

October 28, 2016

Ms. Ellysar Baroudy  
Lead Carbon Finance Specialist  
Forest Carbon Partnership Facility  
The World Bank

***Lao PDR – Forest Carbon Partnership Facility (FCPF) Operation (P125082)  
Summary of Progress at Mid-Term***

Dear Elly,

I am writing to you as the Bank's team leader and principal forester responsible for Lao PDR's FCPF readiness operation and to summarize the operation's progress at mid-term. As noted in the Mid-Term Review (MTR) report and Aide Memoire, the combination of disbursements and commitments was estimated at around US\$2.4 million, or about 66 percent of the allocation at the time of the MTR mission. In addition, the mission found that overall progress toward REDD+ readiness was significant.

Although project-financed activities initially evolved somewhat slower than anticipated, the client and national team made exemplary efforts in engaging bilateral and multilateral agencies to carry the readiness process forward. This included activities for consultation, outreach, studies, MRV and strategy development, among others. While such leveraged contributions were envisioned in the RPP, in reality this required extraordinary efforts by the government, who is commended for coordinating with a wide array of stakeholders on readiness objectives.

One constraint in startup – now resolved – was the lengthy process for the procurement, negotiation and award of a large competitive international contract for technical assistance (TA) for REDD+ readiness. The contract was approved last fiscal year and a highly qualified TA team is on site in Laos working side-by-side with the government in readiness activities. Progress accelerated measurably in 2016 and continues to move ahead strongly.

One particularly important achievement by Laos over the last year was the elaboration, formal presentation and approval of an emissions reduction program idea note (ER-PIN). In July 2016, the letter of intent (LOI) for a emissions reduction program was approved by the Bank and countersigned by Lao PDR's Ministry of Finance on September 6<sup>th</sup>. Government counterparts are now working closely with the Bank and other stakeholders in the formulation of an Emissions Reduction Program Document (ERPD). The simultaneous development of the emissions reduction program, elaboration of the ERPD and ongoing work in readiness presents a highly favorable environment for the evolution of REDD+ in Laos. A close articulation between these efforts is planned for and will help to ensure a high-quality ERPD is submitted on schedule.

In summary, progress assessed during the MTR mission toward REDD+ readiness was significant and the combination of disbursements and commitments exceeds 50 percent of the grant amount. The Lao PDR Government is highly motivated and appreciative of the opportunities afforded by the FCPF to participate in REDD+. Please contact me if you require additional details.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert R. Davis". The signature is fluid and cursive, with the first name "Robert" being the most prominent.

Robert R. Davis  
Senior Forestry Specialist  
East Asia and Pacific  
The World Bank

CC:  
Alex Lotsch, Sr. Carbon Finance Specialist, FCPF  
Soudalath Silaphet, Climate-Smart Investment Specialist, EAP

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

Report to Donor

Ref. TF014777  
Printed On: 10/28/2016

Reporting Period: 07/01/2015 to 06/30/2016  
Report Type: Progress Report  
Report Status: Approved

Assignment: TF014777

## Lao PDR - FCPF REDD+ Readiness

## FCPFR - FOREST CARBON PARTNERSHIP FACILITY

Task Team Leader: 00000094894 - Robert Ragland Davis  
Approving Manager: 00000175113 - Christophe Crepin

Summary Information	
TF Status	ACTV
Recipient Country	Laos
Executed By	Recipient
Managing Unit	9269 - GEN2A
Grant Start Date / End Date	08/11/2014 to 09/15/2017
Original Grant Amount	3,600,000.00
Grant Amount	3,600,000.00
Outstanding Commitments	0.00
Cumulative Disbursements	963,207.83 as of 06/30/2016
Disbursed 07/01/2015 to 06/30/2016	658,202.97
Donor	TF602001 - MULTIPLE DONORS

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

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

Report to Donor

Ref. TF014777  
Printed On: 10/28/2016

Reporting Period: 07/01/2015 to 06/30/2016  
Report Type: Progress Report  
Report Status: Approved

## OVERVIEW

### Overall Assessments

#### Grant Objectives:

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

Key Results indicators include:

- a) Strengthened technical and institutional capacities, and human resources for effective management, implementation and coordination of REDD+ Programs, projects and policies with DOF and DFRM;
- b) Improved understanding and awareness of drivers of deforestation and degradation and of strategies to address them;
- c) An efficient, effective and equitable REDD+ management framework designed and validated nationally, including an Environmental and Social Management Framework;
- d) Appropriate social inclusion in REDD+ through consultations at the national, provincial, and especially the district and community levels; and
- e) Sub-national dialogue on REDD+ implementation.

#### Overall progress from 07/01/2015 to 06/30/2016 with regard to Achieving Grant Objectives:

##### Comment:

The Project Development Objective is to contribute to Lao PDR's effort to contribute to design and implement a sound national REDD+ strategy. This 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 UNFCCC. The activities aim to develop or enhance socially and environmentally sound policies and programs to reduce deforestation and forest degradation, and internationally recognized reference emission level, generate forest carbon emission scenarios, and design technically robust systems of forest monitoring and emissions reporting. This Readiness Preparation grant support assists the GOL in preparing for a comprehensive National REDD+ strategy and setting up necessary instruments including the establishment of the national REDD+ Office in associated Technical Working Groups. The project face some delay in hiring an international consulting firm to support the main REDD+ strategy and strategic environmental and social assessment.

#### Overall progress from 07/01/2015 to 06/30/2016 with regard to Implementation of Grant Financed Activities:

##### Comment:

The mission found that progress was moderately satisfactory for the FCPF and REDD+ Readiness operation as a whole, though considerable work still needs to be carried out in light of the recent agreement to move forward on a carbon finance operation. Disbursements and commitments are around US\$2.4 million or about 66 percent of the grant value. The mission noted that the project is moving forward steadily with strong support from multilateral and bilateral partners working in the sector, such as GIZ, JICA, KFW, FAO, SNV and others. Given the complex nature of the effort and the proposed carbon finance operation, including the preparation of an ERP, continuing these partnerships will be even more important in the coming year. The mission noted that a separate request for a project extension has been made for the Bank's consideration.

### Grant follow-up and structure

#### Description and context of Grant:

Expected follow up (if any): Follow up Bank project/loan/credit/grant

#### Comment on follow up:

- (1) Preparation and finalization of the Mid Term Review Report due in October 2016 to the Participants Committee.
- (2) a formal request letter from the Ministry of Finance for the project closing date extension.
- (3) Organization, staffing and coordination for the development of the ERP

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

## Report to Donor

Ref. TF014777  
Printed On: 10/28/2016

Reporting Period: 07/01/2015 to 06/30/2016  
Report Type: Progress Report  
Report Status: Approved

End Date of Last Site Visit:

Restructuring of Grant:

## OUTCOME

### Comments on outcome achieved from 07/01/2015 to 06/30/2016

There are no outcome indicators for this grant.

### Grant Outcome Indicators

No Outcome indicators are defined or used for this grant.

## COMPONENTS

There are no components defined for this trust fund / grant.

### Comment on planned and actual Output

Since June there have been other important tasks conducted, including the conduct of a safeguards workshop for provincial actors and stakeholders and a SESA training session for national staff. An MRV workshop was also held and the Bank's MRV expert had the opportunity to review the Lao system and provide detailed feedback to its further development and consistency with the methodological framework and IPCC guidelines.

### Comment on component implementation progress

There are no components in the grant. However, the main tasks and progress against them is summarized as follows:

(a) READINESS PROCESS MANAGEMENT AND STAKEHOLDER CONSULTATIONS: There is encouraging progress with the reorganization of institutional responsibilities for forests and forestry in the government with all types of forests now being managed under the MAF and the consolidation of the REDD+ offices and staff in MONRE and MAF. This is expected to have a positive impact on the overall implementation of REDD+ in Lao PDR.

A National REDD+ Task Force (NRTF) was formed in late 2008 initially with 12 members. The number of members increased to 15 members in 2011 and by November 2015 there were 30 members and chaired by Vice-Minister of MONRE. However, the Bank is informed that the recent institutional changes are likely to lead to a change in chairmanship as MONRE will no longer be responsible for forestry concerns, which have moved to MAF entirely. Since the submission of the R-PP to the FCPF in 2010 there have been a series of important decisions and institutional changes that reflect the Lao government's efforts in strengthening capacity for climate change response across multiple sectors (forestry, energy and agriculture). In 2011, the Lao Government established the Ministry of Natural Resources and Environment (MONRE). In 2012, a REDD+ Division was established in DFRM under MONRE while a REDD+ Office was set up in the Department of Forestry (DOF under MAF). Having these two office perhaps increased the level of administration and coordination effort required but there are now positive changes that are likely to result in more effectiveness and efficiency.

The last amendment of the National REDD+ Task Force mandate was made on 26 November 2015, where the Minister of the Ministry of Natural Resources and Environment signed an #Agreement# number 7089/MONRE shifting the Chairmanship from Director General to Vice-Minister, where the NRTF will meet 2 to 3 times a year. The first NRTF meeting held on 25 January 2016 to discuss the status of the on-going REDD+ activities funding by various in the Lao PDR, as well as up-dating on the status of various Technical Working groups. A regional REDD+ outreach workshop was also held in Luang Prabang on March 1 for the identified six Carbon Fund provinces. Supporting the NRTF are 6 Technical Working Groups comprising mostly government departments and these are described in the next sub-section.

(b) REDD+ STRATEGY DEVELOPMENT: The FCPF grant financed activities and other bilateral support have been instrumental in the setting up of important REDD+ support groups. The key groups in place that are enabling broader stakeholder engagement,

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

---

## Report to Donor

Ref.	TF014777	Reporting Period:	07/01/2015 to 06/30/2016
Printed On:	10/28/2016	Report Type:	Progress Report
		Report Status:	Approved

---

greater and inter-sectoral coordination include six REDD+ Technical Working Groups (TWG) on legal framework, land use, social and environmental safeguards, Law enforcement and REDD implementation of actions, REL/MRV, and benefit sharing. The TWG were established by MONRE in late 2015 (Annex). The organization of these TWGs was based on a sharing of responsibility between MONRE and MAF. In addition to specifically assigning certain government staff members to each TWG, the TWGs are also being supported by Lao and expatriate technical advisers working for various REDD+ development partners (i.e., multilateral and bilateral projects, and international non-governmental organizations). To date, each TWG has prepared ToRs that have been approved or endorsed by the NRTF and the next step is to operationalize the workplans.

At the broader level, there is sector engagement through the Natural Resource Sector Working Group (NRSWG), Forestry (Sub-Sector Working Group (FSSWG) and the Land Sub-Sector Working Group (LSSWG). A point of note about these groups is that their existence and relevance will evolve as the National REDD+ Framework develops. Some will remain and become more permanent while others may be dissolved. However, there a general view that there is need for significant capacity building to improve the technical and managerial capacity of TWGs.

In April 2016 a Government Cabinet Decision [Prime Ministerial Order No. 57] was taken to assign the mandate for management of all forests to MAF as well as merging the REDD+ offices under the Department of Forestry in MAF. MONRE will continue to monitor environmental conditions in different sectors, including the forest sector, but the primary responsibility for all forests now lies with MAF. At the provincial level, Provincial REDD+ Task Forces are to be chaired by the Provincial Vice-Governors, supported by the Provincial REDD+ Office.

(c) IMPLEMENTATION ARRANGEMENTS: Firstly, the institutional arrangements are changing as a result recent ministerial order which the MTR Mission views as positive and a step in the right direction. Financial management arrangements are present within the broader national institutional structure for overseeing national economic investments and planning through Ministry of Finance and Ministry of Planning and Investment but no specific arrangements have been made for REDD+. The Department of Forestry under MAF, being the implementing agency, has as of necessity the responsibility for financial management of the FCPF Readiness Grant within the established national financial regulations.

As part of its responsibilities for the Forest Carbon Partnership Facility (FCPF), the World Bank was 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 foreseeable scenario for the FCPF grant activities is to assess how and what provisions the government institutions have for handling REDD+ funds as well as the necessary decentralization and capacity to ensure the funds reach the intended beneficiaries. This will be a critical part of the National REDD+ Strategy and in parallel with the preparation of the Carbon Fund ERPD.

These modalities delivering REDD+ finance are loosely linked to the phases of REDD+ implementation articulated in the Cancun Agreements in 2010, which involve a transition from preparation and planning, to implementation of policies and measures to reduce deforestation and forest degradation and finally to results-based payments for verified emission reductions.

(d) REFERENCE EMISSION LEVEL AND MONITORING SYSTEM: The development of Reference Emission Levels (REL) and Monitoring, Reporting and Verification (MRV) is well underway. Under leadership of the Department of Forestry (DOF) and with support from donor programs (FCPF, F-REDD and SUFORD project) there has been a steady progress in systems development. Most of the technical assistance to support development of the forest database system, field inventory, software, facilities, necessary equipment and capacity development has been actively supported by JICA through the F-REDD project, operating at the national level.

The development of REL is aligned with REDD + strategy, most of the REL activities have been progressed including preparation of historical data, field inventory, and development of the forest information database system. That includes construction of the Forest Resource Information Center (FRIC) and National Forest Information System (NFIS) development based at the Forest Inventory and Planning Division (FIPD) of DOF. The NFIS will include the National Forest Monitoring System (NFMS) needed to monitor, report and verify the forest carbon stock and co-benefits of REDD

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

Report to Donor

Ref. TF014777  
Printed On: 10/28/2016

Reporting Period: 07/01/2015 to 06/30/2016  
Report Type: Progress Report  
Report Status: Approved

## EXECUTION

### Bank project related to the grant

Project ID / Name: P125082 - LA-FCPF Implementation Support  
Project Status: Lending  
Global Focal Area: Climate change  
Product Line: CN - Carbon Offset

### Implementing agency and contact details

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

## PROGRAM

### Program Specific Questions

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

The REDD+ Office in the Department of Forestry (MAF), and the REDD+ Division in DFRM (MONRE ) functionedd as a secretariat for the National REDD Task Force and the Technical Working Group. over the last year, though MAF will now take up the duty on its own in FY2017. With the core function of the FCPF Readiness Grant support and the RPP progress made through bilateral and multilateral projects working at the national and provincial levels on REDD+. It suffices therefore to highlight that the general building blocks for preparing a National REDD+ Strategy are present to a reasonable degree across the major components of the R-PP. Stakeholder participation and engagement in general climate dialogue and more specifically on REDD+ is also evident through the activities supported by multiple bilateral programs at national and sub-national level (CLiPAD, SUFORD-SU, FPREP-JICA, SNV, World Bank, FAO).

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

Soon the operation will need to take into consideration and apply a focus on aspects of the carbon finance operation for which an LOI was signed in July 2016. However, no changes to the actual grant will be required, except additional financing.

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

- Project capacity is satisfactory.
- Most and major procurement packages is completed.
- Financial Management is on track with timely submission of the IFR and audit report. Disbursement commitment amount is 61%.

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

SESA workshop, training and stakeholder consultation was carried out on September 7 and 8, 2016 for multiple provinces.

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

Report to Donor

Ref. TF014777  
Printed On: 10/28/2016

Reporting Period: 07/01/2015 to 06/30/2016  
Report Type: Progress Report  
Report Status: Approved

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

Yes, linking between the Bank and CANCUN safeguard policies applied under this project and the relevant national legislation.

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

In 2015, stakeholder consultations were held during preparation of the Lao PDR concept note for the FCPF Carbon Fund. Workshops were conducted at national and provincial levels specifically to discuss and consult on the proposed FCPF ER Program. In March 2015, the Early Idea Presentation was discussed within the FSSWG and also with the National REDD+ Task Force (NRTF), before it was presented to the Carbon Fund in April. In July and August 2015, two regional workshops were held to discuss the ER-PIN development with the proposed six provinces. One was in held in Bokeo, for three provinces (Bokeo, Luang Namtha, and Oudomxay). The second meeting, held in Luang Prabang, for the remaining three provinces (Luang Prabang, Houaphan and Xayaboury). Further consultations were done with the FSSWG in September 2015, prior to the presentation of the ER-PIN at the Carbon Fund meeting in October 2015. After acceptance into the Carbon Fund pipeline, further consultations took place with all six provinces in December 2015.

In addition to meetings of the NRTF, the Provincial REDD+ TFs, and the six REDD+ TWGs, as summarized in the previous section, the government has carried out workshops to raise awareness of REDD+, with one meeting at the national level, and several meetings in the provinces. Since this time, another stakeholder workshop was held in September 2016 to train and instruct project teams and stakeholders on SESA and Bank social and environmental safeguards.

## DISBURSEMENTS

### Disbursements Summary in USD

Date From	Date To	Planned Cumulative	Planned Period	Actual Cumulative	Actual Period
07/01/2014	12/31/2014	0.00	0.00	300,000.00	300,000.00
01/01/2015	06/30/2015	0.00	0.00	305,004.86	5,004.86
07/01/2015	12/31/2015	0.00	0.00	500,677.67	195,672.81
01/01/2016	06/30/2016	0.00	0.00	963,207.83	462,530.16
07/01/2016	12/31/2016	0.00	0.00	0.00	0.00
01/01/2017	06/30/2017	0.00	0.00	0.00	0.00
07/01/2017	12/31/2017	0.00	0.00	0.00	0.00