I. Introduction and Context

Country Context

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 towns located along the Mekong River and main tributaries including the capital city of Vientiane.

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 percent 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.

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.

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. 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.

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 hydro power development
opportunities within its borders. The mining sector has also attracted increasing attention and
international investment offers in recent years.

Sectoral and Institutional Context

The Department of Forestry (DoF) under the Ministry of Agriculture and Forestry (MAF) will be
responsible for the implementation of the grant, as confirmed by MAF on behalf of the GoL, in its
letter to the Bank of June 4, 2013. DoF officially served as the designated focal agency for REDD+
implementation from 2007 to June 2013 when the GoL transferred the overall coordination to the
newly established Department of Forest Resource Management (DFRM) within the Ministry of
Natural Resources and Environment (MoNRE). Despite the change, GoL designated DOF as the
implementing agency for the grant, so as to support a gradual and orderly transfer of responsibility
for coordination of REDD+ related activities to DFRM as their capacity develops. Both DoF and
DFRM will continue to have responsibility for REDD+ activities in their respective forest areas and
at the national level.

DoF’s new mandate is 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 many well-
trained professionals. However, their numbers are limited as a result of institutional restructuring
from national to district levels. At the same time, DoF has a good track record of working with the
Bank in implementation of the SUFORD project over the past nine years and in leading the
preparation of the FCPF R-PP and FIP Investment Plan. This experience has provided a sound basis
for gradually expanding participatory approaches to sustainable forest management geographically
and REDD+ activities with both FPCF and FIP funding. DoF is also implementing the
implementing agency for the US$31 million Bank-financed FIP/IDA project in Laos which includes
REDD+ activities.

Relationship to CAS

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 (Nam Theun 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.

II. Proposed Development Objective(s)

Proposed Development Objective(s)

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

Achieving this objective will enable Lao PDR 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 put into place 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 technically robust systems of forest monitoring and emissions reporting. The program will also focus on non-carbon outcomes vital to achieving REDD+ objectives which will include enabling 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 which will contribute to the overall development of forests and well-being of communities in Lao PDR and contribute to the national goals of poverty reduction, economic development and environmental sustainability.

To achieve the PDO the grant will support: a) operational costs and capacity building for the REDD+ Office at the Department of Forestry (DoF, Ministry of Agriculture and Forestry) and the REDD+ Division within the Department of Forest Resources Management (DFRM, Ministry of Natural Resources and Environment), b) developing a National REDD+ Strategy, c) developing REDD implementation approaches and benefit sharing mechanisms in coordination with other Development Partners, d) implementation of safeguards through preparation of a Strategic Environmental and Social Assessment (SESA) and an Environmental and Social Management Framework (ESMF) for REDD in Lao PDR, and e) development of Reference Emission Levels and design of a system for monitoring, reporting and verification.

The grant will fund only a portion of the activities identified in the R-PP, which will accelerate Lao PDR efforts to achieve REDD+ Readiness. Based on the activities outlined in the R-PP, it is expected that Lao PDR would be able to participate in REDD+ carbon transactions, potentially including under the FCPF Carbon Fund. Other options for selling emissions reductions may exist in the future, but depend on the development of the global carbon market for forest carbon credits.
Additional funding in the forestry sector will be through the Forest Investment Program (FIP) program and the International Development Association (IDA) which will jointly support the expansion of Participatory Sustainable Forest Management (PSFM) in Lao PDR under the Scaling-up Participatory Sustainable Forest Management project (P130222).

**Key Results**

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.

**III. Preliminary Description**

**Concept Description**

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

**Task 1: Readiness Process Management and Stakeholder Consultation**

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.

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.

**Assess and Align REDD+ with National Policy Framework**

The successful introduction and mainstreaming of REDD+ obligations in Lao PDR will have significant bearing on the existing national policy and regulatory framework 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 trade-offs and seek a balance between national economic goals, environmental sustainability, and REDD+ opportunities and commitments.

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 framework 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 significance. Given the importance of safeguarding vulnerable communities and women a series of studies will be undertaken to assess disaggregated impact of REDD+ activities. Early action on this recommendation will enable the calibration of choice of programs and activities in both carbon and non-carbon domains for the well being of vulnerable communities and women in Lao PDR.

**Stakeholder Consultations**

The grant will support an inclusive consultative process leading to the development and implementation of a stakeholder participation and consultation plan that provides opportunities for all 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.

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 of identifying stakeholders and a process appropriate to each stakeholder. Following this a Stakeholder Participation and Consultation Plan (SPCP) will be evolved and validated. In addition, through a process of research, study, and discussion, appropriate mechanisms for conflict resolution and grievance redress will be established.

**Task 2: REDD+ Strategy Development**

**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. The REDD+ strategy will turn its focus to the forestry sector and communities most-dependent on forest resources.

The evolution of the REDD+ strategy is embedded in continued stakeholder consultations with the agenda will remain focused on forestry sector strategy. 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.

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.

The landscape of empirical evidence on land tenure and shifting cultivation lacks high quality information that can contribute to constructive policy debate. The grant will support the review of existing studies and preparation of complementary new studies. Participatory land use methods and tools will be developed to create practical and alternative models that are feasible and realistic.

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.

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.

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

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.

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 carbon 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.

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. 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.

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

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.
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.

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+.

IV. Safeguard Policies that might apply

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V. Financing (in USD Million)

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VI. Contact point

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