

March 22, 2013

Comments from United States on Approval by Mail: Lao PDR: Scaling-up Participatory Sustainable Forest Management (IBRD)

Dear Patricia,

We appreciate the submission by the Government and Lao PDR and IBRD of the *Scaling-Up Participatory Sustainable Management* project for FIP sub-committee approval. We have several questions about the project that are outlined below. We hope to be able to provide our approval of the project as soon as possible after receiving responses to these questions.

1. In general, we found it difficult to understand the precise activities (and who will be undertaking these activities) under Components 1 and 2, and how these activities address the drivers of deforestation listed in paragraph 9 of the PAD. An explanation of what the situation in the project areas is now, the changes expected through FIP support, and how the project will reduce emissions or enhance removals of greenhouse gases would be appreciated.
2. We would also appreciate more information on what is meant by a “landscape approach to PSFM” that is to be piloted under Component 2. Who are the participants in this activity?
3. The document contains, in several places, mention of performance payments for forest carbon sequestration or other PES payments. Could you please provide information on what sorts of performance-based payments are envisioned under the project, and how these PES systems would be financed?
4. We also noted a reference to “village grants” in the amount of \$6 million in one of the annexes. Could you provide more information on what is meant here?
5. We note that effective timber revenue sharing is important to the sustainability of this project. Could you provide more information on the timber harvesting activities in the PSFM framework, including who undertakes them, community participation in their administration, and the roles of various parties in the tracking and distribution of timber revenues?
6. We did not fully understand the sustainability analysis contained in paragraph 37, which mentions that “medium-term responsibility for supporting PSFM is expected to be shared with other sector institutions such as hydro and mining through improved salvage logging operations and PES; industry and timber trade through improved timber sales regulation and FLETG; and tourism through REDD+ carbon credits and PES.” An elaboration of what is required for sustainability, and the contribution of how much and how each of those items contributes to this sustainability, would be appreciated. We also note, in the same paragraph, reference to the drafting of a new land policy, revised

land law, agriculture law and water resource law. To what extent is the adoption of new legislation required to ensure sustainability?

7. With respect to criteria for selection of areas mentioned in paragraph 39, we were unclear whether commitment by project Province Governors to “exercise oversight, prohibited illegal harvesting and timber sales, and regulate grant of external development contracts in project areas” was a selection criterion (ie, required before project activities commence in a particular area)?

8. With respect to potential loss of livelihoods due to restriction of livelihood activities or access to forest resources mentioned in paragraph 56: has any analysis of current livelihood options vs. alternative livelihood options been conducted, and are alternative livelihood options viable and competitive? To what extent are current resource use patterns in project areas environmentally sustainable?

9. With respect to concession risks mentioned in paragraph 64, will the project seek assurances from government agencies with control over land-use decisions that overlaps between concession areas and project areas will be avoided?

Thank you for your consideration.

Katie Berg
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US Department of the Treasury