

# CLIMATE INVESTMENT FUNDS

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**[APPROVAL BY MAIL] LAO PDR: PROTECTING FORESTS FOR SUSTAINABLE ECOSYSTEM SERVICES (ADB) (FIP)  
(XFIPLA004A)**

**ADB Response to Comments Received from US and UK**

### Comments and Responses to US and UK members of the FIP Sub Committee

Comment	Response
<p><b>Risks:</b> the project entails several risks which are mentioned in several documents but not collectively addressed in one place. It would be useful to see these risks and corresponding management strategies presented in one place</p>	<p>The risks and strategies to manage them have been collectively addressed in a matrix that is now provided as an attachment to the FIP Cover Page.</p>
<p><b>Stakeholder engagement:</b> How have local communities been consulted, especially given the predominance of ethnic minority people in the project area? How will the project continue to consult them during implementation?</p>	<p>As explained in Section 10 and 12 of the submission to FIP-SC (i.e. cover page) the targeted villages for the FIP investment project were selected on the basis of evidence that they represent areas with strongest potential to demonstrate REDD+ outcomes within the overall BCC project landscape. Villagers in the targeted villages were consulted during the project preparatory phase as explained in the Stakeholder Consultation and Participation Plan. These villages comprise primarily of ethnic minority groups whose cultural norms and dialects were taken into consideration in the consultation process. The village meetings were well attended with almost the whole community participating in the smaller villages, and there was very active participation. The majority of villagers showed support for the project. The Project's Ethnic Group Development Framework was updated during the preparatory phase of the AF and will be adopted during project implementation. It describes in detail, how ethnic groups will be consulted and engaged in designing and implementing project activities.</p>
<p><b>Sustainability of patrolling:</b> Explain the role of communities in patrolling forest areas and the sustainability of patrolling activities beyond the project period.</p>	<p>Communities are engaged in patrolling forest areas restored under the Project. Patrolling activities under the original BCC project faced challenges in terms of sustainability and incentives for communities to participate. The Mid-term Review (MTR) recommended that the project management office (PMO) work with the respective provincial and district staff to develop a compliance system which integrates community based patrolling as an element. It also recommended that this process be institutionalized with measures to incentivize communities to participate in patrolling activities. Following the MTR, patrolling agreements have been finalized and are being implemented in 13 villages. The sustainability of community based patrolling continues to be a challenging activity and will be monitored closely during implementation of the AF.</p> <p>Patrolling of forest areas is even more important under the AF since it is an integral element of REDD+ readiness. Therefore, more emphasis will be placed on institutionalizing and incentivizing communities to undertake patrolling activities. Village consultations revealed that villagers were often unaware of the status of forest areas around them and expressed the opinion that if they knew where the boundary of state</p>

	<p>forest land lay, such as Watershed Protection Forest, they would be willing to mount patrols to protect it. In a separate study in the same area conducted for evaluating the economic value of forests, villagers were asked if they were willing to volunteer days for protecting local forests and responded positively, because of the importance to them of the forest for NTFPs. Ultimately, REDD+ payments will serve as a strong incentive; however other incentives to communities (e.g. revenue from harvesting non-timber forest products, payments for ecosystem services from downstream hydropower operators) will be actively explored during implementation of the AF. Since BCC villages in both the districts selected are in the international border zone, the Lao military has important responsibilities and the local commanders expressed interest in supporting the project and especially patrolling</p>
<p><b>Performance and lessons from original project:</b> Explain the performance of the original project and how the AF addresses the early implementation related challenges of the Project.</p>	<p>The original project faced several challenges during the first three years of implementation, due to several reasons including the limited experience and capacity of newly formed ministry and project management offices at the central and provincial levels. Complex planning, budgeting and procurement procedures were also identified as challenges during the MTR which was carried out in November 2014. Since the MTR, progress of the original project has improved substantially. Planning, budgeting and fund flow processes have been streamlined; the Project management capacity has been strengthened with additional staff at the center and provincial levels and the consultant team supporting the Project has been strengthened. ADB is more confident now of the ability of the Project to absorb the AF and implement activities effectively and efficiently.</p> <p>The AF design also takes into consideration the lessons from the challenges faced by the original project. In particular: i) livelihood development activities will be implemented by service providers rather than directly by the district and provincial project management offices; ii) assistance under the AF will be more directly targeted towards supporting appropriate alternative livelihoods with a view to reducing the pressure on the surrounding forest areas. In this context unlike the BCC project, the AF does not support small-scale infrastructure since the link between such infrastructure and conservation objectives cannot always be assured; and iii) the consultants supporting implementation will concentrate their efforts in supporting provincial and district project management teams where capacity is weakest.</p>
<p><b>Value for money:</b> Explain the rationale for including 21 villages under the AF whereas the original financing covers 67 villages.</p>	<p>The AF leverages an ongoing landscape-based biodiversity conservation project to strengthen REDD+ readiness efforts. This in and of itself is an efficient use of the limited FIP resources to strengthen subnational REDD+ readiness capacity.</p>

	<p>Within the BCC landscape Phouvong district of Attapeu province and Dakcheung district of Sekong province were identified as areas with strongest potential to demonstrate REDD+ outcomes. These districts contain the largest areas of contiguous good quality protection forests which have the potential to be developed into REDD+ pilot areas. 5 village clusters (Kumbans) were identified in these two districts based on the terrain and proximity to the protected forest areas. These village clusters are also located on mountainous areas in the upper catchment of two important rivers, the Xekaman (in Sekong Province) and the Nam Kong River in Attapeu province). Hence efforts to address deforestation and forest degradation in these districts would benefit downstream water users including several hydropower plant operators. Accordingly the AF supports the 21 villages contained in these 5 village clusters, to undertake a comprehensive set of interventions aimed at promoting sustainable alternative livelihoods for forest-dependent communities. The AF also supports awareness and capacity development on REDD+ at the provincial and district levels and the establishment of a carbon monitoring and reporting system at the provincial level, in accordance with the development of a national MRV system. The project is therefore designed to provide a comprehensive set of interventions within a concentrated landscape rather than a less comprehensive set of investments spread over the broader landscape. The interventions are considered to be economically viable with an EIRR of 15.1%. They are also considered to be cost effective on the basis of significant gains from being implemented in conjunction with an ongoing project.</p>
<p><b>Coordination with other REDD+ projects:</b> Explain how this project would be coordinated with other ongoing REDD+ initiatives to benefit from cross-exchange of approaches, issues, solutions, etc.</p>	<p>The Government of Lao has been implementing REDD+ projects since 2009 and has gained considerable experience through them. Ongoing REDD+ projects include: (i) the Forestry Sector Capacity Development Project (FSCAP) funded by the Japan International Cooperation Agency (JICA) which promotes stakeholder coordination among government agencies and development partners; (ii) the GIZ supported CliPAD program which is piloting a Free, Prior and Informed Consent (FPIC) process and developing a FPIC procedure and tools for jurisdictional REDD+ in selected provinces; (iii) the SUFORD project by the World Bank, which has developed participatory management guidelines for Production Forest Areas and implemented in 1.2 million hectares of production forests so far, and (iv) the UN-REDD+ Program.</p> <p>The REDD+ Task Force is located within MONRE and is chaired by the Director General of the Department for Forest Resources Management (DFRM). In this capacity DFRM is responsible for coordinating all REDD+ activities. DFRM is also the Implementing Agency of the BCC Project and will therefore ensure</p>

	<p>that the FIP financed activities under BCC will be closely coordinated with other REDD+ projects. In particular, Output 1 of the AF supports DFRM's efforts to coordinate REDD+ initiatives and advance policy and institutional development on REDD+ readiness.</p>
<p><b>Charcoal production as a livelihood option:</b> Explain the rationale for including this as a livelihood option considering the potential for it to be a perverse incentive to further increase the pressure on forests.</p>	<p>Removal of biomass from areas to be inundated by reservoirs for hydro-power or irrigation is essential to limit the production of methane and carbon dioxide from the anaerobic decomposition of the biomass after flooding. This decomposition also consumes dissolved oxygen in the water and renders it uninhabitable for fish. MONRE has produced detailed guidelines for the removal of biomass from reservoirs<sup>1</sup> and most concessions for hydro-power development issued since 2010 have the requirement that the operator prepare and implement a Biomass Disposal Plan. However, to date biomass disposal has mainly consisted of removing commercial timber species, but leaving all non-commercial and branch-wood behind. This residual biomass can potentially be carbonized to produce charcoal as a domestic or commercial fuel. The same applies to the biomass from primary or secondary forest that is cleared for agriculture. Both of these options for sources of woody biomass provide potential benefits for local communities as a source of cash income from selling charcoal. In the future there is the possibility of producing biochar, which can be incorporated into the soil to improve its structure and lock up the carbon</p> <p>However, charcoal production is not proposed as the primary alternative livelihood option. Instead, the project aims to promote the use of agroforestry systems. Some of the biomass from agroforestry plots can be selectively harvested after some years to sustain the charcoal making. Since the communities are small and labor is in short supply it is not expected that charcoal making will be adopted widely.</p>

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<sup>1</sup> Water Resources and Environment Administration. (now within MONRE). 2010. *Environmental Guidelines for Biomass Removal from Hydropower Reservoirs in Lao PDR, Strengthening Environmental Management Phase II (SEM II)*. Vientiane.