

Joint Communication

Lao PDR Forest Investment Program Scoping Mission

19-21 January 2011

I. Introduction

Lao PDR has been selected as one of the eight countries worldwide as a pilot country of the Forest Investment Program (FIP), which is a targeted program of the Strategic Climate Fund (SCF), one of two funds under the Climate Investment Funds (CIF)¹. FIP supports the efforts of developing countries to reduce emissions from deforestation and forest degradation, conserve and sustainably manage forests, and enhance forest carbon stocks (REDD +). The Program promotes sustainable management of forests leading to emission reductions and the protection of carbon reservoirs by providing scaled-up financing to developing countries for REDD+ readiness reforms and public and private investments, identified through national REDD+ readiness or equivalent strategies.

The FIP is designed to promote programmatic investments in support of country-led REDD+ priorities and strategies and is meant to build on existing forest sector or related initiatives. The FIP aims to support transformational change in the forest sector or sectors affecting forests. FIP resources can be used to: (i) build institutional capacity, support forest governance and information dissemination; mitigate greenhouse gas (GHG) emissions from the forest sector, including through supporting forest ecosystem services; and (ii) support necessary measures outside of the forest sector to reduce pressure on forests. FIP investments can foster private sector engagement and contributions to REDD+ goals. In addition to generating GHG mitigation benefits, FIP investments are meant to help mainstream climate resilience considerations and contribute to multiple associated co-benefits, such as biodiversity conservation, protection of the rights of forest dependent communities, and poverty reduction through rural livelihoods enhancements. As indicated by the FIP Sub-Committee (FIP SC) decision on Options for Allocating FIP Resources dated November 9, 2010 (FIP/SC.5/CRP.1), the proposed resource envelope for planning FIP investments in Lao PDR is \$20 - 30 million (Attachment 1). However, the country may be able to access additional resources from the \$150 million reserve for all pilot countries depending on the attractiveness of the proposed Investment Strategy and availability of the remaining fund.

The Multilateral Development Banks (MDBs) – The International Bank for Reconstruction and Development (IBRD), the Asian Development Bank (ADB), and the International Finance Corporation (IFC) – will partner with the Government of Lao (GOL) under the terms of the CIF. MDB partners will assist GOL in programming the FIP resources and

¹ Other countries selected are Brazil, Mexico, Democratic Republic of Congo (DRC), Indonesia, Ghana, Peru and Burkina Faso. For more information please see <http://www.climateinvestmentfunds.org/cif/>; <http://www.climateinvestmentfunds.org/cif/node/5>

implementing projects with FIP funding, pursuant to the Ministry of Finance’s letter of June 21, 2010 to the CIF Administrative Unit (Attachment 2) which confirmed the Lao PDR’s interest to participate in the FIP. FIP Scoping Mission was scheduled with the MDBs during the FIP Pilot Country Meeting in Washington D.C. and was carried out from January 19-21, 2011.

The aim of the scoping mission was to inform and continue the dialogue with the line ministries and other key stakeholders from the private sector, MDBs, other development partners, Civil Society Organizations and NGOs on FIP, especially its financing modalities, and to collaboratively plan for the development of the Investment Strategy. (see detailed TOR Attachment 3).

This Joint Communication provides a record of the Scoping Mission’s activities, consultations, and recommendations. It was discussed and finalized between the MDBs and the Ministry of Agriculture and Forestry, on behalf of GOL.

II. Mission Discussions and Outputs

During the scoping mission the National REDD secretariat, within the Department of Forestry under the Ministry of Agriculture and Forestry, organized a series of discussions to exchange information with a broad group of stakeholders including GOL agencies, Civil Society Organizations, Private Sector Representatives, and Development Partners.

National Workshop – Mission members participated in a *National Workshop and Consultation with Key Stakeholders* organized by the National REDD Secretariat on 20 January 2011 (see Agenda and list of invitees, Attachment 4). The purpose of the workshop was to share information on identified drivers of deforestation² in Lao PDR and to share information on ongoing REDD+ activities in the country (GOL presentations, Attachment 5). Workshop participant also raised concerns linking deforestation to environmental screening of development projects, ambiguities in the legal definition of degraded forest, and a weak linkage between salvage logging operations and the approval of associated infrastructure. Institutional capacity and inter-ministerial coordination were also raised as continuing challenges in managing the forest sector sustainably. The Government’s presentation included a brief description of the evolving organizational structure for managing REDD activities in Lao PDR – with the National Environmental Council (NEC) as the apex body responsible for inter-ministerial coordination and policy development overseeing the work of the National REDD Taskforce and the National REDD office. The NEC is chaired by the Deputy Prime-Minister and the members are at Minister or Vice-Minister level from sectors concerned with development that impact on the environment. The National REDD Task Force was set up initially in 2009 and the membership was recently expanded (see reference in following paragraph and Attachment 8). An

² These include clearance for large and small-scale agriculture, shifting cultivation, illegal logging, mining and hydropower development.

organizational chart was included in the GOL presentation mentioned above and is reproduced as an attachment to this memo (Attachment 6). This workshop included an opportunity for MDBs to make a presentation on FIP objectives and operational modalities to ensure a common understanding of the program among stakeholders including GOL agencies, Civil Society Organizations, Private Sector, Development Partners (MDB presentation, Attachment 7). Land and resource tenure security, effective engagement with ethnic groups and local communities, capacity development within implementing agencies, and coordination among multiple stakeholders were identified by participants as some of the most challenging areas for FIP investment.

Meeting with Minister of Agriculture and Forestry – On the same date the Scoping Mission met with H.E. Rasphone Sitaheng, Minister of Agriculture and Forestry to learn more about GOL plans for implementing REDD+ activities under both FCPF and FIP. The Minister conveyed the strong support of GOL for the FIP initiative and efforts to build on ongoing efforts to implement sustainable forest management in Lao PDR. The Minister highlighted the inherent challenges and difficult tradeoffs that are required and noted in particular considerable efforts required to ensure good coordination among key decision makers. The mission was pleased to learn that the Minister had signed an order on 7th January 2011 expanding the participation of the National REDD Task Force to include a total of 15 members at the Director General or Deputy Director General level covering all key implementing agencies of GOL (Unofficial translation Attachment 8).

Discussion with Department of Forest Inspection – The mission members were invited to take part in a discussion with the Deputy Director General of the Department of Forest Inspection (DOFI) on 20 January 2011. DOFI provided a brief on the development of the Department since its inception two years earlier and highlighted for MDBs the integral role of forest law enforcement in REDD+ implementation. The mission noted that DOFI has recently drafted a strategy to 2020 which includes a detailed investment plan. The mission noted that this strategy once finalized may provide a starting point for GOL discussions on applying FIP resources to forest governance but also acknowledged that the introduction of new REDD related legislation and regulatory instruments may expand DOFI's mandate and hence there may be additional areas for investment not yet identified in the current strategy and investment plan.

Discussion with Civil Society Representatives An information meeting was held on 21 January 2011 with Civil Society Organizations (CSOs) and Non-Governmental Organizations (NGOs) engaged in forest management, biodiversity conservation, and community development. As per the request made by the DoF, the meeting was held at the offices of the World Bank in Vientiane. The number of CSOs and NGOs participating in the meeting was small, in part due to an interruption in email services and a clash in CSOs meeting held at the same time in Vientiane, but it was agreed that subsequent consultations will expand participation of CSO. MDBs made a brief presentation on the FIP approach and its linkages to ongoing REDD Readiness activities

and CSO/NGO participants shared information on their ongoing programs and expressed the desire to be kept informed as the program develops.

Discussion with Private Sector Representatives MDBs and a member of the National REDD Technical Working Group members met with Private Sector representatives at the offices of IFC in Vientiane on 21 January 2011. The meeting provided an opportunity to discuss IFC’s role in developing plans for FIP in Lao PDR and ongoing REDD related initiatives of the Private Sector participants. Two major companies involved in the forestry sector and an independent consultancy company participated in the discussion and indicated keen interest in engaging in the type of activities that will be supported by FIP. Stora Enso highlighted their efforts to develop productive assets on degraded land by clearing UXO and planting following an agroforestry model - local farmers are given both an opportunity during the initial years to plant food crops inside commercial plantations and a stake in the timber produced through this partnership. During this discussion a representative of Earth Systems Laos highlighted the need for strengthening, clarifying and proper implementation of forestry law/legislation and Oji Paper Group requested additional information on how small plantations might benefit from FIP.

Dedicated Grant Mechanism The scoping mission also noted that the following week (January 25-27, 2011) the CIF Administration Unit through the IUCN would be sponsoring an Asia Regional Consultation with Indigenous Peoples and Local Communities to discuss and agree on governance and implementation for a Dedicated Grant Mechanism (DGM). A series of regional consultation meetings is ongoing and a global consultation meeting is planned later in the year. The Mission expressed its interest to coordinate the FIP programming process with DGM implementation and in particular to remain in contact with the designated representatives to the DGM consultations from Lao PDR. The Regional Consultation prepared a set of “Design Recommendations for the Dedicated Grant Mechanism” which will be posted on the FIP website shortly³.

FIP Preparation Grant GOL has requested a preparation grant to

- (a) assist the national implementing agency in preparing the draft investment strategy, including:
 - a review of the national and sub-national policies related to REDD+;
 - consolidation of analytical studies on key drivers of deforestation and forest degradation; and,
 - assessment of the climate change mitigation potential of the forest sector;
- (b) organize stakeholder consultation workshops at the national and sub-national levels (provincial levels), ad-hoc meetings with key stakeholders during scoping and joint missions with MDBs and, high level government meetings on REDD+ to discuss policy framework (National Strategy on REDD+), action plan, institutional arrangements and

³ <http://www.climateinvestmentfunds.org/cif/node/1956>

- other key issues related to REDD+, including linkages with the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities;
- (c) carry out environmental and social assessment of the strategy and prepare an environmental and social management framework for the investment strategy; and
 - (d) provide support to the national multi-stakeholder steering committee for the FIP.

A grant for this purpose in the amount of \$227,900 was approved by the FIP MDB SC on Jan 20, 2011 and a grant agreement is now under preparation. World Bank (WB) agreed to serve as executing agency for the grant, with the Ministry of Agriculture and Forestry, Department of Forestry as the implementing agency. WB agreed to work closely with the DOF to prepare the TOR of the consultants in consultation with other MDB counterparts.

MDBs also organized internal meetings during the kick off and wrap up of the mission to discuss the tentative timeframe for the next Joint Mission, division of the MDB supervision budget, staffing and the supports needed to be provided to the government from each MDB including joint outputs after completion of each mission. The mission discussed both internally and with Government counterparts the likely focus of each MDB partner. At this early stage it is understood that IFC will focus on developing private sector partnerships including, but not limited to, developing degraded lands using agroforestry models along the lines proposed by Stora Enso (see reference above in discussion with private sector). ADB expects to build on their shared experience with Government in managing biodiversity to establish conservation corridor areas and expand the use of Payment for Environmental Services (PES). IBRD is expected to help Government expand and consolidate Participatory Sustainable Forest Management (PSFM) in Production Forest Areas (PFA) and develop linkages with ongoing FCPF REDD Readiness activities.

III. Next Steps

Following completion of the Scoping Mission, there are several key steps needed to prepare for the Joint Mission (summarized in table format below). These are broken into three stages of action: (i) before the Joint Mission, (ii) during the Joint Mission according to its Terms of Reference (TOR), and (iii) after the Joint Mission, through to presentation of the finalized FIS to the FIP SC.

Before the FIP Joint Mission, the TOR and administrative arrangements for the program preparation grant must be completed and the technical assistance initiated, with adequate work carried out to enable the Joint Mission to review a draft Forest Investment Strategy. A TOR for the Joint Mission will be prepared and agreed by all parties, both in Lao PDR and among the FIP MDB partners. This will include designation of the MDB teams to participate in the Mission, and the TOR must be posted on the CIF website in advance of the Joint Mission with sufficient time to allow all interested stakeholders the opportunity to be informed of FIP programming plans and to participate in consultations and other aspects of the Joint Mission.

The GOL will designate institutional contacts most likely through a decision of the National Environmental Council. A formal request to the MDBs to conduct the Joint Mission will be prepared and transmitted. Advance planning for stakeholder consultations will be carried out, including the preparation of materials, lists of participants, designation of the timing and venues. World Bank has offered to provide logistical support in this regard. Links with the Dedicated Grant Mechanism for indigenous peoples and local communities under the FIP will be maintained to ensure effective participation in the FIS design process.

The main outputs of the pre-joint mission period will be (i) preparation and approval of the TOR for the Joint Mission, including provisions for MDB costs, (ii) a GOL request for the Joint Mission's conduct to the MDBs as partners, (iii) inception of work financed through the preparation grant, (iv) detailed planning and scheduling of formal consultations, and (v) the completion of sufficient preparation of background materials through the grant and other means to enable effective conduct of the Joint Mission.

Once the pre-conditions for conduct of the Joint Mission have been satisfied, the Mission will be scheduled and carried out over about a 2-week period. During the mission, GOL and MDB investment priorities, links between FIP and other initiatives (including parallel/complimentary investments by the MDBs and other co-financiers), and the strategic role of the proposed FIP investments will be identified and agreed among Government and all other partners. This will be done in a participatory and consultative manner, so that all key stakeholders will have an opportunity to share their views on how best the FIP resources can be used to support Lao's REDD+ strategy and realize its objectives for reduced GHG emissions and sustainable development. It is likely that the process will include brief visits to selected provinces or other locations for FIP pilot investments. The draft FIS will be prepared according to agreed CIF/FIP guidelines, which will include a rationale for the proposed allocation of FIP resources in support of Lao's national REDD+ strategy. Following completion of the Joint Mission, a second Joint Communication will define the process, responsibilities, and tentative timing for finalizing the FIS, getting it approved by the FIP SC, preparing project documentation under the FIS (including the identification of co-financing), approval of these projects by the GOL and partner MDBs, and full FIS implementation in support of the national REDD+ strategy.

The main outputs of the Joint Mission will be a (i) completion of a consultation process engaging key stakeholders in the design of FIP support to Lao's REDD+ strategy; (ii) a draft FIS document; and (iii) a Joint Communication documenting next steps for FIP in Lao PDR.

Following the Joint Mission, the draft FIS will be reviewed by the FIP SC refined and finalized. This may require further stakeholder consultations to ensure common understanding and broad stakeholder support for any revisions that emerge from the review process. When a draft final version of the FIS document is ready, this will be shared with the CIF Administrative Unit for review and comment. Taking account of any inputs, a final FIS document will be

prepared and transmitted to the CIF Administrative Unit for posting according to agreed CIF deadlines.

The MDBs will consult with the GOL, CIF and FIP focal points on the appropriate manner to organize and schedule follow-up to the Scoping Mission, with comprehensive and substantive discussions expected to be conducted during the Joint Mission. The next steps in the preparation process (including an indicative timeframe) are identified in the table on the following page.

The timeline of activities will be confirmed in discussions with the National Environmental Council and the FIP SC but is expected to include the following dates and deliveries:

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| FIP Preparation Grant Signing | February, 2011 |
| Informal Discussion with MDBs | February/April, 2011 |
| Stakeholder Consultations (Central and Provincial Level) | April/May, 2011 |
| First Joint Mission (NEC concept review) | May 23 – June 3, 2011 |
| Quality Enhancement Review Meeting | June 6, 2011 |
| Submission of Draft FIS to FIP SC | June 8, 2011 |
| FIP SC review of draft FIS | June, 2011 (date TBC) |
| Stakeholder Consultations | July/August, 2011 |
| Second Joint Mission | September, 2011 |
| Final FIS posted | October, 2011 |
| FIP SC review of final FIS | November, 2011 |

Next Steps to Prepare and Deliver the FIP Forest Investment Strategy

| Prepare for Joint Mission | Carry Out Joint Mission | Follow-up Joint Mission |
|--|---|---|
| <p><u>GOL</u></p> <ul style="list-style-type: none"> • Prepare REDD Taskforce TOR • Establish National REDD Office with full-time staff • Prepare TOR for FIP Preparation Grant • Identify and engage consultants under FIP Preparation Grant • Link to FIP IP Dedicated Grant Mechanism • Plan and implement first round of stakeholder consultations on draft FIS • Prepare initial draft FIS and draft ESMF (by end May 2011) building in part on REDD related elements of existing MDB programs. <p><u>MDBs</u></p> <ul style="list-style-type: none"> • Support preparation of TORs as requested by GOL • Finalize FIP Preparation Grant Agreement and EIA • Prepare and agree with GOL on Joint Mission TOR • Secure CIF TOR approval points for mission <p>Outputs:</p> <ul style="list-style-type: none"> • TORs for National REDD Taskforce, National REDD office • TORs for Joint Mission and budget • GOL Joint Mission request • Preparation Grant launch • Background materials prepared | <p><u>GOL & MDBs</u></p> <ul style="list-style-type: none"> • Discuss investment priorities, coordination mechanisms, and policy /program integration with GOL NEC and partners • Implement second round of stakeholder consultations on FIS • Agree FIP communication plan • Conduct site visits to potential project locations • Review proposed investments (prepare brief project concept notes including implementation arrangements and initial safeguards assessment). <p>Outputs:</p> <ul style="list-style-type: none"> • Draft FIS sent to FIP SC • Plan and agree on FIS completion and approval process including roles and responsibilities of NEC, National REDD Taskforce, National REDD Office, MDBs, and other implementation partners | <p><u>GOL</u></p> <ul style="list-style-type: none"> • GOL internal review and comments based on Mission and FIP SC recommendations • Implement third round of stakeholder consultations on FIS on revised document • Finalize FIS document • Submit FIS to CIF Admin Unit according to agreed deadline • Prepare GOL presentation to FIP SC <p><u>FIP SC</u></p> <ul style="list-style-type: none"> • SC reviews and endorses Investment Strategy, and agrees on MDB designation for operations, eligibility and priorities for programs and projects • SC approves requested preparation grants for proposed projects and programs. <p>Outputs:</p> <ul style="list-style-type: none"> • Letter of transmittal to CIF/FIP Sub- Committee • GOL presentation to FIP SC |

List of Attachments

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| Attachment 1 | FIP – Resource Envelope |
| Attachment 2 | Lao PDR confirmation Letter |
| Attachment 3 | Lao PDR Scoping Mission TOR |
| Attachment 4 | National Workshop Agenda and List of Invitees |
| Attachment 5 | GOL National Workshop Presentation |
| Attachment 6 | Lao PDR National REDD Organizational Structure |
| Attachment 7 | MDB FIP Presentation |
| Attachment 8 | Ministerial Order on National REDD Task Force Composition |