency (IA) Risks (including Fiduciary Risks)

3.1 Capacity	Rating	Moderate
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Description: Skills to manage procurement at Provincial and District level are weak.	Risk Management: National Technical Assistance in procurement will provide support in problematic cases Project provides capacity building for government staff at both national and sub-national levels Integrated procurement and financial management supervision provides regular feedback of performance and identifies areas for improvement.					
	Resp: Bank	Stage: Both	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:	Status: Not Yet Due

3.2 Governance	Rating	Moderate
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Description: Capacity to enforce restrictions on unsustainable forest management inadequate	Risk Management: Lao PDR Forest Law Enforcement Strategy prepared with PHRD and Government of Finland support Increased financial support for implementation of the strategy from FIP, IDA, GEF and Government of Finland Lao PDR Wildlife Enforcement Network platform approved among cooperating law enforcement agencies DoFI Forest Law Enforcement, Governance and Trade (FLEGT) dialogue and Voluntary Partnership Agreement (VPA) discussions to highlight leakage issues Lao PDR and Vietnam bilateral agreement supports information sharing on trans-border movement of timber GoL request for World Bank support for monitoring salvage logging received and next steps being discussed					
	Resp: Both	Stage: Both	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:	Status: Not Yet Due

3.3 Fraud and Corruption	Rating	Moderate				
Description: Procurement and financial management are weak especially at sub-national level	Risk Management: National Technical Assistance will establish oversight mechanisms. See 3.1					
	Resp:	Stage:	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:	Status:
4. Project Risks						
4.1 Design	Rating	Low				
Description: GoL capacity constraints may lead to inadequate allocation of staff, and coordination. This could delay project design and impact quality of design.	Risk Management: Close and frequent supervision will be undertaken and high level of communication maintained with GoL.					
	Resp:	Stage:	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:	Status:
4.2 Social and Environmental	Rating	Substantial				
Description: There is a limited capacity within implementing agencies (DOF, DOFI, PONRE) at present to communicate effectively with local communities and especially local ethnic groups on the complex topic of REDD+ Capacity to work with communities on defining areas inside PFA that can be managed by communities, benefit communities and enhance carbon stock is limited.	Risk Management: Support for improving communication and building capacity to engage communities will come through expanding partnerships with mass organizations Lao Women's Union and Lao National Front for Reconstruction Developing new partnerships with CSOs through implementation of the Dedicated Grant Mechanism (DGM) under FIP Creation and strengthening of dispute resolution mechanisms Enhancing capacity through technical assistance, capacity building and training, and development of tools and materials for good practice consultations and management of safeguard issues					
	Resp: Bank	Stage: Both	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:	Status: Not Yet Due
4.3 Program and Donor	Rating	Low				
Description: DoF capacity has been significantly	Risk Management: Strengthen communication with key donors in REDD+, and facilitation and participation of the Bank in the					

<p>enhanced for project implementation, however the REDD+ program is new and requires inter-institutional coordination, GoL commitment and donor coordination. This brings both opportunities and challenges.</p>	Sector Working Group for improved donor coordination.					
	Resp:	Stage:	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:	Status:
<p>4.4 Delivery Monitoring and Sustainability</p>	<p>Rating: Low</p>					
<p>Description: DoF will require increased resources and staffing to establish and manage delivery monitoring.</p>	<p>Risk Management: Investment in additional resources and capacity building. Increased staffing for monitoring and adoption of an effective results based monitoring framework.</p>					
	Resp:	Stage:	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:	Status:
<p>5. Project Team Rating Before Review</p>						
<p>Preparation Risk Rating: Substantial</p>			<p>Implementation Risk Rating: Substantial</p>			
<p>Description: REDD+ financing is a relatively new instrument and expectations and standards are evolving in response to experience. It will be important for the task team to be alert to emerging opportunities and challenges and to adopt a proactive communications strategy working closely with external affairs colleagues. The task team will maintain close contact with anchor-based colleagues to stay abreast of specific issues being raised by donors and civil society groups in other regions. The low current value of carbon on international markets presents a challenge in the short term as political support at the country level may fluctuate with the carbon price.</p>	<p>Description: Implementation risk will be assessed more fully during preparation. Appropriate mitigation measures will be proposed in the ORAF. At present overall implementation risk is considered substantial based on an aggregate assessment of the risks identified above. All forestry sector investments in the country are exposed to governance risk and continued discussions with donors and GoL offer opportunities for mitigation through improved law enforcement, monitoring and regulation. The use of TA to support and strengthen financial management and procurement will be required. Proposed mitigation measures are based on past experience with implementing agencies, improved capacity, continued tenure strengthening, and increased transparency (a requirement under REDD+ commitments). Taken together the proposed mitigation measures bring other risks within acceptable levels. Emerging issues and risks will be monitored through regular supervision and the ORAF</p>					

will be updated as required.

6. Overall Risk

Preparation Risk Rating:

Implementation Risk Rating:

Description:

Description:

Non disclosable Information for Management Attention (Optional)

Comments:

Annex 5: Terms of Reference for Strategic Environmental and Social Assessment (SESA)

1. Introduction

Reducing Emissions from Deforestation and Forest Degradation (REDD+) is a proposed global mechanism to mitigate climate change, while mobilizing financial resources for socio-economic development in forest countries. The Forest Carbon Partnership Facility (FCPF), facilitated by the World Bank, brings together 50 donor and forest country participants with the aim of supporting the forest countries in the preparation and subsequent implementation of their REDD+ Strategies.

Lao People's Democratic Republic is a key participant country in the FCPF. The Government of Lao has submitted its Readiness Preparation Proposal (R-PP) with regards to the REDD+ Readiness phase, and has requested a FCPF Readiness Preparation Grant to support the design of its REDD+ Strategy. This Strategy aims to control deforestation and degradation in order to reduce green house gas emissions into the atmosphere.

SESA is a key component of GoL Readiness Preparation Proposal (R-PP) to the Forest Carbon Partnership Facility (FCPF). This component is essential for both avoiding negative impacts ("do no harm") and enhancing positive or "additional" REDD benefits, especially in terms of social or livelihood benefits, governance and wider environmental or biodiversity benefits. The SESA is part of the phased approach of the FCPF Readiness Mechanism (preparation of the R-PP and subsequent Readiness Preparation for REDD+).

2. Objectives

The overall objective of these Terms of Reference (ToR) is to ensure that Strategic Environmental and Social Assessment (SESA) can be applied to integrate environmental and social considerations into GoL's REDD+ readiness process in a manner consistent with Lao PDR environmental laws and regulations and the World Bank's environmental and social safeguard policies.

In accordance with FCPF guidelines, special consideration should be given to livelihoods, rights, cultural heritage, gender, vulnerable groups, governance, capacity building and biodiversity.

3. Drivers of Deforestation and Forest Degradation

The drivers of deforestation and forest degradation in Lao are based on analyses of a recent land use and forest cover change study that included the analysis of secondary data sources, consultations of resource persons and field investigations in selected districts, each representing one of the Lao PDR's regions (northern central and southern). This study identified nine sources, (fire, unsustainable wood extraction, pioneering shifting cultivation, agricultural expansion, industrial tree plantation, mining, hydropower, infrastructure development and urban expansion) which have caused DFD in recent years. The identified drivers involve different actors, including farmers, shifting cultivators, logging companies and contractors, local and foreign investors, unspecified individuals (e.g. business persons), construction companies and government

authorities. The decisions of these actors to engage in DFD are influenced by multiple immediate interlinked motivations (opportunistic, market oriented, subsistence related, etc.), which are site specific and change over time.

Forest degradation is caused by unsustainable wood extraction driven by a variety of activities including illegal or quasi-legal logging linked to domestic and foreign processing facilities, timber barter in exchange for infrastructure development (rural roads), and repayment of war debt to Vietnam and Russia. Rural households also extract significant amounts of wood and fuel wood for domestic consumption.

Some forms of shifting cultivation (also known as swidden) have been practiced by ethnic groups sustainably in Lao for many generations. However, repeated relocation of communities (the result of war and government policy) has led to loss of traditional knowledge of sustainable practices in some communities and a decoupling between traditional practices and local conditions. Pioneering shifting cultivation, involving the clearance of forest, which may or may not have been logged previously, contributes to degradation initially, but may eventually lead to deforestation. Shifting cultivation is often practiced on steeply sloping land leading to loss of topsoil, decreased water quality, and short rotations requiring new clearing.

Deforestation is caused by a number of other sources including agricultural expansion by individual farmers and commercial operators (for industrial tree plantation development, hydropower, mining, infrastructure and urban expansion). Poorly regulated salvage logging operations are known to access and extract timber from adjoining forest outside of the designated concession area. Smallholder agricultural expansion is similar to shifting cultivation, but the farmer plants cash crops such as corn or cassava or perennial crops such as rubber, generally on more accessible land, and uses the land permanently so that it does not revert to forest.

The magnitude of deforestation contributed by each of these drivers is not well studied. Lao PRD's R-PP estimates emissions from the land use sector for 2011-15 on an average annual basis to be about 51 million tons of CO₂ equivalent, of which 50% comes from degradation of forests (via legal and illegal harvest, fuel wood collection, etc.), 20% are from shifting cultivation, 20% from land clearance (the majority from commercial concession establishment and the balance from smallholder cash crops and hydropower/mining clearings), and 10% are from plantations (net of sequestration that occurs on them).

A key task for SESA will be to identify potential policy options which will aim to respond to the drivers of deforestation and degradation. Policy options will identify potential social and environmental impacts and contribute to the REDD+ policy discussion. While no implementation will take place during REDD+ preparation, the future impact of policies will require careful analysis especially to anticipate likely impact. As noted earlier the GoL has already taken note of the need for a revised land policy and by the time SESA is initiated additional information will be available on the progress with land policy and its direction and will inform SESA. Policy outcomes related to improved tenure, land rights, community titling and other instruments will require further review to assess social and environmental impact. From a safeguards perspective SESA will need to focus on GoL policies and practices related to shifting cultivation as appropriate mitigation measures will need to be discussed and agreed.

While there is a current moratorium on grant of new concessions, previously granted concessions will continue implementation. SESA will also need to assess the impact of a revised land policy on such concessions. GoL policy continuance with infrastructure development has an impact on land acquisition and land alienation and SESA will need to focus on the policy framework for compensation and rehabilitation. GoL's approach to shifting cultivation has been articulated in several policy documents and points to stabilization and elimination of shifting cultivation as a key strategy for poverty alleviation. While resettlement of communities was a dominant response this is now tempered with reduced targets for resettlement, improved infrastructure and access in remote upland areas, provision of improved agriculture extension services, and linkages to markets. However agricultural diversification which can successfully replace shifting cultivation and provide sustainable livelihoods remains a challenge. REDD+ preparation is likely to respond with policy options to address shifting cultivation as a driver of deforestation and degradation and SESA will need to analyze policy impacts, options, and mitigation measures.

4. REDD+ Strategy Options

Addressing deforestation and forest degradation presents a number of challenges in Lao, though success in REDD+ policymaking would offer significant benefits for the society not only in the area of carbon emissions reductions but also in relation to biodiversity conservation, forest industry, agriculture and rural livelihoods. Below is a list of proposed strategy options for addressing the preliminary identified drivers, according to the R-PP:

- Establish enabling policy and regulatory framework
- Clarify natural resource tenure, rights and access through participatory land use planning
- Improve participation of stakeholders in policy dialogue and decision making
- Improve forest law enforcement, governance and trade
- Rehabilitate degraded village forests and other forest categories
- Safeguard livelihoods of forest-dependent communities
- Identify feasible alternatives to shifting cultivation
- Strengthen decentralized management of natural resources.

5. Links between the SESA and the REDD+ Strategy Options

The SESA contributes to the REDD+ Readiness process in Lao in two main ways. First, it helps to refine the REDD+ strategy options by assessing how REDD+ strategy options address environmental and social priorities associated with current patterns of land use and forest management. Gaps identified through this assessment would lead to adjustments in the REDD+ strategy options to close the gaps. Second, the SESA would produce an Environmental and Social Management Framework that will outline the procedures to be followed for managing potential environmental and social impacts of specific policies, actions and projects during the implementation of the REDD+ strategy that is finally selected. It is worth noting that, while this grant would help Lao PDR substantially move towards achieving REDD+ Readiness, including on environmental and social issues, the country may not reach full readiness by closure of the grant. The SESA process aims to pull together different stakeholders involved in REDD+ related activities and create a national platform of dialogue through which differences in approaches taken and policies applied among stakeholders would be clarified and gaps be closed.

The ESMF to be developed from the SESA process will contribute to further harmonization in subsequent REDD+ activities by clearly presenting the provisions that are fully in line with the Bank safeguard policies and at the same time agreeable to other stakeholders, and showing remaining gaps.

6. Strategic Environmental and Social Assessment

The SESA will integrate environmental and social considerations in the REDD+ strategy options and will provide a framework for managing potential environmental and social impacts associated with the implementation of these strategy options through the combination of analytical work, consultation and public participation. Addendum 1 provides the schematic diagram of SESA and the Lao approach for sectoral SEA that comprises five steps: preparation/screening, scoping, assessment, monitoring and evaluation, and reporting.

These ToR specify the activities the Consultant should undertake for the SESA in line with the approach for sectoral social and environmental impact assessment.

6.1 Scoping

6.1.1 Free, prior and informed consultations and participatory development of SESA work plan

Stakeholder mapping. During the preparation of the R-PP, extensive stakeholder analysis was carried out to identify key stakeholders. Notwithstanding, the Consultant at the start of the assignment shall conduct a stakeholder gap analysis to identify any relevant stakeholders that might not have been considered during the R-PP development phase. Important among them are ethnic groups, women's organizations, community level representatives, shifting cultivators and small farmers, local, and regional and national organizations. The Consultant should develop the comprehensive list of key stakeholders.

Stakeholder Participation and Consultation Plan. In order to ensure that *free, prior and informed consultations* will be conducted throughout the SESA process with key stakeholders including Forest Dependent and Ethnic Groups and that they meaningfully participate in, and contribute to, the SESA process, the Consultant should review and update the Stakeholder Participation and Consultation Plan prepared during the development of R-PP. The Stakeholder Participation and Consultation Plan should include, among other items, the names of and activities engaged by key stakeholders, the modality of public and stakeholder consultations to be carried out, detailed steps and procedures for stakeholder participation in SESA process, governance and decision making structure under the SESA process including the structure, roles and responsibilities of an advisory committee, and feedback and grievance mechanisms. The revised Stakeholder Participation and Consultation Plan should be consulted with key stakeholders and their inputs be incorporated in the final Stakeholder Participation and Consultation Plan.

Given the diversity of ethnic groups and languages in Lao PDR, the Consultant should hold interest-group consultations with stakeholders so that varying concerns and voices of diverse ethnic groups and languages in Lao PDR are captured since from the beginning of the SESA process. While an-inter disciplinary team will be put together for SESA it is important to include

local consultants who are familiar with the language and cultural aspects of interest groups. An advisory committee will be established with the participation of key stakeholders including representatives of Forest Dependent and Ethnic Groups and interested CSOs who will be regularly consulted upon and participate in the formation of Stakeholder Participation and Consultation Plan and the subsequent SESA process. The membership of such an advisory committee is expected to evolve during the SESA process. Interactions between the participation working group and the SESA advisory committee would be carefully coordinated. Field based methods will be refined to ensure *free, prior and informed consultations* take place depending upon the geographical, social, cultural and linguistic context.

National Validation Workshop

The Consultant will prepare a SESA work plan which will include the Stakeholder Participation and Consultation Plan. The SESA work plan shall be subjected to broad stakeholder validation in a national workshop. The validation workshop is crucial in defining the legitimacy of all subsequent stakeholder consultation and participation processes. Existing platforms and all key stakeholder groups related to forest management in Lao should therefore be considered. Ample notice shall be given to stakeholder groups and platforms that, as much as possible, shall nominate their own representatives. Furthermore it is expected that the work-plan will be disseminated ahead of time prior to the validation workshop, to enable key stakeholders, especially forest dependent communities/ethnic minorities to be better informed and prepared to engage and contribute effectively during the validation workshop. The workshop should be held at a place which is more readily accessible to the stakeholder groups coming from different parts of the country. The format and facilitation of the workshop should also ensure that all stakeholders feel comfortable to voice their concerns and that all voices are heard and all inputs considered. Among the issues to be discussed should be included legitimacy and representativeness of stakeholder groups, feedback and grievance mechanisms in the SESA process, as well as identification of the most culturally appropriate medium and channels of communication and outreach suitable for each stakeholder group. Criteria for including new stakeholders in future consultation and participation activities would be also agreed as well as the rules to be followed to reach agreements along the SESA process. The consultants to finalize the SESA work plan should use views, comments and agreements from the validation workshop. The plan and any other outcomes of the workshop shall then be publicly disclosed via appropriate means including websites. For reaching out to local communities a plan summary will be communicated by using diverse media as appropriate in a culturally sensitive format.

6.1.2 Identification of key environmental and social issues

The Consultant will identify key environmental and social issues , including gender issues associated with deforestation and forest degradation in Lao to inform the selection of environmental and social priorities. This proposed identification of key issues should be based on analytical work using spatial analysis, case studies and participatory rural appraisal methods. Spatial analysis will be applied in mapping and for overlaying different sets of information to identify critical areas of concentration of environmental and social issues. Case studies will be used to show opportunity costs of different land uses including environmental and ecosystems valuation. Case studies will also help to analyze key issues, inter-sectoral linkages, possible

benefit sharing mechanisms and potential policy trade-offs. Participatory rural appraisal would be the main vehicle for identifying environmental and social issues at the community level. For scoping key environmental issues the following steps will be followed:

1. Construction of a base map (first layer), using information on forest cover, river basins, water bodies, and salient biodiversity characteristics, including biodiversity hotspots and protected areas.
2. Mapping of main economic activities in forest areas and surroundings including but not limited to logging, farming, agriculture, mining and tourism. The mapping will include information on mineral deposits and major land based development projects under implementation or likely to be implemented in the following five years (second layer).
3. Mapping of existing infrastructure and identification of proposed road, rail, and power projects under investigation or implementation (third layer).
4. Mapping of planned village consolidation, resettlement or relocation of settlements due to development activities or other causes (Villagers would be enlisted in this exercise to help map their resources and resource use).
5. Superimposition of these four layers of information to define critical areas under actual or potential environmental stress in forest areas.
6. Examination of specific environmental issues by using participatory rural appraisal methods and case studies

In addition, the following steps will be followed to scope key social issues:

1. Construction of a base map (first layer) of communities in and around forest areas, including key demographic indicators such as number of inhabitants, gender and age structure, and ethnicity of the populations.
2. Poverty and vulnerability map including income levels and dependence of the population on forest resources for subsistence and livelihoods (second layer).
3. Mapping of access and land tenure rights that shall include concessions or other existing titling rights for natural resources or extractive industries such as mining (third layer).
4. Superimposition of these three layers of information to define critical social issues in forest areas.
5. Examination of specific social issues, potentials for equitable benefit sharing and mechanisms to share benefits by using rural appraisal methods and case studies to document critical interactions and synergy of these different social factors affecting sustainable forest management in Lao.

Building on the evidence and results of these analyses, the consultant will produce a scoping report of key environmental and social issues in forests areas. The report will:

- i. identify environmental and social hotspots and discuss their main characteristics;

- ii. discuss in a sample of key forest areas land use trade-offs by analyzing the opportunity cost of conserving forests versus developing these areas into alternative land uses such as mining or agriculture; discuss impacts of such land use changes, access restrictions, exclusion on forest dependent, women headed and vulnerable households; and,
- iii. analyze critical institutional, legal, regulatory, policy and capacity gaps underlying the key environmental and social issues identified.
- iv. Assess potentials to equitably share benefits from REDD+ activities with local population and ethnic minorities and mechanisms of benefit sharing.

The scoping report will inform the public consultations to be undertaken with key stakeholders for the selection of the SESA's environmental and social priorities.

6.1.3 Selection of environmental and social priorities

In line with the updated Consultation and Participation Plan, the key environmental and social issues resulting from the mapping and analytical work shall be reviewed and prioritized by a representative sample of communities in the critical areas identified from the mapping exercise. Stakeholder engagement at this level shall be in the three most widely spoken national languages/dialects of the area. Free, prior and informed consultations should be carried out with representatives and members of Forest Dependent and Ethnic Groups. Community representatives will then validate the prioritization at the regional level, and district forest/natural resource based forums.

In parallel, institutional stakeholders identified in the SESA work plan such as research and academia, national and sub national authorities and institutions and organization's related to environmental protection, land, water and forestry resources, mining and hydro power and other civil society coalitions on environment and natural resources management and the private sector will review and prioritize environmental and social issues through consultations that are culturally sensitive, such as interest groups or focus groups. Addendum 2 provides further details on institutional stakeholders. A national workshop will be convened to discuss the results of the prioritization undertaken by the institutional stakeholders to reach a common set of priorities agreed by all at the national level (including the National REDD+ Task Force). The selected environmental and social priorities of institutional stakeholders and those of the forest communities will be reported either separately, if they are different from each other, or integrated into one set of priorities for the communities and institutional stakeholders, if they are similar or identical.

The Consultant will prepare a report on the selection of priorities by the SESA stakeholders. The report shall then be publicly disclosed via appropriate websites and culturally sensitive media.

Assessment

The Consultant will assess environmental and social sustainability of the REDD+ strategy options as follows:

6.1.4 Assessing potential REDD+ strategy options with SESA priorities

The Consultant will assess the extent to which potential REDD+ Strategy options may address SESA's environmental, social and gender priorities and take into account in their formulation the opportunity cost of forests. When the REDD+ strategy options address partially or do not address some of the priorities and/or are unresponsive to forest opportunity costs, the gaps will be identified and specific recommendations including gender specific recommendations will be made to refine the REDD+ strategy options to close these gaps. In this way, priority environmental, social and gender considerations, and to some extent forest valuation will be integrated into the preparation of the REDD+ strategy. The expected output is revised REDD+ strategy options.

The RPP review process noted that recent CIFOR research in developing countries has shown that up to 80% of forest products harvested by rural communities are directly consumed or locally sold, and are therefore not taken into account in official economic statistics. This in turn increases the likelihood of underestimating the negative impacts on rural communities of changing forest access rules. Therefore SESA is expected to include an assessment of "real" socio-economic dependence of rural communities on forests at the outset.

The revised REDD+ strategy options shall be assessed against the environmental, social and gender based impacts that they may induce or create during their implementation. These impacts will be identified vis-a-vis the World Bank environmental and social safeguard policies as well as gender policy. For example, one of the REDD+ strategy options may result in access restrictions of forest communities and farmers located in a specific region of Lao, which will trigger World Bank O.P. 4.12 on Involuntary Resettlement. In such a situation, the Consultant shall provide recommendations to refine further the REDD+ strategy options in order to eliminate or minimize this risk, and develop the Process Framework (PF) as part of ESMF. Also, such strategy options should be sought that would avoid, or minimize, potential impact on private land, assets, or Physical and Cultural Resources (PCR). If such impacts are unavoidable, a Resettlement Policy Framework and/ or a management framework for PCR, as relevant, should be developed as part of ESMF. If some residual risk still remains, it will be dealt within the ESMF prepared to manage risks during implementation of the REDD+ strategy.

6.1.5 Framework for Assessing and Monitoring Forest Governance

An additional framework to assess and monitor forest governance and refine REDD+ strategy options will be used. The Framework developed by The Program on Forests (PROFOR) provides a means to view and analyze the institutions and interactions within and outside the forest sector that together create the conditions and possibilities for the governance of a country's forests and forest resources. The Framework uses the term "institutions" to refer to customs, behavioral patterns and rules that define:

- who has access to forests and forest resources and shares in their benefit flows
- what can be withdrawn from, modified or put into forests
- who has what rights and duties related to forests and forest resources; and
- who participates in key decisions about these issues and about transferring rights and duties to others.

These institutions result from, and are played out through, the decisions and actions of diverse actors, stakeholders, organizations and agencies, including government forest agencies.

The basic elements of the Framework are its pillars, components and subcomponents. It is composed of three fundamental pillars as below:

Pillar 1: Policy, legal, institutional and regulatory frameworks

- 1.1 Forest-related policies and laws
- 1.2 Legal framework to support and protect land tenure, ownership and use rights
- 1.3 Concordance of broader development policies with forest policies
- 1.4 Institutional frameworks
- 1.5 Financial incentives, economic instruments and benefit sharing

Pillar 2: Planning and decision-making processes

- 2.1 Stakeholder participation
- 2.2 Transparency and accountability
- 2.3 Stakeholder capacity and action

Pillar 3: Implementation, enforcement and compliance

- 3.1 Administration of forest resources
- 3.2 Forest law enforcement
- 3.3 Administration of land tenure and property rights
- 3.4 Cooperation and coordination
- 3.5 Measures to address corruption

6.1.6 Validation of the assessment

In coordination with the team in charge of preparing the REDD+ strategy, the refined REDD+ strategy options shall then be subjected to a national validation workshop. Participants from all key stakeholders including representatives of Forest Dependent and Ethnic Groups should be invited to this workshop including those whose work/livelihoods are likely to impact on or be impacted upon by the strategy options. Care should be taken to include women, shifting cultivators, migrant farmers and small scale practitioners and any otherwise marginalized groups in line with the Consultation and Participation Plan. The different key stakeholders should organize the validation workshop in such a way that there will be parallel validation, before a plenary session. This will empower “weaker” stakeholders by ensuring they have a chance to freely express and promote their views. Where necessary, a local dialect should be used in the stakeholder specific session, to allow for proper articulation of concerns by all key stakeholders.

6.2 Environmental and Social Management Framework (ESMF)

The Consultant will prepare a draft ESMF that would involve the following minimum tasks:

- a) A description and assessment of national social and environmental standards and equivalence with World Bank Safeguard standard, as well as a description and assessment of gender issues

- b) A description of the indicative REDD-plus strategy option(s), its main social and environmental considerations, and the various risks involved in its implementation.
- c) An outline of the legislative, regulatory, and policy regime (in relation to forest resources management, land use, community customary rights, etc.) that the strategy will be implemented within, drawing from the information available from the Draft REDD+ Strategy to be provided by the REDD+ Task Force.
- d) A description of the potential future impacts, both positive and negative, deriving from the project(s), activity (-ies), or policy (-ies)/regulation(s) associated with the implementation of the REDD+ strategy options, and the geographic/spatial distribution of these impacts.
- e) A description of the impact of REDD+ strategy options on benefit sharing arrangements and recommendations for fair and equitable benefit sharing arrangements including dispute resolution mechanisms
- f) A description of the arrangements for implementing the specific project(s), activity (-ies), or policy (-ies)/regulation(s) with a focus on the procedures for (i) screening and assessment of site-specific environmental and social impacts; (ii) the preparation of time-bound action plans for reducing, mitigating, and/or offsetting any adverse impacts; (iii) the monitoring of the implementation of the action plans, including arrangements for public participation in such monitoring.
- g) An analysis of the particular institutional needs within the REDD+ implementation framework for application of the ESMF. This should include a review of the authority and capability of institutions at different administrative levels (e.g. local, district, provincial/regional, and national), and their capacity to manage and monitor ESMF implementation. The analysis should draw mainly from the REDD+ implementation framework of the Draft REDD+ Strategy.
- h) An outline of recommended capacity building actions for the entities responsible for implementing the ESMF.
- i) Requirements for technical assistance to public- and private sector institutions, communities, and service providers to support implementation of the ESMF.
- j) An outline of the budget for implementing the ESMF.

The final draft ESMF suitable for inclusion in the R-Package will contain specific sections addressing the requirements of applicable World Bank safeguard policies, including as relevant:

- i. Environmental Management Framework (EMF) to address any potential environmental impacts, including cumulative and/or indirect impacts of multiple activities, fully consistent with OP 4.01;
- ii. A Process Framework to address impacts resulting from loss or restriction of access to natural resources having adverse livelihood impacts, fully consistent with OP 4.12;
- iii. Stakeholder engagement and dispute resolution framework; and

- iv. Ethnic Group Planning Framework (EGPF) to address any effects on Ethnic Groups, fully consistent with OP 4.10.
- v. Resettlement Policy Framework (RPF) to address potential land acquisition or asset loss, fully consistent with OP 4.12, if found relevant.
- vi. A management framework for Physical and Cultural Resources (PCR) to address impacts on PCR, fully consistent with OP 4.11.
- vii. Gender analysis framework consistent with World Bank Gender and Development Operational Policy (OP 4.20)

6.2.1 Consultation on and disclosure of the ESMF

In putting together the draft ESMF, extensive, free, prior and informed consultations shall be done with relevant stakeholders, including representatives of Forest Dependent and Ethnic Groups and particularly in the critical areas as identified through the prioritization and mapping exercise. Community-based organizations and NGOs operating in these areas should participate in such consultations which should be held in the local dialect widely spoken in the specific area.

Consultation and participation for the SESA will include consultations of the ESMF, which should involve community and institutional stakeholders in a manner consistent with Lao regulations and the World Bank safeguard and disclosure policies. Copies of the document should be made available to the public through the websites of the GoL, World Bank, and appropriate third party websites of indigenous peoples, civil society organizations; hard copies should also be made available at district and province offices of the identified critical areas. Copies should also be sent to relevant public sector institutions, civil society and the private sector to solicit inputs and comments.

7. Schedule and Deliverables

Addendum 3 summarizes the main activities, deliverables and schedule for the implementation of the SESA process. Key intersection points with other activities of the REDD+ readiness package are also included.

8. Composition of SESA Team

The SESA process will be undertaken by a consortium made up of members of an international consulting company and of a Lao consulting company or local NGO. The international company members should lead the SESA's analytical work, have proven experience in applying World Bank safeguard policies and be responsible for the quality control of the whole SESA process. The local company members are expected to lead the consultation and public participation process and contribute to SESA's analytical work.

The minimal technical expertise required for the SESA will include the following:

8.1. **Team Leader** should have proven experience in leading sector or national reviews or assessments of public policies or development strategies. At least 15 years experience, of which

10 years of relevant experience in developing countries, is required. This expert should have at least 2 years of experience in Southeast Asian countries. Experience in Lao is desirable. S/he must have academic training in natural resources management, environmental or social sciences. Experience in SEA or SESA is desirable.

8.2. **Natural Resource/Forestry Specialist** should have at least 10 years of experience in forest management, including timber and non-timber projects. At least two years of experience in forestry projects in Lao is required. Knowledge on the legal, regulatory and institutional framework of natural resources in Lao including mining, hydropower, concessions, and agriculture is desirable.

8.3. **Social Development Specialist** should have at least ten years of experience on forest communities and indigenous peoples. Familiarity with participatory rural appraisal and social issues associated with forests in Asia and the World Bank social safeguard policies is required. Specific experience in gender analysis, gender budgeting and monitoring is required. At least three years of experience in Southeast Asia is required; experience in Lao is desirable.

8.4. **Stakeholder Engagement Specialist** should have at least five years of experience in Lao. Proven knowledge of stakeholders at the national, regional and local level on forest and land use in Lao is required. S/he may know at least one local language or dialect widely spoken by rural communities in Lao.

8.5. **Environmental Specialist** should be able to cover all environmental issues of the project. S/he may have at least 10 years of experience in environmental assessment in developing countries. Familiarity with environmental issues associated with forests in Asia and the World Bank environmental safeguard policies is required. Experience in environmental valuation is desirable. Priority will be given first to experience in Lao and then in developing countries.

8.6. **Mapping Specialist** should be able to cover all mapping requirements of the SESA. Experience of at least 5 years and proven experience on mapping and Geographic Information System techniques including working on mapping with local communities is required.

All members of the team should be fluent in English.

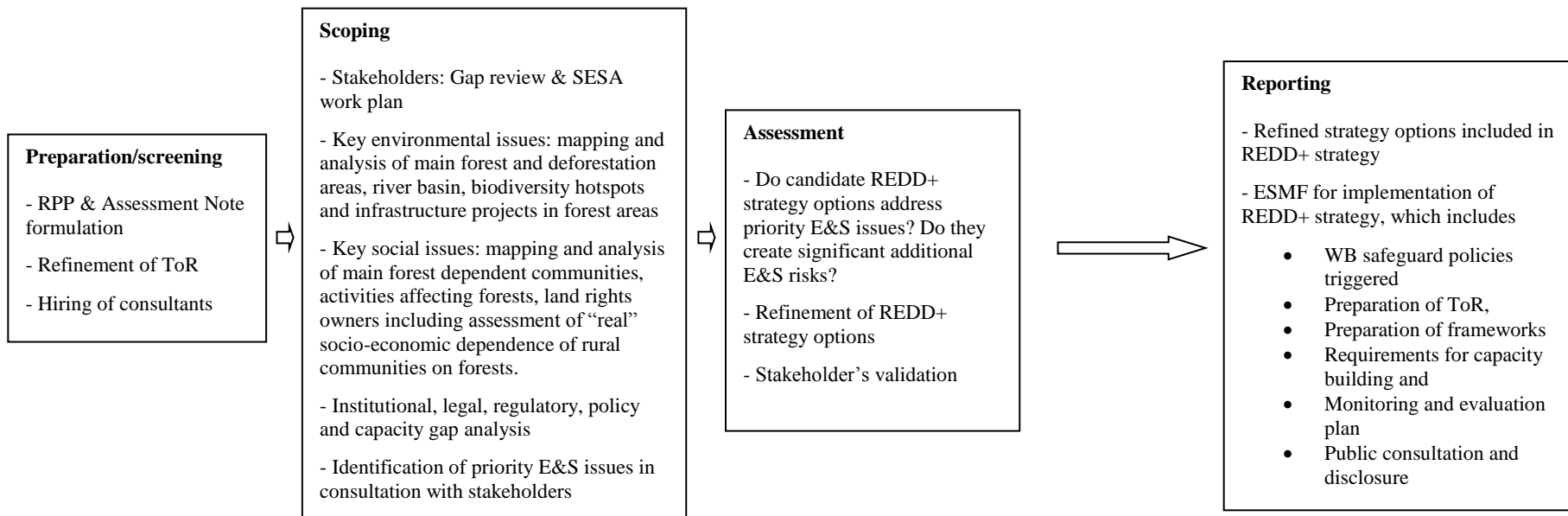
9. Institutional reporting

The team of Consultants shall work closely with the SESA sub-working group and shall report through the National REDD+ Task Force to the National Environmental Council, a high level inter-Ministerial and sectoral body set up by the Government of Lao PDR.

Addendum 1: SESA ToR of REDD+ Readiness Lao PDR

SESA approach for REDD+ Readiness

- Includes environmental and social issues
- Focus on the process (stakeholder involvement)
- Consistent with World Bank environmental and social safeguard policies



Addendum 2: Stakeholders to be consulted during the SESA Process

Key Stakeholders

Issues relating to REDD+ affect a wide range of stakeholders and are particularly relevant within Lao PDR where over 80% of the population live in rural areas, and are heavily dependent on subsistence agriculture and collection of forest produce for their livelihoods. Stakeholder groups identified for engagement for consultation and capacity building, as may be needed, include:

- Government – State level and provincial level with a focus on cross-sectoral linkages
- Private Sector – including timber industry, agricultural and financial institutions
- Civil Society and Universities – including local, international NGOs, local universities, associations
- Development Partners - bilateral and multilateral donors

Government

- Ministry of Agriculture and Forestry (MAF) including DOF and DOFI
- Ministry of Natural Resources and Environment (MoNRE)
- National Land Management Authority (NLMA)
- Ministry of Energy and Mines (MEM)
- Ministry of Justice (MoJ)
- Ministry of Finance (MoF)
- Ministry of Planning and Investment (MPI)
- Ministry of Industry and Commerce (MoIC)
- Ministry of Foreign Affairs (MoFA)
- Public Administration and Civil Service Authority (PACSA)
- National Assembly
- National Environmental Council (NEC)
- Prime Minister Office
- Provincial governor, deputy-governor and their offices, and senior district officials
- Provincial line departments (e.g., PAFO, DAFO), district departments.
- Project Implementing Units (PIU)

Private Sector

- Lao Furniture Association
- National Lao Chamber of Commerce
- Timber/wood industry
- Hydropower and mining
- Agriculture/agroforestry concession holders

Civil Society and Universities

- Lao Women's Union
- Lao National Front for Reconstruction (LNFR)
- Wildlife Conservation Society (WCS)
- WWF
- IUCN
- SNV
- Lao Biodiversity Association (LBA)
- Gender Development Group (GDG)
- National University of Laos (NUoL)
- Lao Bar Association
- Community Association Mobilizing Knowledge in Development (CAMKID)
- Global Association for People and Environment (GAPE)
- Community Knowledge Support Association (CKSA)

Development Partners

- GIZ
- JICA
- Finland

- USAID
- UNDP
- FAO
- KfW

Addendum 3: Lao PDR SESA Road Map

Code	Activities	Institution / Organization Responsible	Time	Result Indicator (Deliverable)	Key intersections and comments
1	PREPARATION/SCREENING				
1.1	Refinement of ToR	REDD+ Office	Month 1	Final ToR	
1.2	Hiring of Consultants				A consortium of local and international consultants is recommended
1.2.1	Request for Proposals	REDD+ Office	Month 1	Public bid issued	Ensure consistency of timing and deliverables with the RFP for the REDD+ readiness preparation activities
1.2.2	Short listing and bid evaluation	REDD+ Office	Month 5	Evaluation report	
1.2.3	Awarding of contract	REDD+ Office	Month 6	Signed consultancy contract	
2	SCOPING				
2.1	Gap assessment of R-PP stakeholder analysis	Consultant	Month 7	Progress/inception report submitted to REDD+ Task Force	SESA C&P activities should be compatible with existing C&P master plan and coordinated with consultation plan for the REDD+ strategy
2.2	Refinement of SESA consultation and participation (C & P) activities and formulation of SESA Work Plan				
2.3	Validation of SESA Work Plan				
2.3.1	Organization of National Workshop	REDD+ Task Force with Consultants	Months 8 and 9	Invitation and agenda issued	Includes participation of representatives of forest communities, women, ethnic groups, districts and relevant
2.3.2	National workshop and reporting			Workshop report	

Code	Activities	Institution / Organization Responsible	Time	Result Indicator (Deliverable)	Key intersections and comments
2.3.3	Finalization of SESA Work Plan	Consultant		Final SESA Work Plan that includes C&P SESA activities	institutional stakeholders
2.3.4	Disclosure of SESA Work Plan	REDD+ Task Force		- Plan published in websites - Radio announcement/ dissemination of Plan summary	Communication of the Plan at the local level will be coordinated with the REDD+ District and Province Offices
2.4	Scoping of Key E&S issues				
2.4.1	Gathering and technical validation of available spatial data on - environment and, - social issues	REDD+ Task Force/Consultants	Months 10 -16	Progress report	
2.4.2	Spatial mapping, including community based participatory mapping, of - forest, biodiversity hotspots, river basins, main infrastructure projects - forest dependent communities, activities undertaken in forest areas, use and access rights to forest and land			A GIS data base and progress report that includes maps, case studies and key environmental and social issues	Key intersection point with preparation of reference scenario
2.4.3	Case and valuation studies in selected forest areas including assessment of socio-economic			Case studies reports	

Code	Activities	Institution / Organization Responsible	Time	Result Indicator (Deliverable)	Key intersections and comments	
	dependence of rural communities on forests					
2.4.4	Report on key environmental and social issues			Report submitted		
2.5	Prioritization of E and S issues					
2.5.1	Review and prioritization by selected communities in critical areas	Consultant/NGO	Months 17 – 19	Community consultation report		Key intersection point to coordinate consultations with the REDD+ strategy options
2.5.2	Regional validation by community representatives		Month 20	Regional validation report	Likely to be workshops	
2.5.3	Review and prioritization by institutional stakeholders		Months 21-22	Institutional consultation report	Likely to be focus groups	
2.5.4	Institutional stakeholders workshop			Institutional prioritization report		
2.5.5	Report on E and S priorities	Consultant	Month 23	Prioritization report		
3	ASSESSMENT					
3.1	Analysis of REDD+ potential strategy options vis-à-vis E and S priorities	Consultant	Months 24 and 25	Progress report		
3.2	Refinement of REDD+ potential strategy options				SESA consultants coordinate with REDD+ strategy consultants	
3.3	Assessment of other E and S risks associated with refined potential strategy options					
3.4	Report on potential REDD+ strategy options	Consultant REDD+ Strategy	Month 26 – 27	REDD+ Strategy options		

Code	Activities	Institution / Organization Responsible	Time	Result Indicator (Deliverable)	Key intersections and comments
3.5	Stakeholder validation of REDD+ strategy options				
4	REPORTING				
4.1	WB Safeguards Policies Triggered R-PP level	WB	Month 0	Updated Integrated Safeguards Data Sheet (ISDS)	
4.2	Preparation of ToR for Environmental and Social Management Framework (ESMF)	EPA – FC	Month 16 -19	ToR	
4.3	ESMF				
4.3.1	Draft ESMF	Consultant	Months 20-26		
4.3.2	Consultation of Initial Draft ESMF	Consultant	Months 27-29	Draft ESMF report and consultation report	<ul style="list-style-type: none"> - Coordinate with consultations to validate final REDD+ Strategy - Includes consultation with selected local forests communities and at the district, province and national levels - WB organizes Quality Enhancement Review (QER) with participation of GOL counterparts from concerned Ministries
4.3.3	Final Draft ESMF	Consultant	Month 31	Final draft ESMF	Input to REDD+ Readiness Preparation Activities
4.3.4	SESA report	Consultant	Months 32 -33	SESA Report	Integrates all previous reports including Final Draft ESMF
4.3.5	Disclosure of ESMF	REDD+ Task Force/World Bank	Month 33	Publication in relevant websites	Executive summaries translated in print/appropriate media and

Code	Activities	Institution / Organization Responsible	Time	Result Indicator (Deliverable)	Key intersections and comments
					disseminated to all key stakeholders

Annex 6: Financial Management

As a starting point it has been agreed to review and revise the SUFORD Financial Management Manual as the current manual has not been updated recently. Also a draft IFR has been prepared and will be discussed and agreed before or at negotiation.

Expenditure Categories Fund allocation across expenditure categories is described in Annex 3 of this assessment note. Proposed categories include consulting services (33.5%), training and workshops (33.5%), goods (16%), small civil works (1%), incremental operating costs (6%) and Contingency/unallocated (10%). In the grant agreement categories may be combined. Three categories are expected including one broad category [including Consulting services, Training and Workshops, Goods, Civil Works, IOC, and Contingency/Unallocated. For the unallocated/contingency category reallocation will be triggered by price contingencies and/or through an exchange of letters at the request of the recipient.

Incremental Operating Costs As used here is proposed to mean reasonable expenditure directly related to the project incurred by the Recipient including office supplies and stationeries, communication services (postage handling, telephone and internet), translation services, publication services, operations and maintenance of office equipment and vehicle, travel for project staff including per diem, lodging, transportation, but excluding salaries, bonuses, fees and honoraria or equivalent payments to members of the Recipient's civil service.

Consultant Support A total of three consultants are required to assist MAF Financing Unit with preparing annual project budgets, IFRs and consolidation of financial records. One consultant will be assigned to central level and two will be assigned to assist a group of provinces in the north and south respectively. The task of provincial level consultants will include oversight as well as provision of advice and capacity building to government staff. Incremental support is currently being financed by the Government of Finland.

Access to Information This project will be subject to the new WB Policy on Access to Information. For FM, this means the project audit report and audited financial statements will be disclosed. The mechanism for disclosure needs to be discussed and agreed before or at negotiation. Disclosure may include posting audit reports and financial statements on DoF's website.

Audit Audit arrangements will be discussed and agreed pending confirmation regarding the audit of the previous installment of FCPF - whether an individual audit is needed or not. If individual audit is not required for the previous installment then audits for both installments will be combined with the first year audit of this project.

Audit of Carbon Accounts Establishing of FM arrangements includes setting up of accounting policy on how to account for carbon revenue. This will be discussed and agreed during project implementation.

Annex 7: R-PP Submitted by REDD+ Country Participant Lao PDR

Included by reference – copy on file

Annex 8: FIP and FCPF Contributions to REDD+ Readiness in Lao PDR

	FIP	FCPF
Project Title	Scaling-Up Participatory Sustainable Forest Management Project	REDD+ READINESS PREPARATION
Start-End Date	2013 - 2018	2013 - 2016
Investment in US\$ Million	Total US\$ 47.32 Source Bank US\$ 15.00 Climate Fund US\$ 12.83 Ministry for Foreign Affairs of Finland US\$ 14.17 Borrower US\$ 5.32	Total US\$ 3.6 Source Forest Carbon Partnership Facility
PDO	The project development objective (PDO) is to execute REDD+ activities through participatory sustainable forest management in priority areas and to pilot forest landscape management in four provinces.	The Project Development Objective is to contribute to Lao PDR's efforts to design and implement a sound national REDD+ strategy.
Components, Tasks, Activities	<p>Component 1: Strengthening and Expanding PSFM in Production Forest Areas Developing and Expanding Participatory Sustainable Forest Management Forest Protection and Restoration Capacity building and Partnerships</p> <p>Component 2: Piloting Landscape PSFM Introducing Landscape PSFM in adjoining Protection/Conservation Forest areas Developing methodologies Evolving management plans and piloting models Establishing monitoring mechanisms for REDD+</p> <p>Component 3 Enabling Legal and Regulatory Environment Strengthening Legal and</p>	<p>Task 1: Readiness Process Management and Stakeholder Consultation Establish National and Provincial REDD+ offices Assess and Align REDD+ with National Policy Framework Stakeholder Consultations</p> <p>Task 2: REDD+ Strategy Development Develop and Finalize REDD+ Strategy Participatory Land Use Planning and REDD+ Strategy Social and Environmental Impact</p> <p>Task 3: Implementation Arrangements Establish Institutional and Financial Arrangements Develop Benefit Sharing Arrangements</p>

	<p>Regulatory Frameworks Enhanced monitoring of salvage logging Strengthening tenure Forest Law Enforcement and Governance (FLEG) Climate Change and REDD+ public awareness</p>	<p>Knowledge Management and Capacity Building</p> <p>Task 4: Reference Emission Level and Monitoring Systems Develop Reference Emission Levels Develop Monitoring, Reporting and Verification System Establish Carbon Registry</p>
Key Results	<p>a) Forest area brought under management plans b) Forest area brought under forest landscape management c) People in forest and adjacent community with monetary/non-monetary benefit from forest d) Rate of forest cover loss/gain in target areas compared to untreated areas e) Enhanced carbon storage from improved forest protection and restoration in selected PSFM areas f) Reduced emissions from deforestation and forest degradation in selected PSFM areas.</p>	<p>a) Strengthened technical and institutional capacities for effective management, implementation and coordination of REDD+ Programs, projects and policies b) Strategies to address drivers of deforestation and degradation c) REDD+ institutional framework designed and validated nationally, including an Environmental and Social Management Framework d) Social inclusion mechanisms in REDD+ at the national, provincial, district and community levels e) Regional collaboration mechanism for REDD+ implementation and avoidance of emissions displacement f) National reference scenario for emissions from deforestation and forest degradation prepared, taking into account the relationship between national accounting and sub-national implementation of activities; a national carbon registry developed and operational.</p>
Project Coverage	<p>PSFM in 41 Production Forest Areas in 12 provinces covering 2.3 million ha</p> <p>Landscape PSFM in four provinces</p>	<p>National. No field implementation.</p>
Implementing	<p>Ministry of Agriculture</p>	<p>Ministry of Agriculture and</p>

Agency		Ministry of Natural Resources and Environment
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