

June 2015

MEMORANDUM

Lao Forest Investment Plan (Lao FIP)
Concept Note for Additional Financing for
Scaling Up Participatory Sustainable Forest Management (SUPSFM) Project
[more commonly known as SUFORD Scaling Up (SUFORD-SU)]

REVISIONS TO ORIGINAL CONCEPT NOTE
Dated 16 March 2015

Lao PDR had submitted to the Forest Investment Program a concept note requesting \$24.5 million in additional financing, to expand the ongoing FIP project, Scaling Up Participatory Sustainable Forest Management (SUPSFM) to cover the last remaining four rural provinces and the final 10 Production Forest Areas. This concept note had also proposed an additional three years of support for the four most recent provinces under the existing project.

The Climate Investment Fund Administrative Unit's (CIF AU) had prepared the Summary of Outcomes of the FIP Steering Committee Meeting held on 15 May 2015. Unfortunately, these comments were not received by the National FIP Focal Point, Dr. Inthavy Akkarath, nor by the Department of Forestry, which had prepared the concept note, until late on 17 June.

Proposed Scale of Activities and Budget

With respect to the Lao PDR concept note, the proposal was seen by the FIP Sub-Committee "as too costly in relation to the funds available and need[s] to be scaled back."

The Department of Forestry would still very much like to carry out the expanded activities as proposed in the concept note. The Government of Lao PDR understands and recognizes that the FIP funds are limited, and that the FIP may not be able to fund the full request. The Department of Forestry is in the process of working with the Ministry of Finance, to request that the World Bank Country Office consider additional IDA funding to support this project. Such support would complete the national PSFM system for all 51 Production Forest Areas.

If such efforts are unsuccessful, then the Department would consider to reduce the scope of the additional funding. Such a reduction could be achieved by only providing support to the four remaining rural provinces, and not providing support during the period 2018-2021 to the four provinces added under the current project operations. Thus the additional project support would only cover four provinces, and not eight. **Such a reduction in scope would reduce the budget needs by an estimated 20 percent. Thus instead of \$24.5 million, the budget would be reduced to \$19.6 million.**

The Department of Forestry has adopted a standard model for PSFM in production forests and associated support to village livelihood development. DOF would like to retain this basic model, and just extend it to the remaining provinces, to complete the national system. In addition, the current project is piloting forest landscape management and village forestry, which are expected to provide additional contributions to objectives of emissions control and co-benefits.

The Expert Group review of the concept notes had scored this proposal the highest of all received, with 78 points out of a possible 100 points. Their major comments had been largely positive. They did note, however, that “It would be important to revisit and reassess whether the proposed budget allocation and mode of provision of the Village Development Grants in the expansion areas would indeed meet village needs and provide sufficient incentives for sustainable forest use and management in line with the FIP’s emissions reduction objective.”

This issue can certainly be reviewed, in light of experience to date. As the current project is currently working with villages to finalize their village livelihood development proposals, an analysis will be done very soon of those proposals and their contributions to emissions reductions.

The Ministry of Home Affairs is very supportive of the idea of Lao PDR getting additional support from the FIP Dedicated Grant Mechanism (DGM). If such support were to be approved through the various FIP, World Bank, and Lao Government channels, then additional funds would be available to support local communities with livelihood alternatives to further contribute to emissions reductions.