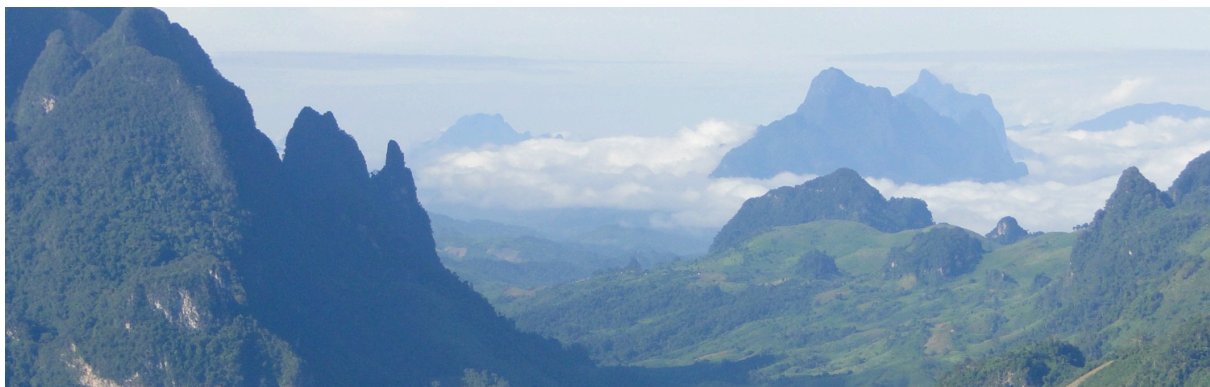




**GFL**  
**GOVERNANCE, FOREST LANDSCAPES AND**  
**LIVELIHOODS - NORTHERN LAOS**

**BSP**  
**Benefit Sharing Plan**  
**Advanced Draft**



**May 2020**  
**REDD+ Division, Department of Forestry**  
**Ministry of Agriculture and Forestry**  
**Vientiane, Lao**

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## Acronyms

BoD	Board of Directors
BSP	Benefit Sharing Plan
BS-TWG	Benefit Sharing-Technical Working Group
CF	Carbon Fund
DAFO	District Agriculture and Forestry Office
DoF	Department of Forestry
DOFI	Department of Forest Inspection
DoNRE	District office of Natural Resources and Environment
EPF	Environment Protection Fund
ER	Emission Reduction
ERPA	Emission Reduction Payment Agreement
ERPD	Emission Reduction Program Document
ESMF	Environmental and Social Management Framework
FCPF	Forest Carbon Partnership Facility
FPF	Forest Protection Fund
FGRM	Feedback and Grievance Redress Mechanism
FIPD	Forestry Inventory and Planning Division
FLEGT	Forest Law Enforcement, Governance and Trade
FPF	Forest Protection Fund
GCF	Green Climate Fund
GFL	Governance, Forest Landscapes and Livelihoods
GFL-BSP	Governance, Forest Landscapes and Livelihoods-Benefit Sharing Plan
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GoL	Government of Lao PDR
I-GFL	Implementation Plan - Governance, Forest Landscapes and Livelihoods
LNCCI	Lao National Chamber of Commerce and Industry
LFND	Lao Front for National Development
LWU	Lao Women's Union
MAF	Ministry of Agriculture and Forestry
MoF	Ministry of Finance
MoNRE	Ministry of Natural Resources and Environment
MPI	Ministry of Planning and Investment
MRV	Measurement, Reporting and Verification
NDC	Nationally Determined Contribution
NRS	National REDD+ Strategies
NRTF	National REDD+ Taskforce
NTFP	Non-Timber Forest Product
NUoL	National University of Laos



PAFO	Provincial Agriculture and Forestry Office
PoNRE	Provincial office of Natural Resources and Environment
PRAP	Provincial REDD+ Action Plan
PRTF	Provincial REDD+ Task Force
PT	Provincial Treasury
PTC	Provincial Technical Committee
REL	Reference Emission Level
RBP	Result-Based Payment
REDD+	Reducing Emissions from Deforestation and forest Degradation+
SESA	Strategic Environmental and Social Assessment
SUFORD-SU	Sustainable Forestry for Rural Development – Scaling Up
TWG	Technical Working Group
VDC	Village Development Committee
VF	Village Fund
VFMP	Village Forest Management Plan
VLUFMA	Village Land Use and Forest Management Agreement
VMU	Village Mediation Unit
WB	World Bank

# EXECUTIVE SUMMARY

## Introduction

- i. This document presents the Benefit Sharing Plan (BSP) for the implementation of the Emission Reductions (ER) Program titled Governance, Forest Landscapes and Livelihoods – Northern Laos (GFL) in six northern provinces of Lao PDR approved by the Carbon Fund in 2018. The BSP builds on the indicative benefit sharing arrangements proposed in the Emission Reductions Program Document (ERPD) and is a result of broad stakeholder consultation
- ii. This program covers an area of 8.1 million hectares and stems from strong analysis and understanding of the main direct and underlying drivers of forest loss. The area constitutes approximately one third of both the country's geographical and forest area with a population of 1.8 million people and where the dominant land use designation is forest. Each province in the GFL program area shares an international border with one of the surrounding countries of Thailand, Myanmar, China and Vietnam. Northern Lao PDR is characterized by mountainous topography, remote accessibility and limited public and industrial infrastructure, unique ethnic minority communities, and a persistent prevalence of poverty – as well as extensive degradation and loss of forest. The area hosts important watersheds feeding major tributaries including the Mekong River.
- iii. The ER program is expected to generate in excess of 16.1 million tons of carbon dioxide equivalent (mtCO<sub>2</sub>e) of emission reductions and removals is expected over the term of the ERPA (5 years, 2020-2024). This is comprised of 8 million tCO<sub>2</sub>e emission reductions, which is equivalent to a reduction of 20 percent compared to the Reference Level emissions and increase in removals equivalent to 3 mtCO<sub>2</sub>e which is an increase by 57 percent,<sup>1</sup> compared to the removals in the Reference Level.
- iv. Of the total ERs generated, 11 mtCO<sub>2</sub>e would be potentially transferrable to the FCPF Carbon Fund.<sup>2</sup>

## ER Program Financing

- v. Lao PDR will negotiate an ERPA with the FCPF Carbon Fund to purchase up to 8.4 million of these emission reductions, indicatively valued at USD 42 million.
- vi. The cost of implementing the GFL ER Program is estimated at US\$ 136.5 million for a 6-year period from 2020 to 2025. The GoL will use multiple sources of finance to implement the ER Program. Initially, the ER Program activities will be financed by a) Implementation Plan -Governance, Forest Landscapes and Livelihoods (I-GFL) funded by Green Climate Fund (GCF), b) advance

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<sup>1</sup> This high rate in removal activities is due in part to the accounting methodology where some of the carbon removals are spread over a default period of 20 years depending on their change types. This being the case, removals were generated from activities taken during the reference period (i.e., 2005-2015), in the accounting period. See the section 8.3.5 of the ERPD.

<sup>2</sup> This figure assumes a 4 percent conservativeness factor for removals and emission due to deforestation and forest degradation (excluding RV), 15 percent conservativeness factor for using proxy data to calculate emissions from forest degradation associated with RV and selective logging, and a 23 percent reversal buffer (see Sections 11 and 12 of the ERPD for further details).

payments from Carbon Fund to partly finance operational costs, if granted, and c) FCPF Readiness Grant that has been extended to June 2022.

- vii. The I-GFLL will partly finance implementation of GFLL and contribute to generating results-based payments. The I-GFLL project forms a cornerstone of Program implementation and shares an identical target area and accounting system as the GFLL.

### **Beneficiaries, Benefits, Costs and Eligibility Criteria**

- viii. Beneficiaries are the recipients of Monetary and Non-monetary Benefits which may include sub-entities and other relevant stakeholders (Carbon Fund Methodological Framework, 2016). The categories of beneficiaries are considered in the context of roles and responsibilities, being legal rights holders of the land or forest resources in which emission reductions take place, and directly investing capital and/or labour into REDD+ activities.
- ix. Thus, GFLL BSP identifies three main beneficiary categories as follows:
  - Government agencies (at all levels),
  - Rural forest-dependent communities, hereinafter named as communities, and
  - Actors in Pilot initiatives which will include the private sector, non-profit associations, and research and education institutions.
- x. Communities will benefit the most as they are the ones who will contribute the most for the emission reductions to be achieved.
- xi. Two type of benefits will be channeled to the beneficiaries – monetary and non-monetary benefits.

### **Eligibility Criteria**

- xii. Local Communities have the most significant role in ER Program implementation. Their eligibility criteria are centered around land and forest access or ownership rights, registered as village residence, participation, demonstration of project ownership, strong village level institutions and coordination with local government authorities to ensure ER activities align with ER program objectives. For the ER Program, beneficiaries here must have a legal status from the government through laws and decrees. The eligibility criteria of Communities are closely linked to emission reductions activities defined in the Povincial REDD+ Action Plans (PRAPs)<sup>3</sup> and implemented under the oversight of the PAFOs, DAFOs and Village Development Committees (VDCs).
- xiii. Government agencies at all levels (national, province, and district) are eligible to receive benefits since they are involved in and have a key role in ER Program implementation as part of their roles and responsibilities

### **Allocation of Benefits**

- xiv. Of the gross ER Payments from the Carbon fund;

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<sup>3</sup> Provincial action plans that form the primary basis for implementing local level REDD+ interventions to address deforestation and forest degradation. Each PRAP is formulated in line with ERPD components

- Seventy seven percent (77%) will be allocated as performance-based allocations to communities, sub-national government agencies, pilot initiatives
  - Eighteen (18%) will allocated to operational cost, and
  - Five (5%) to a performance buffer.
- xv. From the seventy-seven (77%) ER performance-based payment:
- Ninety percent (90%) will be allocated to communities,
  - Five percent (5%) will be allocated to sub-national government agencies as incentives, and
  - Five percent (5%) will be allocated to pilot initiatives.

### **Institutional Arrangements**

- xvi. The National REDD+ Task Force (NRTF), a multi-sector body is responsible for the development and implementation oversight of REDD+ in the country and will have oversight of the ER Program. At the provincial level, the Provincial REDD+ Offices (PRO) and the Provincial REDD+ Task Forces (PRTFs) are the main actors responsible for coordinating REDD+.

### **The BSP and ER Program Governance Structure**

- xvii. For the BSP, the GoL has nominated the Forest Protection Fund (FPF) for fund management. The FPF is a state fund that was established in 2005 to collect and mobilize funds from forest activities and the use of forest resources and is run by a multi-sectoral Board of Directors mainly from government institutions. Its mandate has been broadened by a 2019 revision of the Forest Law to include managing revenue from payment of forest ecosystem services including eco-tourism, trade of forest carbon, and others. The FPF will therefore facilitate the management and disbursement of finances for the implementation of GFLI although the fiscal responsibility for receiving and disbursing ER Payments from the Carbon Fund rests with the National Treasury under Ministry of Finance.
- xviii. This newly added function means that the FPF has to build additional capacity to handle carbon revenue, including the ER Program Advance Payments. As such, the FPF will be supported under the parallel REDD+ Readiness process to build the additional capacity to be ready to receive the results-based payment anticipated in 2023. For receiving the proposed advance payment under the ERPA, an interim arrangement is proposed if required.
- xix. In order to receive the advance payment, the GoL proposes adopting the financial management modality utilized for the implementation of the FCPF Readiness Grant as an interim arrangement while building the capacity of the FPF.
- xx. A central Project Management Unit (PMU) will be responsible for the implementation of I-GFLI and GFLI program. Annual work plans, budgetary, and management of GFLI and I-GFLI will be integrated, whereas finance, budget management, procurement, and reporting will be coordinated but separated in line with requirements under each finance source.

- xxi. The central PMU will deal with cross-cutting issues, and facilitate coordination between different ministries, departments, several departments under MAF, MoNRE and MPI to enhance coordination and collaboration from the central level to sub-national levels including village level. The PMU, under the direct guidance of NRTF and DoF, carries out the tasks as assigned and will coordinate with other relevant organisations.
- xxii. The Provincial Project Management units (PPMU) and Social and Environmental Safeguards Units will be set up and operated under the guidance of national PMU. The mode of operation will be outlined in a POM due to be available by October 2020.

### **Disbursement of Funds to Beneficiaries**

- xxiii. Once emission reductions are verified and report is accepted, ER payments will be channelled from Carbon Fund to National Treasury system via the Bank of Lao. FPF would then facilitate the transfer of funds to designated beneficiaries via local Custodian Bank within two weeks.
- xxiv. Both monetary and non-monetary benefits to beneficiaries will be disbursed after getting FPF Board approval and DoF endorsement. Non-monetary benefits in the form of good and services will be determined through consultation with beneficiaries during the inception phase.

### **Performance Scenarios, Monitoring and Reporting**

- xxv. This BSP assesses four performance scenarios for the achievement of emission reductions targets and the scenarios are 100%, 50%, 25% and 10%.
- xxvi. All beneficiaries will be required to participate in monitoring and reporting on ER Program performance including the implementation of this BSP. As of necessity, thematic monitoring will be a key priority for social and environmental safeguards, benefit allocation and targets against emission reductions. At the institutional level, necessary monitoring and reporting on governance, fund management and disbursement to beneficiaries will also be an important priority.
- xxvii. This BSP also sets out the methodological approach for MMR, implementation and monitoring of safeguards, FGRM and disclosure of information.

### **Capacity Building**

- xxviii. Capacity building is an integral part of this with significant investment in time and resources allocated to build the institutional and operational capacity at national level to community level. A capacity building planned is included in this BSP as part of the sustainability measures beyond the ERPA and enabling scaling up of jurisdictional landscape management programs beyond the six northern provinces.

### **Communication and Disclosure**

- xxix. As this BSP takes a multi-sectoral approach with a large number of stakeholders, it adopts the guiding principles established in the national REDD+ Communication and Outreach Program which ensures stakeholders are well informed through frequent consultations and access to information in local languages. Consultations and outreach programs will be an integral part of the ER Program.

## **Document Structure**

- xxx. The BSP is divided into eight sections including annexes. Section 1 provides the background, the context and strategy of the ER Program. It also gives an overview of the general principles and legal context for the preparation of the BSP. Section 2 focuses on the beneficiary categories and end beneficiaries as well as the underlying eligibility criteria. Section 3 describes the BSP institutional arrangements and funds flow. This section also describes the role of the Forest Protection Fund which has been elected to manage ER Payments from the Carbon fund. Section 4 describes the performance and scenarios for emission reductions and their likely implications for the ER payments while Section 5 outlines the monitoring and reporting framework and Section 6 provides details on capacity building aspects. Section 7 describes the communication and consultation aspects of the ER Program and Section 8 contains all relevant annexes.

## 1 INTRODUCTION

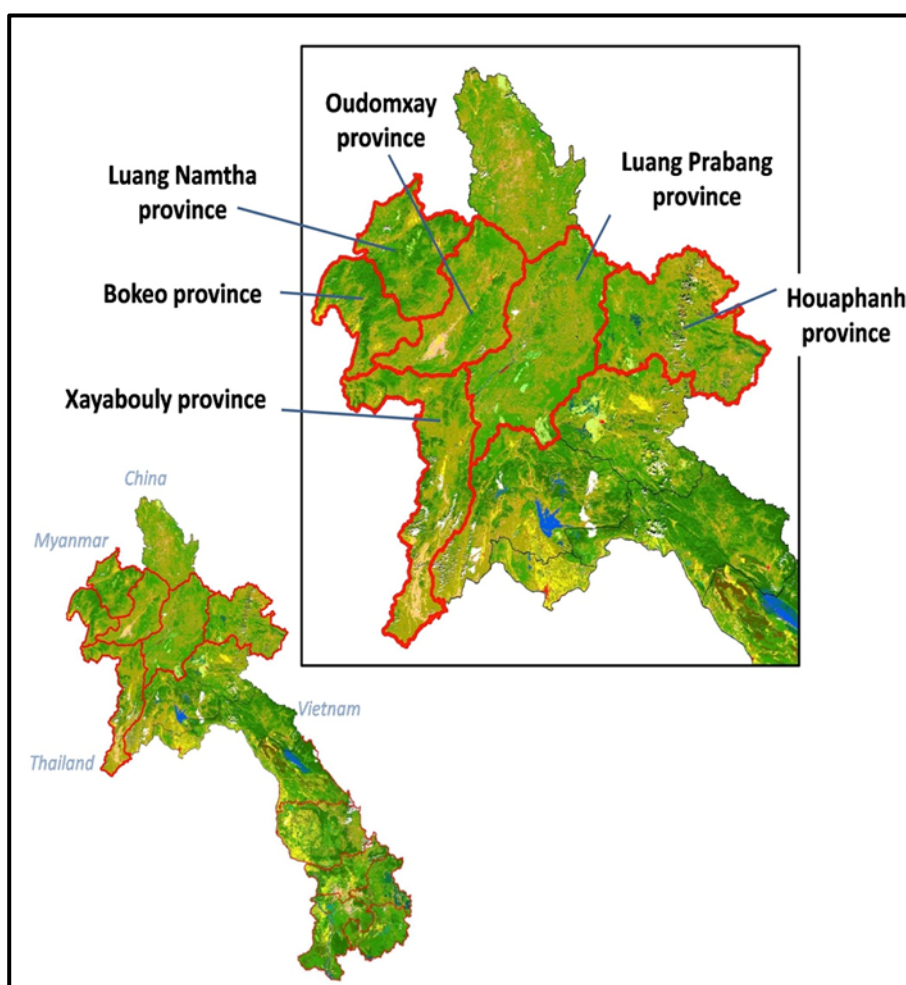
1. This document presents the Benefit Sharing Plan (BSP) for the implementation of the Emission Reductions (ER) Program titled Governance, Forest Landscapes and Livelihoods – Northern Laos (GFLL) in six northern provinces of Lao PDR approved by the Carbon Fund in 2018. The BSP builds on the indicative benefit sharing arrangements proposed in the Emission Reductions Program Document (ERPD) and is a result of broad stakeholder consultation.
2. GFLL is designed as Lao PDR’s first sub national Program in the six provinces of Northern Laos as a strategic and scalable foundation to address key drivers of deforestation and forest degradation and reduce greenhouse gas emissions. GFLL contributes to Lao PDR’s Nationally Determined Contributions (NDC) with significant weight on actions to be taken in the forestry sector, which estimates removing 60-69 million tons of carbon dioxide equivalents from its forests by 2020 as compared to 2000.
3. The GFLL Program will be spearheaded by the Ministry of Agriculture and Forestry (MAF) with central, provincial, and district level agencies sharing responsibility for implementing. The activities of communities, NpAs and the private sector in the forestry and agricultural sectors will lead to the bulk of emission reductions within the program area, and they will in turn receive the bulk of the share of benefits.

### 1.1 Overview of the Emissions Reduction Program Area

4. The GFLL area will be the six provinces of Northern Lao PDR, an area which constitutes approximately one-third of both the country’s geographical, and its forested area. The Program area is a contiguous landscape, covering the entire administrative areas of the provinces of Bokeo, Huaphanh, Luang Namtha, Luang Prabang, Oudomxay and Xayaboury. Each province shares an international border with one of the surrounding countries of Thailand, Myanmar, China and Viet Nam. Hilly topography, remote accessibility and limited public and industrial infrastructure, unique ethnic minority communities, and persistent prevalence of poverty characterize the Northern region of Lao PDR.



**Figure 1 Location of ER Program Area**



5. The selection of the program area of the GFLL is due to a number of critical factors. The combined area of deforestation and forest degradation in the program area is approximately 72,000 ha per year during the period 2005-2015. Approximately 40 percent of total national deforestation and degradation takes place within these six provinces. Each of the six provinces has developed Provincial REDD+ Action Plans (PRAPs) that analyze key drivers of deforestation, major barriers, and propose actions and measures to reduce emissions from deforestation and forest degradation.
6. The region is also well known for the prevalence of shifting cultivation practices, as well as being the poorest region in the country. For such reasons, in the early phase of REDD+ readiness, a number of projects supported by development partners focused on REDD+ pilot actions in the Northern provinces. Such activities have led to increased capacity and preparedness for REDD+ activities, thus the eventual selection of the six Northern provinces as the program area for Lao PDR's first emission reductions program. This six-province strategy is an aggregation and synthesis of the

Provincial REDD+ Action Plans developed for each target province during the period 2016-2018.

## **1.2 ER Program Strategy and Components**

7. The GFLC will be the first step in Lao PDR's transition from REDD+ readiness to implementation and subsequent results-based payments. The program design sets the framework for implementing the NRS in a decentralized manner at the sub-national level. While strategically defined at the province level and executed at the district and village level, the project contributes to improving the national institutional and regulatory systems in ways that facilitate replication and up-scaling. The impact of the program will lead to reduced emissions from land use, deforestation, forest degradation, and increased ecosystem resilience and enhanced livelihoods of forest-dependent people.
8. In order to achieve these impacts, the program is designed around four inter-dependent and complementary components.

### **Component 1: Strengthening enabling conditions for REDD+**

9. Component 1 covers interventions that lay the foundation for the implementation of sustainable land use and develop the enabling conditions to address drivers of deforestation and forest degradation in the key sectors, namely agriculture and forestry sector, but also in other land use sectors such as infrastructure development. The underpinning strategy is to provide the necessary tools and capacity for institutional and cross-sectoral planning, coordination and policy and regulatory implementation. Activities target mainstreaming REDD+ into the national and provincial level socioeconomic development planning and design of policies and regulations that address the key drivers of deforestation and forest degradation and building capacity for its implementation. Improved law enforcement and planning activities will be achieved through the establishment and institutionalization of national and province level monitoring systems. The strengthening of institutional capacities to monitor and sanction forest violations will strengthen the enforcement of existing laws by national, province and district level authorities. The REDD+ readiness work has laid the foundation for strengthening already existing policies and regulations.
10. GFLC builds on this opportunity and will focus on building necessary capacity for both national and sub-national level institutions as part of creating the enabling environment. Enabling conditions will be further developed through consistent and

aligned provincial, district and village level land use planning and the necessary capacity development of staff to implement plans. This will be integrated into the existing government planning processes and linked to actions for securing land and resource tenure including land registration. Land use planning and land registration will take into consideration existing forest landscapes and their protection and sustainable use. Forests and forestland, which for the most part is legally considered as State land and not subject to titling, are often managed as communal or collective and customary lands. Strengthening their legal basis for tenure security will be pursued through developing a due registration process and system of land use plans and village forest management agreements.

11. GFLL will engage with the ongoing work in promotion of responsible agricultural investments under the agriculture sectors. By strengthening the enabling environment, the GFLL triggers transformative impact across sectors towards developing a low carbon economy. Activities will aim for i) strengthening and streamlining policies and the legal framework, ii) improved forest law enforcement and monitoring, iii) improved provincial, district and village level land use planning, and iv) enhanced land and resource tenure security through land registration and other processes. The activities under this component are often important precursors for the success of further land-based interventions. This being the case, interventions that require significant earlier progress are planned for earlier implementation – while capacity building related activities would be continuous. It is important to note that for many areas of work, related groundwork is already underway particularly at the central government level, and the GFLL interventions will build on these developments.

## **Component 2: Climate smart agriculture and sustainable livelihoods**

12. Component 2 aims to address the cumulative negative impact of unsustainable agricultural practices and its transformation to high productivity with low impact on the environment. A range of technical options have been successfully tested in the Northern Uplands of Lao PDR over the last few decades to support transition from mainly subsistence to commercial agriculture. Activities will focus on the promotion of climate smart agriculture investment and improved soil conservation practices, crop diversification, agroforestry techniques such as terracing, intercropping, among others.
13. The concept of climate smart agriculture will also be integrated with the principles of responsible agricultural investments to embed broader social, environmental and economic safeguards and perspectives together with climate related concerns central

to climate smart agriculture. This component is designed to significantly curb expansion into forested landscapes and increase household incomes and resilience to climate risks caused by drought, floods, soil erosion etc. The investment will be supported through more effective extension services to the target groups, strengthening their value chain integration through promotion of processing, provision of marketing support and market information and stronger engagement with the private sector. The activities will also focus on building cooperative structures to enhance negotiation ability of these groups and improve access to rural finance. Women, ethnic groups and other vulnerable groups will receive special attention. Activities will aim for: i) establishment of an enabling environment to promote responsible, sustainable, deforestation-free and climate-smart agriculture, and, ii) implementation of climate smart agriculture models to address market demand, low productivity, lack of alternatives and address land and soil degradation. The examples of good agriculture practices can be found in Annex 5.

### **Component 3: Sustainable forest management**

14. This component will provide investments into sustainable forest management planning and the implementation of village forest management and sustainable management of production forests. The GFLM is targeting implementing and scaling up forest landscape restoration and management on at least 70,000 ha including through assisted natural forest regeneration, plantation development and agroforestry systems to enhance forest carbon stocks. These activities will be supported by intensive capacity development and training of government staff and communities with a strong focus on ethnic groups, women and the most vulnerable groups. Through preparation and implementation of village forest management planning and agreements, the underlying rationale is to strengthen tenure security of land and forest resources, particularly those land and resources that are regarded as communal/collective and customary assets. These activities will be complemented by value chain integration of the rural population, identification and mobilization and creation of incentive mechanisms to attract private sector investments into sustainable forest development and forest landscape management.
15. Forestry sector interventions will focus on: i) establishing an enabling environment to implement and scale up forest landscape restoration and management, ii) implementation and scaling up of village forest, and iii) implementation and scaling up of sustainable forest plantations. In addition, the ER Program will follow social and

environmental safeguard guidelines outlined in the Environmental and Social Management Framework (ESMF).

#### **Component 4: Program Management**

16. This stand-alone component will support Program management for services to manage, coordinate, monitor and evaluate the project and ensure that activities are implemented as planned and within budgets. This component will also be responsible for safeguards management and gender integration and will document and disseminate lessons and best practices to improve implementation and impact.

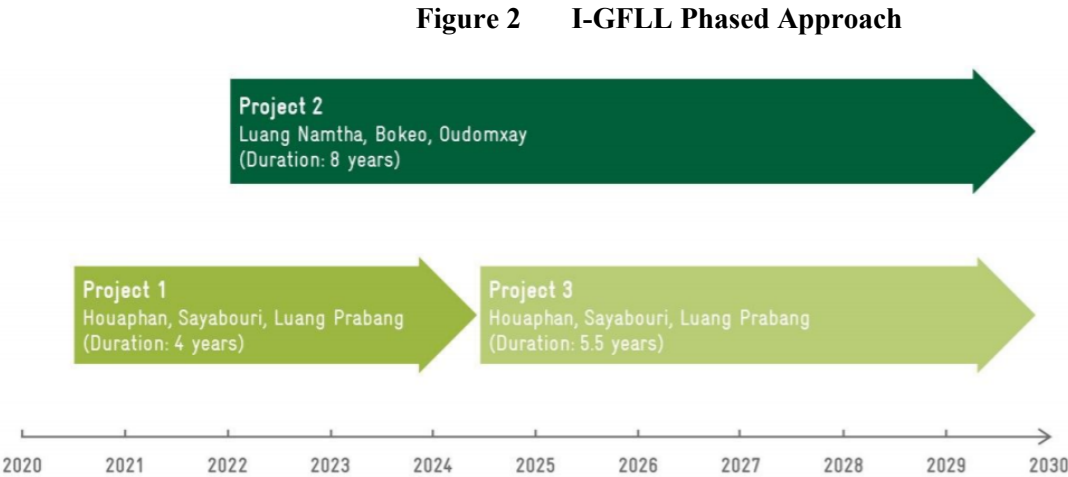
### **1.3 ER Program Financing**

17. Lao PDR will negotiate an ERPA with the FCPF Carbon Fund to purchase 8.4 million of these emission reductions, indicatively valued at USD 42 million.
18. The cost of implementing the GFLLE ER Program is estimated at US\$ 136.5 million for a 6-year period of 2020 to 2025). However, emission reductions measured and monitored for result based payments are from ERPA signature<sup>4</sup> to December 2024. The GoL will use multiple sources of finance to implement the ER Program. Prior to ER Payments, the ER Program activities will be financed by a) Implementation Plan - Governance, Forest Landscapes and Livelihoods [\(I-GFLLE\) funded by the Green Climate Fund \(GCF\)](#), b) advance payments from Carbon Fund to partly finance operational costs, if granted, and c) FCPF Readiness Grant (if extension to June 2022 is approved).
19. The GCF proposal was approved in November 2019 and implementation will start in mid-2020. The I-GFLLE will partly finance implementation of GFLLE and contribute to generating results-based payments. The I-GFLLE project is phased into three projects and forms a cornerstone of Program implementation and shares an identical target area and accounting system as the GFLLE. The three projects are as follows:
  - Project 1: Huaphanh, Xayaboury and Luang Prabang provinces. Mid-2020 to mid-2024.
  - Project 2: Luang Namtha, Bokeo and Oudomxay provinces. 2022 to end-2029.
  - Project 3: Huaphanh , Xayaboury and Luang Prabang provinces. Mid-2024 to end-2029.

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<sup>4</sup> Lao proposes the start date of the ER accounting period to be the date of ERPA signature. Due diligence for compliance with social and environmental safeguards for retroactive ERs is currently being performed by the Program Entity. A review of the due diligence outcome by the World Bank will confirm that ER Program measures implemented since the proposed start date are in compliance with ESMF and World Bank safeguard policies

20. There are 50 districts and approximately 700 villages in the ER Program. [I-GFLL](#)<sup>5</sup> will target 28 districts, with up to 400 villages. But during the period 2020 to 2024 (Project 1), I-GFLL will focus 200 villages implementing activities under Components 1, 2 and 3 of the ER Program. **Figure 2** illustrates the I-GFLL phased approach.



21. **Table 1** summarizes the interplay between GFLL and I-GFLL.

5 Selection of districts. Of the 50 districts in the six provinces, 28 districts have been selected for I-GFLL program support. The selected districts cover 72% of the remaining high-carbon-stock area in the six target provinces (3.1 million ha out of 4.3 million ha). Projects 1 and 3 contain 16 districts and Project 2 contains 12 districts. The selection process for the districts combined detailed quantitative and qualitative considerations, which are described in Chapter 2.5 of the Feasibility Study

**Table 1 Convergence GFL and I-GFL**

Project Title	GFL-LNL Governance, Forest Landscapes and Livelihoods in Northern Lao PDR	I-GFL-LNL Implementation Plan - Governance, Forest Landscapes and Livelihoods in Northern Lao PDR
Governance and Management		
Policy and Oversight	Lao National REDD+ Task Force	
Execution	REDD + Division	
Implementation	Integrated National, Provincial and District Management Units	
Plans and Budget	Integrated Annual Work Plan and Budget	
Funds Disbursement	Forest Protection Fund	Environment Protection Fund
Reporting	Integrated and Differential Reporting	
Operational		
Project Area	Six northern provinces	Three northern provinces
Action Plans	PRAPs	
Beneficiaries	Communities through Village Development Funds and Institutions	
Safeguards		
Assessment	SESA	ESIA
Safeguards Management	ESMF, ESMP, EGPF, RPF and PF	
Gender	Gender Action Plan	
Design		
Instrument	Emission Reduction Project Document	Funding Proposal
Finance Source	FCPF Carbon Fund	Green Climate Fund
Timeline	2020-2025	2020-2024
Modality and Donor	Results-based payment from Carbon Fund	Grant from Green Climate Fund
Budget	USD 42 million	USD 16 million

#### **1.4 Purpose of the Benefit Sharing Plan**

22. This BSP has been developed in accordance with the objectives of the ERPD following the Carbon Fund Methodological Framework (2016) outlining how the ER Program Entity will share the Monetary and Non-Monetary Benefits with the Beneficiaries.
23. The general principles of the GFL BSP are effectiveness and efficiency sharing, based on rationales that include hotspot priority, cost, facilitation, emission reductions, and the pro-poor rationale.

#### **1.5 Design Principles of the BSP**

24. The BSP adheres to the following design principles:



25. *Adaptive Learning Approach*: The GFLL-BSP will use an adaptive learning approach that will give primacy to piloting innovative approaches, high quality documentation of lessons, continuous improvement based on improved land-use change assessment technologies and methodologies, and adapt to ensure planned targets are achieved and benefits secured.
26. *Strategic and Sustained Focus on Key Drivers*: Mechanisms will be established to ensure agile decisions can be made to ensure strategies retain focus on key drivers, and that these are addressed, and results reflected in targets and benefits.
27. *Commitment to Communities and Improved Targeting*: The BSP will reflect a transparent commitment to local communities and ensure they remain the largest beneficiaries; and, to improve targeting and identifying communities most-dependent on forest resources, so that benefits are increasingly directed to communities who make the most significant contribution to addressing deforestation drivers and reducing emissions.
28. *Equity*: Ensuring the distributional aspects of the associated costs, risks and benefits, procedural aspects of participatory decision-making are clear and transparent. The BSP will ensure that the beneficiaries are people/organizations who contribute directly or indirectly to emission reductions objectives of the ER Program. The BSP will further avoid elite capture, and provide incentives for vulnerable groups (women, ethnic minorities, poor communities dependent on forest).
29. *Disclosure Standards*: Transparent and timely disclosure standards will be established to ensure quantitative data on land use change, status of emission reductions, calculation of benefits, and qualitative documents are disclosed to all stakeholders.

## **1.6 Legal and Regulatory Framework for the BSP**

30. The legislative framework of Lao PDR and specific regulations related to Lao REDD+ management, development, and implementation is unequivocal in granting full authority to the Ministry of Agriculture and Forestry, the Program Entity. The legislative framework includes the Constitution of Lao PDR, its Land Law, and Forest Law. There are specific articles that vest responsibility with MAF, and Annex 3 provides an overview of these laws and articles. A detailed assessment has been completed with regards to the right of the Program Entity's ability to transfer ER title to the Carbon Fund, including consultations.

31. The conclusion of this assessment is that the MAF has clear rights to transfer ER title ownership. In addition, the Lao Bar Association (Attorney Association) has reviewed the assessment note and concluded that the note is in line with current laws and regulations of Lao PDR. It formalizes the conclusion of the assessment note that MAF has full and complete rights to transfer of ER titles that will meet the legal requirements of the ERPA.
32. The legal and regulatory basis for the development of the GFLB-BSP and the key institutions that will manage results-based payments is embedded in the following GoL orders and decisions:

**Table 2 Regulations and Policies relevant to BSP**

<b>Title</b>	<b>Year</b>	<b>Relevance to BSP</b>
<b>Decree</b>		
Prime Minister's Office Notice No 1236/PMO dated 06 August 2018 on Appointment of MAF to coordinate implementation of Carbon Fund ER Program	2018	Appointment to be the lead organization responsible for coordination with key stakeholders and for monitoring the Carbon Fund emission reduction Program in six northern provinces of Lao PDR
Prime Minister's Decree No 06/PM dated 08 January 2011 on Appointment of the Ministry of Agriculture and Forestry as coordinator of NRTF	2011	MAF is appointed by the GoL as the ER Program Entity in Laos. MAF role is to coordinate and develop the national REDD+ framework and to complete REDD+ readiness preparation to become eligible to receive results-based payments.
Prime Minister's Decree on Forestry and Forest Resources Development Fund No. 38/PM	2005	This decree defines principles, rules, and procedures for the compliance by all concerned parties in the establishment, management and monitoring of FFRDF known as Forest Protection Fund (FPF). The role is to collect and mobilize fund from forest activities and activities relevant to the use of forest resources, as well as the contribution from local and abroad that shall be used to support and strengthen to forest management, environmental protection and sustainable development of forest resources to achieve the indicative targets of the national socio-economic plans.
<b>Agreement</b>		
Minister MAF Agreement No 2750 dated 23 May 2017 on Establishment of the National REDD+ Task Force and Provincial REDD+ Task Force	2017	NRTF role is to coordinate and develop the national REDD+ framework and to complete REDD+ readiness preparation to become eligible to receive results-based payments. NRTF has a significant role to ensure relevant Ministries to facilitate and implement ER programs smoothly including benefit sharing plans implementation.

<b>Title</b>	<b>Year</b>	<b>Relevance to BSP</b>
Agreement on the Roles of Forest and Forest Resources Development Fund Secretariat Office No. 092/FFRDF	2013	This agreement aims to explain the FPF secretariat office's roles, its duty and rights, including scope of work on managing the funds.
FFRDF Board of Director's Agreement on the Roles and Responsibilities of Local Forest and Forest Resources Development Fund Committee No. 281/FFRDF	2010	This agreement aims to define roles and responsibilities of local FFRDF at sub-national level (province and district level)
Agreement on the Establishment of Board of Director of Forest and Forest Resources Development Fund No. 44/PM	2009	This agreement aims to define Board of Directors of FFRDF
Agreement on the Establishment and Mobilization of Secretariat of Forestry and Forest Resources Development Fund No. 407/FFRDF	2006	This agreement is to emphasise the status of secretariat of FPF as equivalent to division and other offices under departments under Ministry of Agriculture and Forestry (MAF).
Agreement on the Role of Secretariat of Forestry and Forest Resources Development Fund No. 002/MAF.FFRDF	2006	This agreement was issued by the Board of Secretariat FPF. It is to emphasise role of FPF secretariat that is to work on the fund raising, managing the finance and accounting system, propose the plan to provide fund and monitor the use of fund of the related organization on the forest protection, promotion, research, public law and policies awareness and other related regulation of the states' on forestry and forest resource development within the nation-wide.
Agreement on the Establishment of Members of Board of Director of Forest and Forest Resources Development Fund No. 41/PM	2005	This agreement aims to announce the establishment of a Board. It includes the roles and responsibilities, and organization structure of the Boards.
Prime Minister's Agreement on the Establishment of Secretariat of Forestry and Forest Resources Development Fund No. 0376/MAF	2005	The agreement aims to announce the establishment of Secretariat of Forestry and Forest Resources Development Fund. It includes the role and responsibilities of the Secretariat.
<b>Regulation</b>		
Regulation on Forest and Forest Resources Development Fund No. 011/FFRDF	2009	This regulation was issued as a principle to enhance the fund office to implement its role, fund raising, and to manage, use and monitor the fund to be alight with regulations and laws of Lao PDR.
Regulation on the Management and Use of Budget of Forestry and Forest Resources Development Fund No. 001/FFRDF	2008	The objectives of this regulation are to manage and use the budget of the fund to be alight with the rule of forestry and forest resource development fund.
<b>Instruction</b>		

Title	Year	Relevance to BSP
<u>Minister, MAF Instruction No. 2124/MAF dated 18 September 2018 on Establishment of Six Technical Working Groups to support Lao REDD+</u>	2018	One of the Technical Working group is Benefit Sharing Technical Working group. The group is a key player to coordinate consultations with relevant Ministries and stakeholders at national and sub-national level.
Instruction on the Implementation of Decree 38/PM on Collection of Income and Management of Expenses of the Forestry and Forest Resources Development Fund No. 0885/MoF	2007	The instruction aims to define the implementation of Decree No.38 for collection of income and management of expenses of FFRDF.
Instruction on Income Management of Forestry and Forest Resources Development Fund No. 2333/MoF	2005	The instruction aims to define income management of FFRDF.

### 1.7 Legal context for the Fund Management Arrangement: Forest Protection Fund

33. There are three existing major national State Funds related to forest resource managements in Laos, namely Poverty Reduction Fund (PRF), Environment Protection Fund (EPF), and Forest Protection Fund (FPF) (previously known as Forestry and Forest Resource Development Fund (FFRDF). The FPF was established in 2005 through Prime Minister's Decree Number 38/PM, dated 21 February 2005, as a body under MAF. It is a state fund that was established to collect and mobilize more funds from forest activities and activities relevant to the use of forest resources, as well as domestic and international funding.
34. A revision of the Forest Law in 2019 stipulates that natural forests and forest land are the property of the national community and the State manages them through centralization and unity throughout the country (Article 4). The new Forest Law (2019) further stipulates that the source of revenues for the FPF will be income from payment of forest ecosystem services including eco-tourism, trade of forest carbon and others (Article 131). Thus, the GoL nominated FPF to manage the ER Program payments.

### 1.8 Sub-agreements

35. Private sector tree planters might be required to enter into sub-agreements to address the issue of carbon rights for planted trees. According to Lao PDR constitution and laws the GoL has legal ownership and title to ERs. Therefore, the MAF as representative of the GoL and Program Entity has title to ERs. Nevertheless, with the

idea of avoiding any legal risk and competing claims relative to carbon rights, sub-agreement contracts are foreseen with private sector players when planting trees. The sub-agreement contracts will ensure that only the Program Entity has full power to transfer ownership of carbon rights for the planted trees. Thus, the sub-agreement contracts secure payments and non-monetary benefits, as defined under this BSP, to private sector under the ER program, when it recognized the GoL to transfer the legal ownership and title to ERs. The activity of planting trees as a Pilot initiative is consistent with ER program (PRAPs). Such sub-agreement contracts will be managed at the provincial level with different public entities involved in the ER-program implementation: (i) the MAF will enter into sub-agreement contracts with private tree planters, stating that the Program Entity is authorized to transfer ERs to the FCPF Carbon Fund free of any third-party interest or encumbrance, and (ii) when the Provincial REDD+ Offices (PRO) and the Provincial REDD+ Task Force (PRTF) will manage such sub-agreement contracts, and they will overview the execution of such sub-agreement contracts for the MAF. The template of sub-agreement is attached in Annex 10.

## **1.9 Broader climate commitments**

36. Complementing this legal and regulatory framework is the GoL commitments to reduce greenhouse gas emissions through its Nationally Determined Contribution (NDC) and its existing Forestry Strategy. In addition, the National REDD+ Strategy (NRS) to 2025 and National REDD+ Vision to 2030 are in an advanced stage of completion. Both documents, once approved, aim to improve the quality and extent of forests nationwide to provide economic, social and environmental benefits. The policies require all stakeholders, including households, communities and the private sector, to actively participate in the reduction of deforestation and degradation, and the promotion of forest restoration and reforestation. The MAF continues to remain the national institution with the responsibility for policy making and implementation to meet the GoL commitments with regards to its global commitments, and national goals related to greenhouse gas emission reduction from its forests.

## **1.10 Communication and Consultations**

37. The BSP has been developed with the guidance of the BSP Technical Working Group (TWG) followed by clearance from the NRTF. The BSP was developed through participatory consultations held at the national level and in all six provinces and involved multiple stakeholders including local communities, ethnic groups, and CSOs,

as well as government, private sector and social and technical thematic experts (Annex 11). Consultations were conducted in local language to enable all stakeholders to participate.

38. The BSP is the result and synthesis of recommendations and suggestions made by multiple stakeholders during participatory and inclusive consultations, including on key aspects of the design, institutional arrangements, benefit sharing mechanism, allocations to beneficiaries and ER title transfer. Consultations specific to the BSP were conducted with key stakeholders at the national level and in the six provinces from January to October 2019, however benefitted from years of REDD+ stakeholder consultations dating back to 2016. Additional consultation will be held during an inception phase within the first six months of signing the ERPA and prior to the first payment.
39. The purpose of the inception phase is to hold necessary consultations to present the POM and relevant guidelines to PAFOs, DAFOs and VDCs, and to clarify practical implementation aspects such as outlining and agreeing on the criteria for selecting proposals for pilot initiatives.

## 2 BENEFICIARIES, BENEFITS, AND COSTS OF THE ER PROGRAM

40. Beneficiaries include government agencies, communities, and actors in pilot initiatives. An estimated 42,000 rural households, totaling approximately 254,000 people, are projected to benefit from the GFLP Program. These figures represent approximately 20% of the total rural population across the six provinces. 50% of these beneficiaries will be women.
41. Indirectly, the project will benefit an additional 412,000 people (32% of the rural population) in the six provinces. A significant number of beneficiaries will be from non-Lai-Tai ethnic groups who live in and adjacent to conservation and protected areas. In addition, at least 280 small and medium enterprises in the forestry and agricultural sectors will benefit from the project and will support the transformation towards deforestation-free forest and agricultural landscape management. The project is expected to build the capacities of at least 1,086 government staff members working mainly in the agricultural and forestry sectors.

### 2.1 Categories and Rationale of Beneficiaries

42. Beneficiaries are the recipients of Monetary and/or Non-monetary Benefits resulting from the ER Program.
43. The categories of beneficiaries are considered in the context of:
  - roles and responsibilities;
  - policy and regulation development, and administration by government agencies;
  - being legal rights holders of the land or forest resources in which emission reductions take place; and,
  - directly investing capital and/or labour into REDD+ activities.
44. Thus, the GFLP BSP identifies three main beneficiary categories as follows:
  - Government agencies (at all levels),
  - Rural forest-dependent communities, hereinafter named as communities, and
  - Participants in Pilot initiatives (includes Private Companies, Civil Society Organizations (CSOs) or known as Non-profit Association (NpA), and Education/Research Institutions).
45. Communities will benefit the most as they are the ones who will contribute the most if the emission reductions are to be achieved. The key roles and responsibility of each beneficiary category in the ER Program are described in **Table 3**.



**Table 3 List and Rationale of Beneficiaries in ER Program**

<b>Beneficiaries</b>	<b>Key Roles and Responsibilities</b>
<b>National Government Agencies</b> <i>Ministry of Agriculture and Forestry (MAF)</i> <ul style="list-style-type: none"> <li>- <i>Department of Forestry (DoF)</i> <ul style="list-style-type: none"> <li>o <i>REDD+ Division</i></li> <li>o <i>Forest Inventory and Planning Division</i></li> </ul> </li> <li>- <i>Department of Agriculture Land Management (DALaM)</i></li> <li>- <i>Department of Irrigation (DoI)</i></li> <li>- <i>Department of Technical Extension and Agricultural Processing (DTEAP)</i></li> <li>- <i>Department of Forest Inspection (DoFI)</i></li> <li>- <i>Department of Agriculture (DoA)</i></li> </ul>	<p>Responsible for the overall implementation and coordination of REDD+ activities throughout the country.</p> <p>Responsible for policy, management and protection of forestry and agricultural resources.</p> <p>Enforcing and strengthening legislation and regulations at national level related to encroachment, unsustainable commercial logging, shifting cultivation, and mining. This also includes mainstreaming national policies on emissions reduction (FLR, SFM, Climate Smart Agriculture) to provincial strategies and policies.</p> <p>Reviewing policy and legal framework on incentives mechanisms that may promote sustainable and responsible and therefore, deforestation-free investments in the land use sector.</p> <p>Coordinate and administrating ER Program, including national forest monitoring system, social and environmental safeguard information system, MRV, and coordination of ER activities at national level (with relevant Ministries).</p>
<i>Ministry of Natural Resource and Environment (MoNRE)</i> <ul style="list-style-type: none"> <li>- <i>Department of Land (DoL)</i></li> </ul>	<p>Responsible for land-use planning and allocation for the effective implementation throughout the country</p> <p>Responsible to review and enforcement on national PES and environmental tax provision.</p> <p>Providing facilitation of enhanced land and resource tenure security through land registration and other processes</p> <p>Providing facilitation of capacity building on land registration and land titling processes for 300 villages (located in deforestation hotspots).</p> <p>Providing facilitation of the establishment of a land use information system &amp; monitoring protocol and provision of implementation support of land use plans.</p> <p>As a national focal point for UNFCCC for Lao PDR, responsibility to admin and manage national registry REDD+ and coordination of ER activities at national level (with relevant Ministries).</p>
<i>Ministry of Planning and Investment (MPI)</i> <ul style="list-style-type: none"> <li>- <i>Department of Planning</i></li> <li>- <i>Investment Promotion Department (IPD)</i></li> </ul>	<p>Responsible for the coordination and development of national development strategies and action plans.</p> <p>Ensures the cooperation and integration across ministries to achieve stated national socio-economic goals. Supports the capacity building of its provincial line agencies to ensure planning processes and development plans integrate spatial planning and forest land management.</p> <p>Providing capacity building &amp; technical support to government staff &amp; communities to support the implementation &amp; enforcement of improved land use planning approaches (including ISP &amp; PLUP).</p>

<b>Beneficiaries</b>	<b>Key Roles and Responsibilities</b>
<i>National Agriculture and Forestry Research Institute (NAFRI)</i>	<p>Contributing policy, technical and market research and analyses in the agriculture and forestry sectors</p> <p>Providing alternate livelihood opportunities that address the drivers of deforestation &amp; forest degradation &amp; improve the livelihoods of the rural population</p>
<b>Sub-National government agencies</b>	
<i>Provincial Agriculture and Forestry Offices (PAFO) and District Agriculture and Forestry Offices (DAFO)</i>	<p>Coordinate and manage the implementation of ER Program activities at province and district level.</p> <p>Responsible for the management and protection of three forest categories at the provincial level, provide technical, coordination and capacity development and technical supports to DAFO for forestry, agriculture, land-use planning sector. This includes training on adoption of new agricultural and forestry production methods, expansion of paddy rice area, improved livestock production methods, and law enforcement.</p>
<i>Provincial Natural Resource Environment Office (PoNRE) and District Natural Resource Environment Office (DoNRE)</i>	<p>An entity responsible for land-use planning and allocation. Monitoring of infrastructure projects, including the management of environmental &amp; social safeguards/ impacts at province and district level</p> <p>Implementing &amp; enforcing improved land use planning approaches (including ISP &amp; PLUP)</p> <p>Establishing land use information systems &amp; monitoring protocol, and provision of implementation support for land use plans</p> <p>Implementing land registration &amp; land titling processes with awareness raising &amp; dissemination of land law, inheritance law, family law, other land related laws</p>
<i>Lao Front for National Development (LFND)</i>	<p>Facilitation ethnic issues, awareness raising, and providing assistance for conflict resolution.</p> <p>Supporting enabling conditions to implement ER activities in the fields with coordination with Village Development Committees</p>
<i>Lao Women's Union (LWU)</i>	<p>Providing capacity buildings to communities mostly related to financial management such as revolving fund, micro credit access and facilitation;</p> <p>Providing awareness for gender equity in decision making process, participation and empowerment of women</p>
<b>Communities</b>	
<i>Communities (including village institutions, farmer groups, cooperatives, women enterprise groups)</i>	<p>Implementation of management plans to support sustainable natural forest management activities; Implementation of FLR activities, including the establishment of agroforestry systems &amp; mixed-species plantations (including native species); Investments in native tree species plantations; Investments in enrichment of natural degraded forests; Investments in agroforestry systems</p>
<b>Pilot Initiatives</b>	
<i>Private Companies</i>	<p>Part of private sectors engagement with community in implementing sustainable natural forest management practices; complying FLEGT policy, rehabilitating natural degraded forests, implementing native tree species plantation, and implementing improved agriculture systems and mixed-species plantations (including native species)</p>

<b>Beneficiaries</b>	<b>Key Roles and Responsibilities</b>
	The ER Program intends to promote the design and use of lease agreements for contract farming models that ensure long-term land rights are not infringed upon, and that contracts are entered into only with Free, Informed and Prior Consent (FPIC).
<i>Civil Society Organizations (CSOs) or known as Non-profit Association (NpA)</i>	Facilitating role and being a part of FLR, SFM, and good agriculture practice implementation
<i>Education/Research Institutions</i>	Providing and contribute policy, research and analyses in the agriculture and forestry sectors.  Contributing capacity building modules for alternate livelihood opportunities that address the drivers of deforestation & forest degradation & improve the livelihoods of the rural population

## 2.2 Eligibility Criteria

### 2.2.1 Eligibility criteria of government agencies

46. Government agencies at all levels (national, province, and district) are eligible to receive the benefits since they are involved in and have a key role in the ER Program implementation. This is closely linked to their roles and responsibilities summarized in Table 3. **Table 4** summarizes the eligibility criteria for government agencies at national and subnational levels.

**Table 4 Eligibility criteria for government agencies**

<b>Beneficiaries</b>	<b>Eligibility Criteria</b>
<b>Government agencies</b>	
<i>National Level</i>	
<b>National Government Agencies</b>	<ul style="list-style-type: none"> <li>- Significant role in ER Program implementation, validated against the role and responsibilities arrangements outlined in <b>Table 3</b>.</li> <li>- Have a legal status in Program implementation as the country's authority.</li> </ul>
<i>Sub-National Level</i>	
<b>Sub-National government agencies</b>	<ul style="list-style-type: none"> <li>- Significant role in ER Program implementation validated against the role and responsibilities arrangements.</li> <li>- Have a legal status in Program implementation as the country's authority.</li> </ul>

### 2.2.2 Eligibility criteria of Communities at Village Level

47. Local Communities have the most significant role in ER Program implementation and their eligibility criteria is centered around ensuring effective community participation and contribution to the emission reductions and results-based payments which are only accounted for at provincial level. Hence the focus is land and forest access or ownership rights, those registered as village residence, participation, demonstration of project ownership, strong village level institutions and coordination with local

government authorities to ensure ER activities align with ER program objectives. The focus of the ER Program in securing rural land tenure will primarily be through village level land use plans and Village Forest Management Plans (VFMPs). Considering that roughly 40 % of the ER Program areas are already under land use plans or VFMPs, the ER Program will invest in priority villages in areas that have not been covered or have been covered but require updating or upgrading of the plans.

48. For the ER Program, beneficiaries must have a legal status from the government through laws and decrees. The eligibility criteria of Communities are closely linked to emission reduction activities defined in the PRAPs<sup>6</sup>. All PAFOs and DAFOs in the six provinces were involved in the development of PRAPs while a wide selection of local communities including VDCs were consulted directly and were able to provide feedback on the proposed activities and implementation plans in the PRAPs. In addition, further consultations were conducted during the preparation of the SESA and ESMF documents.
49. **Table 5** lists the community eligibility criteria. Legal status is the primary criteria and must be satisfied in the first instance and allows participation. Secondary criteria and performance criterion enable links to the PRAPs while the administrative criterion ensure positive outcomes from the ER program by enforcing necessary consultation between the PAFOs, DAFOs, PMU, VDCs and within communities regarding ER program, VDC formulation, and community work plans under the principles of FPIC.

**Table 5 Community level eligibility criteria**

<b>Community level eligibility criteria</b>	
<b>Communities (including village institutions, farmer groups, cooperatives, women enterprise groups)</b>	<b>Primary Criteria (Legal status)</b>
	<ul style="list-style-type: none"> <li>- Must be residents registered in the village</li> </ul>
	<b>Secondary Criteria (Enables Participation in ER Activities)</b>
	<ul style="list-style-type: none"> <li>- Hold land and forest rights authorised by the Village Authority.</li> <li>- In the absence of forest and land rights, ER activities will be recognised and registered to village authorities through instruments of Village Land Use and Forest Management Agreement (VLUFMA). The VLUFMA are signed by Village Authorities and countersigned by the District Administration. This document is be used to transfer the formal rights of forest management to the village level and its committee, in line with the stipulations in the Forestry Law (2019).</li> </ul>

<sup>6</sup> Developed through extensive stakeholder consultations at provincial and District level with final endorsement by the Provincial REDD+ Taskforce. PRAPs are the building blocks for the implementation of the ER Program and have been endorsed by all district provincial Governors.

	<b>Activity/Performance Criteria</b> <ul style="list-style-type: none"> <li>- Significant role in ER Program implementation as mentioned in PRAP.</li> <li>- Village institutions are in place (VDC and its five units)</li> <li>- Have ER Program activity agreements with local authorities (PAFOs/DAFOs) and such activity agreements must align with PRAPs (i.e. related climate smart agricultural practices, and village forest management activities)</li> </ul> <b>Administrative Criteria</b> <ul style="list-style-type: none"> <li>- Consultation reports/Minutes of meetings</li> <li>- Signed FPIC</li> <li>- Signed minutes of VDC formation</li> <li>- Community Work Plans</li> <li>- Participatory Land Use Plan</li> </ul>
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### 2.2.3 Eligibility Criteria of beneficiaries under pilot initiatives

50. As noted, beneficiaries under pilot initiatives include private sector, Non-profit Associations (NpAs)/CSOs, Education and Research Institutions. The purpose of pilot initiatives is to develop scalable and sustainable intervention options that address the critical drivers of deforestation and their underlying causes. The ER Program Components 2 and 3 focus on promoting sustainable and responsible agriculture investments that provide climate smart agricultural models. These include the design and use of lease agreements for contract farming models that ensure long-term land rights
51. **Table 6** summarizes the eligibility criteria for beneficiaries under pilot initiatives.

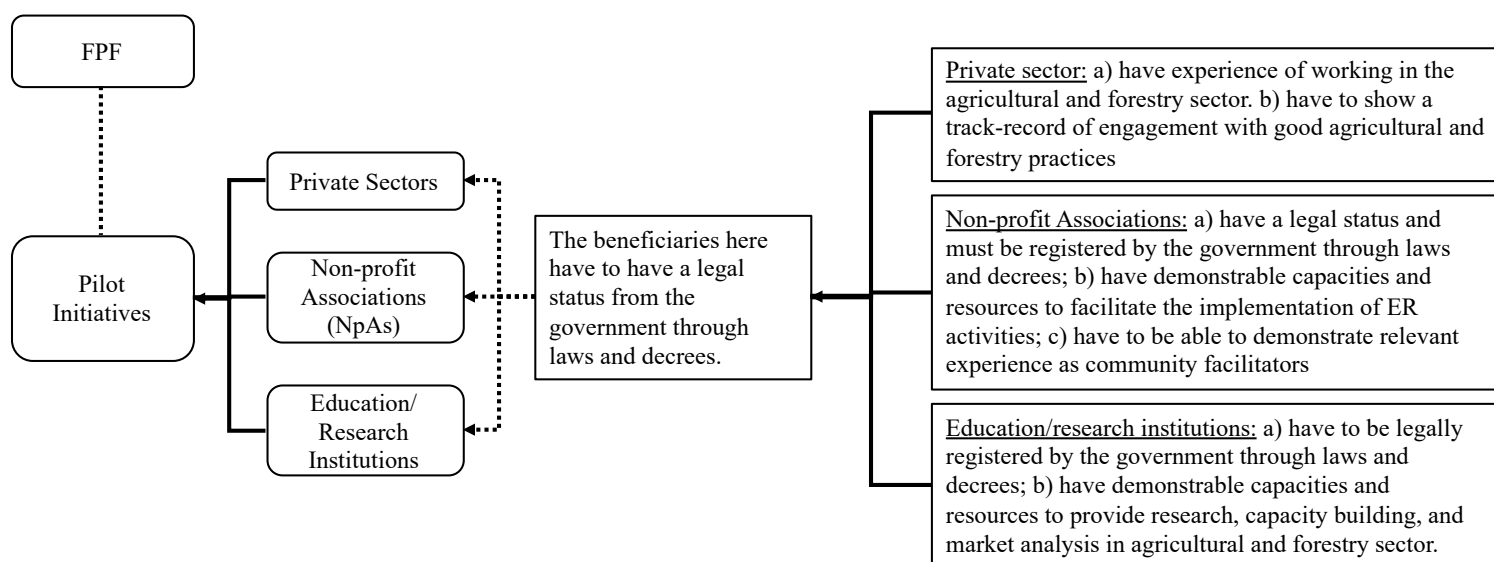
**Table 6 Eligibility criteria of beneficiaries under pilot initiatives**

<b>Pilot Initiatives</b>	
<b>Private Sector</b>	<ul style="list-style-type: none"> <li>- Have a legal status from the government through laws and decrees.</li> <li>- Work in agriculture and forestry sector</li> <li>- Have a track-record of engagement with good agricultural and forestry practices.</li> <li>- Have demonstrated by compliance with social and environmental plans</li> <li>- Proposals meet criteria of selection assessment, which will be developed by Provincial Technical Committee (PTC).</li> </ul>
<b>Non-profit Associations (NpAs)/CSOs</b>	<ul style="list-style-type: none"> <li>- Have a legal status from the government through laws and decrees.</li> <li>- Have demonstrable capacities and resources to facilitate implementation of ER activities at least 2 years in mobilizing community to develop, implement, and monitor agriculture program; or at least 2 years in facilitating community in</li> </ul>

	participatory land use plan (PLUP), or forest inventory, or forest rehabilitation, or development of community nursery - Have demonstrated by compliance with social and environmental plans - Demonstrate relevant experiences as community facilitators including demonstrating collaboration with PAFOs, DAFOs Lao Women Union (LWU), and Lao Front for National Development (LFND).
<b>Education/Research Institutions</b>	- Legally registered by the government through laws and decrees. - Have demonstrable capacities and resources to provide research, capacity building, and market analysis in agricultural and forestry sector.

52. Once these organizations are deemed eligible, then they will be selected based on submission of proposals that meet a set assessment criterion which will be developed by Provincial Technical Committee (PTC) – this is discussed in section 3.

**Figure 3 Eligibility criteria for beneficiaries under pilot initiatives**



## 2.3 Types of Benefits

53. Lao PDR will receive ER payments from the Carbon Fund on the basis of verified emission reductions achieved from GFLI implementation in the two reporting periods (ERPA signature date to December 31<sup>st</sup>, 2021 and January 1<sup>st</sup>, 2022 to December 31<sup>st</sup>, 2024). Two types of benefits will be channeled to the beneficiaries – monetary and non-monetary benefits. The types of benefits for each category of beneficiaries are outlined in **Table 7**.

**Table 7 Types of benefits for each category of beneficiaries**

Beneficiaries	Types of benefits		Rationale
<i>National Level</i>	<i>Monetary</i>	<i>Non-monetary</i>	
<i>National Government Agencies</i>	<u>Monetary benefits</u> for covering operational costs, defined as expenditures related to the technical support (e.g., MRV, safeguards) and administrative and financial management of the ER Program, and coordination across sectors between and within inline Ministerial agencies.	<u>Non-monetary benefits</u> in capacity building in financial management systems for the ER Program, strengthening institution for ER project management. Strengthened land use planning through knowledge and tools for spatial planning, land allocation and registration	The <u>monetary benefit</u> is given to compensate the roles and responsibilities taken under the ER Program implementation. The <u>non-monetary benefit</u> is given as a support for activities to ensure the implementation of the ER Program at the national level.
<i>Sub-National Level</i>	<i>Monetary</i>	<i>Non-monetary</i>	
<i>Sub-National Government Agencies</i>	<u>Monetary benefits</u> for covering operational costs in relation to implementation of ER activities at field levels. This includes monitoring of implementation of ER activities done by communities and private entities.	<u>Non-monetary benefits</u> are as follows: capacity development on monitoring implementation of ER activities at province, district, and village level training on ESMF, FLEGT, Climate Smart Agriculture, FLR.	The <u>monetary benefit</u> is given to compensate the roles and responsibilities taken under the ER Program implementation.  The <u>non-monetary benefit</u> is given as a support for activities to improve the ER Program management and implementation at the sub-national level.
<i>Community Level</i>	<i>Monetary</i>	<i>Non-monetary<sup>7</sup></i>	
<i>Communities (including village institutions, farmer groups, cooperatives, women enterprise groups)</i>	Benefits are channeled through Village Development Committees (VDCs)  - operational costs for the Village Development Committee	<u>Non-monetary benefits</u> are as follows: - Training in managing funding for community, facilitating communities (e.g., awareness, conflict resolution, etc.). - Capacity building/training and equipment for FLR, SFM, CSA, and livelihoods opportunities for communities. - Forest law enforcement, including patrolling, equipment, and capacity building/training. - Development projects (e.g., health, education, public facilities) that do not contribute to deforestation and forest degradation. - Additional livelihood support for community businesses, including capacity building/training, equipment, market access, or agricultural inputs. - Secure land tenure - Improved productivity from access to agricultural extension services such as farmer field schools	The <u>monetary benefit</u> is given to compensate the operational cost for VDC under the ER Program implementation.  The <u>monetary benefit</u> (not in cash) is given to provide incentives for community achievements in reducing emissions, and to implement long-term strategies in protecting forest and improving community livelihood, as community is the key actor in environmental protection.  The <u>non-monetary benefit</u> is given as a support for activities to improve the capabilities in managing and implementing the ER Program on the ground at the village level.

<sup>7</sup> Benefits will not be in the form of cash for the communities, instead the benefits will be in a long-term investment to provide long-term impact under the poverty alleviation and environmental sustainability framework such as seeds for farm, improving agroforestry system, livestock, and similar investments



Beneficiaries	Types of benefits		Rationale
<i>Pilot Initiatives</i>	<i>Monetary</i>	<i>Non-monetary</i>	
<b>Private Sectors</b>	<p><u>Monetary</u> benefits are granted if eligibility of private proponent meets with the criteria.</p> <p>Note: Monetary here aims to finance the implementation of proposal by actors from the private sectors.</p>	<p><u>Non-Monetary</u> benefits in the form of capacity building/training facilitated by PAFO/DAFO are as follows:</p> <ul style="list-style-type: none"> <li>- Proposal development related to mitigating climate change (ER Program).</li> <li>- Sustainable forest management practices in relation to complying with FLEGT policy.</li> <li>- Rehabilitation of natural degraded forest.</li> <li>- Plantations of native trees species.</li> <li>- Improved agriculture systems.</li> <li>- Climate resilience through crop diversification</li> <li>- Improved soil conservation</li> </ul> <p><u>Non-monetary</u> benefits include equipment and inputs (e.g., seeds, organic fertilizers) to support sustainable practices.</p>	<p><u>Both Monetary and non-monetary</u> benefits are given to improve the private companies' capabilities in managing forest and land, in relation to the achievement of the ER Program objectives.</p>
<b>Non-profit Associations (NpAs)/CSOs</b>	<p><u>Monetary</u> benefits are granted if eligibility of the NpA proponent meets with the criteria.</p>	<p><u>Non-Monetary</u> benefits in the form of capacity building/training facilitated by PAFO/DAFO in relation to the ER implementation in province and district level.</p>	<p><u>Both Monetary and non-monetary</u> benefits are given to compensate NpAs services in providing facilitation and skills for communities' capacity building, in relation to the achievement of the ER Program objectives.</p>
<b>Education/Research Institutions</b>	<p><u>Monetary</u> benefits are granted if eligibility of Education/Research Institution proponent meets with the criteria.</p>	<p><u>Non-Monetary</u> benefits in the form of capacity building/training facilitated by PAFO/DAFO in relation to the ER implementation in province and district level.</p>	<p><u>Both Monetary and non-monetary</u> benefits are given to compensate Education/Research institutions' services in providing analysis and research, in relation to the achievement of the ER Program objectives.</p>

## 2.4 Benefits Allocation

54. Gross ER payments are the entire volume of ER paid to the GoL in each reporting period. The implementation of the ER Program and of its BSP involves a wide range of costs, which were defined in the ERPD. This BSP deducts operational costs and a performance buffer, with the remainder distributed among eligible beneficiaries. ER Program performance is measured at provincial level and result-based payments are also distributed based on PRAPs with consideration of the rationales. Based on public consultation with PAFOs from the six provinces in October 2019:

Seventy seven percent (77%) will be allocated as performance-based allocations to communities, sub-national government agencies and pilot initiatives.

Eighteen (18%) will allocated to operational cost; and,

Five (5%) to a performance buffer.

#### **2.4.1 Performance-based allocation to communities, pilot initiatives, and sub-national government agencies**

55. Seventy-seven (77%) of the gross ER performance-based payment will be allocated to communities, sub-national government agencies, and actors in pilot initiatives in each province. The distribution will be as follows:

Ninety percent (90%) of the net ER performance-based payment is allocated to communities.

Five percent (5%) of the net ER performance-based payment is allocated to sub-national government agencies as incentives; and,

Five percent (5%) of the net ER performance-based payment is allocated to pilot initiatives.

#### **2.4.2 Allocation to communities**

56. Benefit allocation to communities is aimed at supporting those who have effectively implemented intervention activities that contribute and lead to collective emission reductions within a province. As a matter of principle, the ER Program will not disburse any cash payments to communities but will establish institutional mechanisms and workplans to deliver benefits to communities. The exact allocation will depend on the overall performance of the province against the baseline. The baseline constitutes the ER potential presented in Section 4 (Performance scenario) and the eligible community workplans prepared at the beginning of each reporting period. The proposed interventions are a combination of interventions that, if implemented effectively, should lead to reduced deforestation and forest degradation which can be detected through remote sensing in each province. Thus each community contributes by undertaking specific activities and Annex 5 and Annex 6 provide examples of permitted activities. Activities related to forestry and agriculture will be assessed based on the work plan and measured as follows:
- Total forest area (ha) compliant with permitted activities in village forests. Such activities include forest patrolling, fire prevention, promotion of natural regeneration, forest enrichment, or other village forest activities acknowledged by local authorities with the purpose to reduce emissions.

- Total agriculture area (ha) compliant with good agriculture practices (GAP) such as agroforestry, improved livestock management, conservation agriculture, or other agricultural activities with the purpose to reduce emissions
57. Therefore, the role of communities in implementing the interventions is critical. At the beginning of each reporting period (i.e. 2020-2021 and 2022-2024), all eligible communities in the provinces will each prepare community workplans and budgets. These work plans are to be based on PRAPs. Once workplans are agreed between PMUs and PAFOs, DAFOs, and VDCs, a monitoring and evaluation framework will be prepared. At this point the total number of participating communities would be known and this would enable subsequent planning for benefit distribution. During implementation, progress against these workplans will be closely monitored through a combination of internal procedures outlined in this BSP and external monitoring based on the Carbon Fund Methodological Framework.
58. While actual performance-based payments to each province will be based on verified emission reductions, the allocation to communities will use a set of quantitative data sets backed by qualitative information and criteria. This approach gives due consideration to technical constraints as the unit of administration for measuring change in emission reductions can only be done at the provincial level. While funds that arrive in each province will be results-based, downstream deployment of these funds would be on the basis of a set of criteria and priorities that will be reflected into annual work plans and budgets by PAFO, DAFOs and the eligible communities. Therefore, since communities are critical in the implementation of activities, progress of activity implementation at community level will be closely monitored through assessment of:
- i. Community level workplans by PMUs, PAFOs, DAFOs in collaboration with VDCs using pre-agreed assessment criteria to be determined during the inception phase.
  - ii. Assessment of safeguard compliance through SESU using pre-agreed assessment criteria to be determined during the inception phase
59. At the end of the reporting period, once the total ER emission reductions are determined for each province, and results-based payments are received, all provinces will be informed of the actual results and funds available to them based on performance outcomes. This step triggers VDCs to undertake community level consultations to prepare community action plans based on the criteria set in annual workplans submitted at the beginning of the reporting period. VDC would work with communities

to select priority actions in line with the permitted activities in Annex 5 and Annex 6. The PMUs will ensure such action plans enable the long-term sustainability of the ER program interventions.

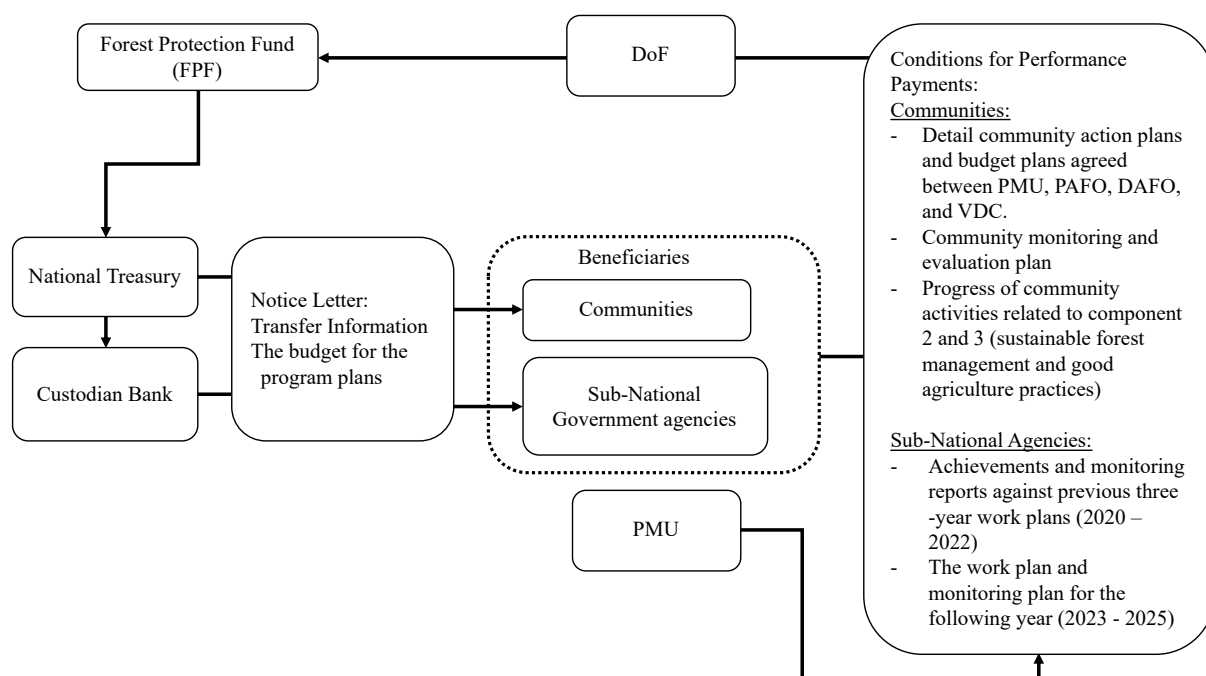
60. Funds would be utilized to finance community infrastructure, help to establish micro-finance schemes, livelihood activities, and strengthen forest patrolling and law enforcement. These actions should align with Component 2 and Component 3 (in the ERPD), such as financing or scaling up the implementation of climate-smart agriculture practices (good agriculture practices), village forest management (VFM), village forestry, and implementation and forest landscape restoration (FLR) (See Annex 5 and 6). The investments may also be related to development projects (education, health facilities, etc.) which would be determined through community consensus.
61. This BSP recognizes existing project and institutional structures that may already have benefit sharing modalities which would either be different or similar to what is proposed under the ER program. For instance, there are villages in production forest areas and villages located in or on the border of conservation forests (protected areas and national parks which are already part of ongoing projects such as Sustainable Forestry for Rural Development – Scaling Up (SUFORD-SU). Consultation is planned during the inception phase with local authorities and development partners on appropriate measures that avoid conflicting benefit allocation and instead, encourage finding practical ways for collaboration and coordination in provision of extension services necessary to build the capacity of local communities.
62. The PMUs would assist VDCs and provide capacity building to develop work plans and budgets, and would also support communities to establish village committees, if necessary or upon request. In addition, training for VDCs in accounts, micro-credit, bookkeeping, and monitoring would be provided.

### **2.4.3 Allocation to sub-national government agencies**

63. Benefit allocation for sub-national government agencies is aimed to provide incentives to government agencies based on emission reductions achieved. Sub-National government agencies will receive five percent (5%) of the ER Program performance-based payment as incentives for providing technical and administrative support for emissions reductions at sub-national level.

64. The ER Program plans to increase the capacity of government agencies to provide adequate extension services that would create the enabling environment under ERPD Component 1. For instance, land resource tenure security is particularly important for the ER Program interventions' success, hence activities directly engaging on land related interventions are prominent in the cross-cutting interventions, namely, interventions on integrated spatial planning, land use planning at the village level, land allocation and registration, VFMP and VFMA. For the VFMA, developing standard templates including provisions to strengthen legal implications of the management agreements will need to be implemented. Through the application of VFMA, and a corresponding VFMP, it is envisaged that the legal basis for tenure security of communal or collectively managed customary forests and forestlands can be strengthened.
65. These are important roles that sub-national agencies will play and be incentivized to undertake and include in annual work plans. To be effective in these roles, strengthened capacity through improved information systems for land use planning and monitoring will be important outcomes.
66. The sub-national agencies will be required to provide achievement and monitoring reports against previous three-year work plans (2020-2022), showing their activities in supporting the ER Program. The sub-national agencies will also need to prepare the work and monitoring plans for the following three years (2023-2025) for submission to FPF for approval by the Board and endorsement by DoF (before requesting a disbursement of funds from the National Treasury).

**Figure 4      ER Performance-based allocation Communities and Sub-National Agencies**



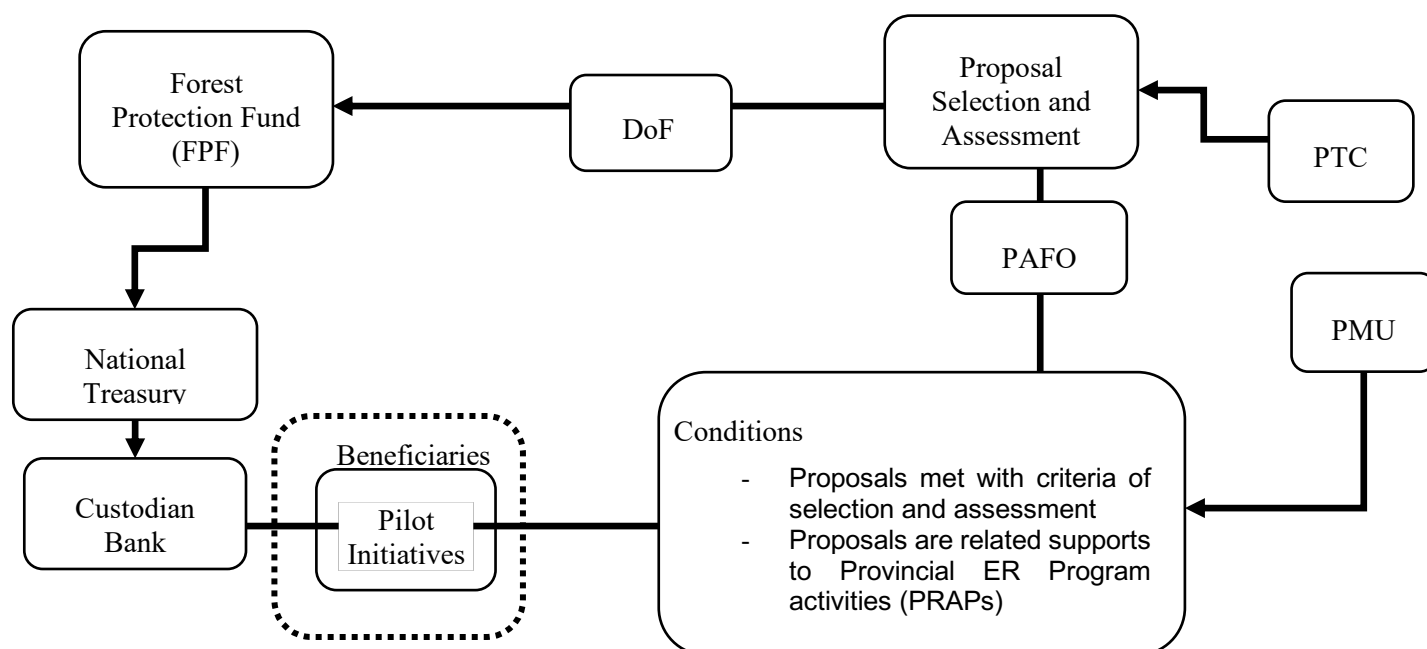
#### 2.4.4 Allocation to Pilot Initiatives

67. Five percent (5%) of ER performance-based payment is allocated for grants. The GoL will announce call for proposals for ER activities in the first reporting period of implementation. The call of proposals will be announced in at least the six months prior to the first ER payment in 2023. The applicants can be private sector, Non-profit Associations (NpAs), and research and education institutions. The proposals will be submitted to PAFO, as a secretariat for the PRTF. The PRTF will then request PTC to assess and select the proposals against agreed criteria to support the ER Program activities in the Province (based on PRAPs). The selection criteria for proposals is under development by the PTC, which consists of representatives from Provincial REDD+ Task Force (PRTF), PAFO, DAFO, Lao Women Union (LWU), Lao Front for National Development (LFND).. One of the criteria will be the financial management and relevant capacity of grantees to implement the proposal.
68. Proposals for accessing grants under pilot initiatives will need to meet high standards of safeguards compliance in line with the SESA and ESMF. Full participation and consultation, and particular care for engaging women, ethnic groups, and other vulnerable groups, to ensure their buy-in will need to be addressed.
69. The applicants can ask for assistance from the PMU to provide technical guidance on the proposal development and such guidance will draw on the objectives of the ER Program Components which promote activities that provide employment opportunities

and income generation for local communities as well as contribution to the local economy. The applicants shall provide logical framework/theory of change in the proposals including indicators to achieve the overall project goal.

70. Once proposals are selected, then PAFO will submit the successful proposals to FPF. These proposals will also be copied to DoF. The proposals are subsequently subject DoF endorsement and FPF Board approval.
71. Contractual agreements (sub-agreements) between FPF and successful grantees will be developed and agreed by both parties before the funds are transferred. The main responsibility of grantees is to provide the reports based on the project indicators (based on proposals approved) and financial expenditures to FPF after the completion of project implementation. The grantees should provide reports every 3, 6, 9, and 12 months to FPF. If any activity doesn't follow the proposal or not meet with the project indicators, FPF office will be the center for monitoring, propose the management to revise or cease the fund and will not consider the activity/project in the next round call of proposal (2025).
72. The agreement will consist of
  - items of REDD+ activities (work plan, human resource plan, and financial plan) to be implemented and completed;
  - funds to be transferred;
  - scheduled monitoring and evaluation; and,
  - scheduled progress and completion report to the FPF.

**Figure 5 ER Performance-based allocation – Pilot Initiatives**



#### **2.4.5 Allocation to Operational Costs**

73. As noted, eighteen percent (18%) of the ER performance-based payment is allocated to cover the cost of implementing the ER Program and this BSP.
74. The operational costs will cover activities that strengthen the operational capacity of national and sub-national institutions in program administration, project management, safeguards implementation, overall performance monitoring, measurement, monitoring, reporting and verification (MMRV), and feedback, and grievance redress.
75. Specific costs include recruitment of additional staff for FPF, setting up national and provincial PMUs, setting up three Social and Environmental Safeguards Units (SESU), and training of PAFO and DAFO and village institutions on key aspects of ER program implementation which will be outlined in the Program Operational Manual (POM). There will be additional costs such as initial setting up costs of hiring consultants to prepare operational guidelines for financial reporting, monitoring, coordination, auditing, and other overhead costs.
76. A series of workshops will be held at national level and across the six provinces to update PRAPs and implementation workplans during the inception stage.

#### **2.4.6 Financing of Operational Costs**

77. The overall requirement for effective startup of the ER program, procurement of resources and technical support to meet the objectives of the ERPA will require a total budget of USD 7.3 million during the period 2020-2025. A financing plan has been developed to ensure these funds are available as required and that the ERPA start up is efficient and effective over the five-year period.
78. Operational funds will be utilized for:
  - (a) *Project management* for adequate staff and resources to the project management unit to provide oversight, coordinate activities, support safeguards, and monitoring, reporting, and evaluation.
  - (b) *Technical support* will cover key areas based on the requirements of the ER program components and covers natural resource management, safeguards, MRV, capacity building, and strengthening the Forest Protection Fund, taking note of the



need to strengthen fund management adequate funds has been allocated to ensure the fund management structure and capacity is developed and functions effectively and efficiently;

- (c) *Capital expenses* cover efficient functioning of the national and province PMUs, and enhancing mobility and communication for coordination and safeguards management;
- (d) *Recurring costs* would be deployed to cover operational expenses for the national and provincial PMUs, training, workshops, seminars, and monitoring and evaluation.

79. Direct operational costs will be financed in three ways as follows:

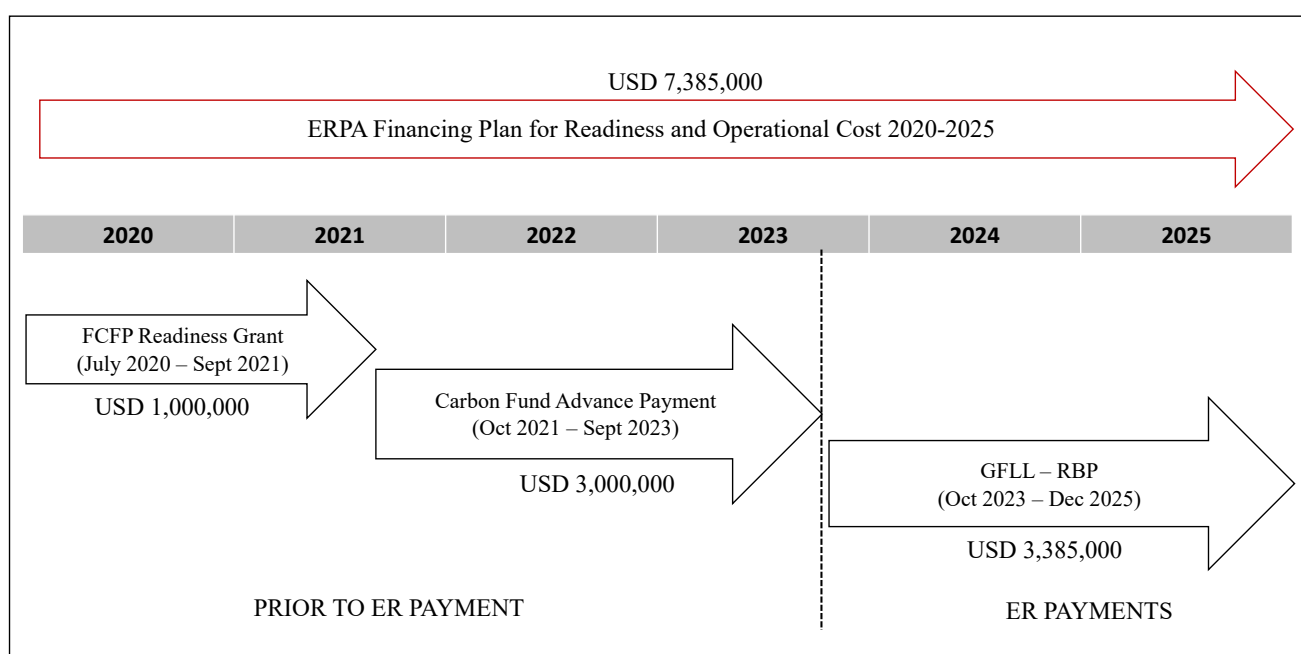
- **July 2020 to September 2021:** The FCPF Readiness grant is continuing to June 2022 and the GoL has requested an extension. Costs amounting to USD 1 million overlap with the early stage of the ER Program implementation. These funds will be utilized to complete REDD+ readiness in the six ER provinces; update provincial REDD+ action plans; finalize institutional arrangements for safeguards and feedback and grievance redress; and on building capacity and capability so that the ER program provinces are ready to make the transition from readiness to implementation. The deployment of these funds will also provide a foundation that will ensure the ER program is consolidated and operates in close coordination with the project financed by the Green Climate Fund (a principal source of financing for the ER Program). These processes and outcomes will also allow Lao PDR to take due advantage of existing and emerging opportunities to leverage additional finance for the sustainable management of Lao's forest resources, to enhance the wellbeing of forest and adjacent communities, and lead to emission reductions.
- **October 2021 to September 2023:** The GoL is requesting a USD3 million Upfront Advance Payment under the ERPA. The Upfront Advance Payment will be used to strengthen institutional arrangements that will include the national program management unit, the provincial and district implementation structures, and, continue to strengthen institutional mechanisms for safeguards management and feedback and grievance redress mechanism.
- **October 2023 to December 2025:** Operational costs (USD 3.3 million) will be financed from the expected result-based payment.

80. **Table 8** presents operational costs for the ER Program from 2020 to 2025 and **Figure 6** graphically illustrates the operational costs financing plan and source of funds. Additional information on operational costs and timelines are provided in Annex 1.

**Table 8 ERPA Operational Costs Financing Plan 2020-2025**

PROJECT COMPONENTS		2020	2021	2022	2023	2024	2025	Total (USD)
<b>1</b>	<b>PROJECT MANAGEMENT</b>	<b>299,100</b>	<b>614,620</b>	<b>1,116,700</b>	<b>765,900</b>	<b>960,340</b>	<b>968,055</b>	<b>4,724,715</b>
<b>1.1</b>	<b>PMU National</b>	<b>181,500</b>	<b>435,000</b>	<b>489,500</b>	<b>558,700</b>	<b>753,140</b>	<b>760,855</b>	<b>3,178,695</b>
1.1.1	<i>Management and Support Staff</i>	123,100	218,200	262,700	254,800	271,340	284,340	1,414,480
1.1.2	<i>Capital expenses</i>	-	100,000	90,000	-	-	-	190,000
1.1.3	<i>Recurring costs</i>	58,400	116,800	136,800	303,900	481,800	476,515	1,574,215
<b>1.2</b>	<b>PMU Province</b>	<b>117,600</b>	<b>179,620</b>	<b>627,200</b>	<b>207,200</b>	<b>207,200</b>	<b>207,200</b>	<b>1,546,020</b>
1.2.1	<i>Management and Support Staff</i>	-	18,000	72,000	72,000	72,000	72,000	306,000
1.2.2	<i>Capital expenses</i>	50,000	30,000	420,000	-	-	-	500,000
1.2.3	<i>Recurring costs</i>	67,600	131,620	135,200	135,200	135,200	135,200	740,020
<b>2</b>	<b>TECHNICAL SUPPORT</b>	<b>164,300</b>	<b>384,000</b>	<b>670,200</b>	<b>462,740</b>	<b>482,455</b>	<b>496,590</b>	<b>2,660,285</b>
<b>2.1</b>	<b>Natural Resource Management</b>	<b>-</b>	<b>30,000</b>	<b>121,200</b>	<b>126,000</b>	<b>130,800</b>	<b>134,400</b>	<b>542,400</b>
2.1.1	<i>Forest Planning and Management Specialist</i>	-	7,500	30,300	31,500	32,700	33,600	135,600
2.1.2	<i>NRM Policy and Research Specialist</i>	-	7,500	30,300	31,500	32,700	33,600	135,600
2.1.3	<i>Climate Smart Agriculture Specialist</i>	-	7,500	30,300	31,500	32,700	33,600	135,600
2.1.4	<i>Sustainable Livelihoods Development Specialist</i>	-	7,500	30,300	31,500	32,700	33,600	135,600
<b>2.2</b>	<b>Safeguards Management</b>	<b>75,800</b>	<b>102,000</b>	<b>84,000</b>	<b>84,840</b>	<b>88,230</b>	<b>90,840</b>	<b>525,710</b>
2.2.1	<i>SESU Management Specialist</i>	12,000	15,000	-	-	-	-	27,000
2.2.2	<i>Social Safeguards Specialist</i>	18,000	3,000	-	-	-	-	21,000
2.2.3	<i>Safeguards Management Specialist</i>	35,000	84,000	84,000	84,840	88,230	90,840	466,910
2.2.4	<i>Environmental Safeguards Specialist</i>	10,800	-	-	-	-	-	10,800
<b>2.3</b>	<b>Measurement, Reporting and Verification</b>	<b>10,500</b>	<b>42,000</b>	<b>93,000</b>	<b>94,340</b>	<b>99,565</b>	<b>102,630</b>	<b>442,035</b>
2.3.1	<i>NFMS Specialist</i>	-	9,000	36,000	36,600	38,790	39,960	160,350
2.3.2	<i>Land Use Change Assessment Specialist</i>	-	9,000	36,000	36,600	38,790	39,960	160,350
2.3.3	<i>MRV Support Specialist</i>	10,500	24,000	21,000	21,140	21,985	22,710	121,335
<b>2.4</b>	<b>Capacity Building</b>	<b>-</b>	<b>54,000</b>	<b>216,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>270,000</b>
2.4.1	<i>Capacity Building Assessment Specialist</i>	-	9,000	36,000	-	-	-	45,000
2.4.2	<i>Training of Trainers Specialist</i>	-	9,000	36,000	-	-	-	45,000
2.4.3	<i>Village Facilitators (6 Specialists)</i>	-	36,000	144,000	-	-	-	180,000
<b>2.5</b>	<b>Forest Protection Fund Strengthening</b>	<b>78,000</b>	<b>156,000</b>	<b>156,000</b>	<b>157,560</b>	<b>163,860</b>	<b>168,720</b>	<b>880,140</b>
2.5.1	<i>Fund Management Specialist/Team Leader</i>	42,000	84,000	84,000	84,840	88,230	90,840	473,910
2.5.2	<i>Financial Management Specialist</i>	18,000	36,000	36,000	36,360	37,815	38,940	203,115
2.5.3	<i>Operations and IT Specialist</i>	18,000	36,000	36,000	36,360	37,815	38,940	203,115
<b>Total (USD)</b>		<b>463,400</b>	<b>998,620</b>	<b>1,786,900</b>	<b>1,228,640</b>	<b>1,442,795</b>	<b>1,464,645</b>	<b>7,385,000</b>

**Figure 6 ERPA Financing Plan for GFL Operational Cost**



81. Operational costs in government institutions will be allocated based on preparation of:

- Detailed annual work plans drawn from components 1 and 4 from the ERPD.
- Schedule of payments used to finance activities related to technical assistance on safeguards, MRV, FGRM, administration, and project management.
- Schedule of activities related to reporting, auditing, operational cost for village institutions, monthly office expenses, finance and administrative support for FPF province.

82. The work plans need to show activities, objectives, expected outputs, scheduled activities, location, institution or agency in charge, and coordination with other agencies across the proposed activities budget. The national PMU will facilitate and provide assistance to the government agencies for the development of the work plans in line with the implementation plans in the PRAPs.

83. The plans will be submitted to DoF for endorsement and to FPF Board for approval. The FPF Board will meet in the first and third quarter of each year to review and approve ER Program operational costs.

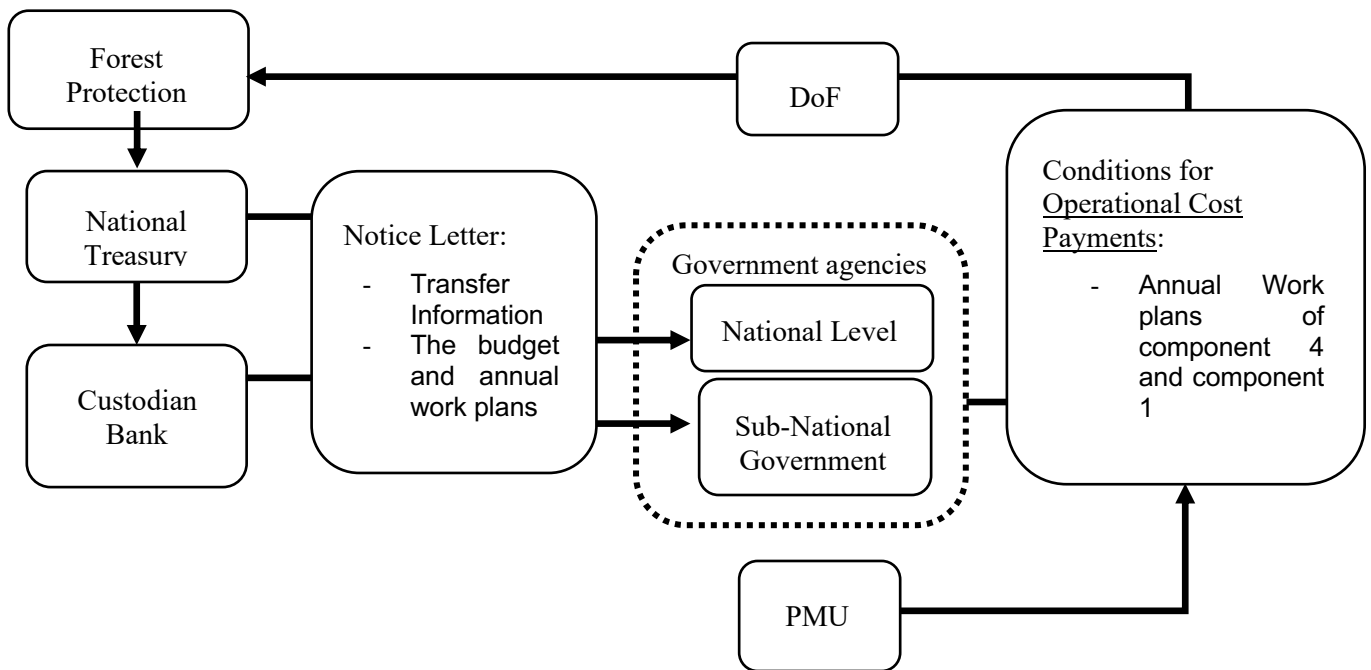
84. FPF will provide a notice letter that consists of a) amount of funds to be transferred, and b) the budget for annual work plans. The notice letter will include additional

information related to scheduled monitoring and evaluation, and scheduled submission of progress and completion report to the FPF.

85. The illustration of Operational Cost Payment (18 percent of Gross ER Payment) is presented in

86. **Figure 7.**

**Figure 7 Operational Cost allocation – government institutions**



#### 2.4.7 Performance buffer

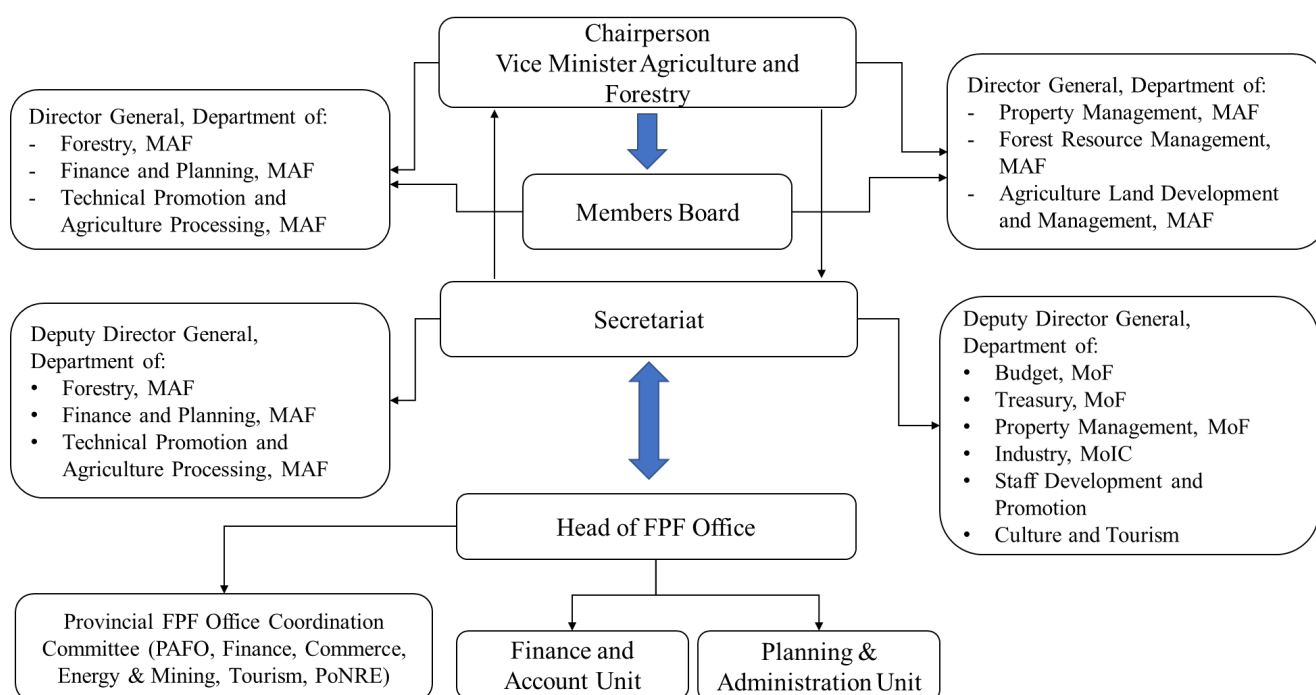
87. A 5% performance buffer is set aside to cope with under-performance of the ER Program in each reporting period. The buffer provides a financial backstop for any eventuality that may contribute to the potential under-performance of the ER Program in the subsequent crediting period. For example, this set-aside amount would be available for use to overcome damage caused by force majeure events, such as natural calamities (if relevant). After the last verification, any potential remaining funds from the buffer will be distributed as net ER performance-based payments under this BSP.

### 3 INSTITUTIONAL ARRANGEMENTS FOR BENEFIT SHARING

#### 3.1 BSP Institutional Arrangements

88. The operationalization of this BSP is underpinned by existing REDD+ implementation arrangements outlined in the ERPD with general oversight from National REDD+ Task Force (NRTF), a multi-sector body, responsible for the development and implementation of REDD+ in the country. For the BSP, the GoL has elected the FPF for fund management. The FPF is a state fund that was established to collect and mobilize funds from forest activities and the use of forest resources.
89. The GoL nominated the FPF as the State Fund Agency for GFLB BSP implementation based on the jurisdictional role of MAF, the new Forest Law (2019) and broad consultation with the National REDD+ Task Force, MoF, MAF, and MPI. However, the fiscal responsibility for receiving and disbursing ER Payments from the Carbon Fund rests with the National Treasury (NT) under the MoF through a dedicated account. A custodian bank will be nominated as an intermediary between National Treasury and beneficiaries.
90. The FPF will facilitate the management and disbursement of finances for the implementation of GFLB. The GoL will setup a central PMU to take charge of the implementation of I-GFLB and GFLB programs. The central PMU will deal with cross-cutting issues, and facilitate coordination between different ministries, departments, general departments under MAF, MoNRE and MPI to enhance coordination and collaboration from the central level to the village level.
91. Provincial project management units (PPMU) will also be set up and operated under the guidance of national PMU. The mode of operation will be outlined in a POM due to be available by October 2020.
92. Annual work plans of GFLB and I-GFLB will be integrated, whereas budget management, procurement and reporting will be coordinated but separated as would be required under each finance source.
93. See **Figure 8** for governance structure of FPF.

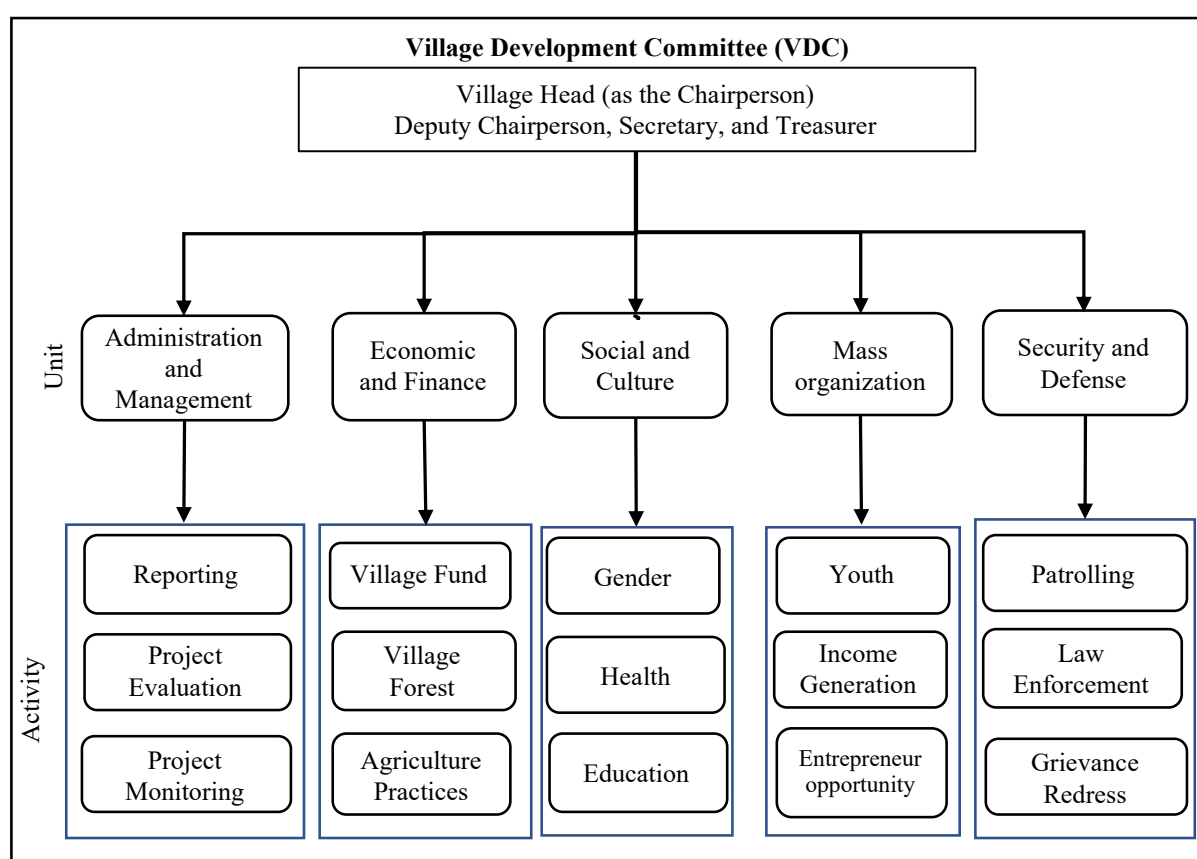
**Figure 8 Governance Structure of FPF**



94. Fund management under FPF follows the State Budget Law and national finance regulations under the aegis of the State Audit Organization (SAO) in the first instance. For financial monitoring and compliance of grant funds, FPF receives policy guidance under decree No 001/2008/FFRDF (Annex 7). As indicated earlier this decree and its associated regulations will be reviewed by the Board and revised to ensure a high level of financial regulation and mechanisms are put into place.
95. The operational roles and responsibilities of national and sub-national institutions are already stated in the beneficiary list in Section 2.1 in **Table 3**. With regards to financial handling in relation to the BSP; specific roles and responsibilities and procedures will be outlined in the POM.
96. At the village level, VDCs will play a role of handling funds through the custodian bank. All activities relating to the management and distribution of ER payments will be outlined in a POM which will cover all relevant aspects of the ER program implementation. The POM will draw policy guidance for financial monitoring and compliance of grant funds from decree No 001/2008/FFRDF (Annex 7) and World Bank fiduciary requirements.
97. VDC is headed by a Village Head (as the Chairperson) and includes a Deputy Chairperson, Secretary, and Treasurer.

98. The structural institution of VDC consists of five units<sup>8</sup>. The units can be established as per the requirements of the ER program. Role of the Units is to coordinate, advise, and monitor, including responsible for implementation of community activities. Village Forest activity, for example, will be under coordination of Economic and Finance unit. Decision and endorsement including determination of benefits allocation and prioritization of community needs will be conducted through VDC meeting that will be attended by representative unit members. See **Figure 9** for illustration of structural institution of VDC.

**Figure 9 Illustration of structural institution of VDC**



99. The GoL agreed that in order to reduce administrative delays in disbursing funds from the National Treasury to beneficiaries, the Ministry of Finance will assign a custodian bank as a trustee to enable the FPF to swiftly transfer the funds to beneficiaries based on approved ER Program annual work plans from beneficiaries<sup>9</sup>.

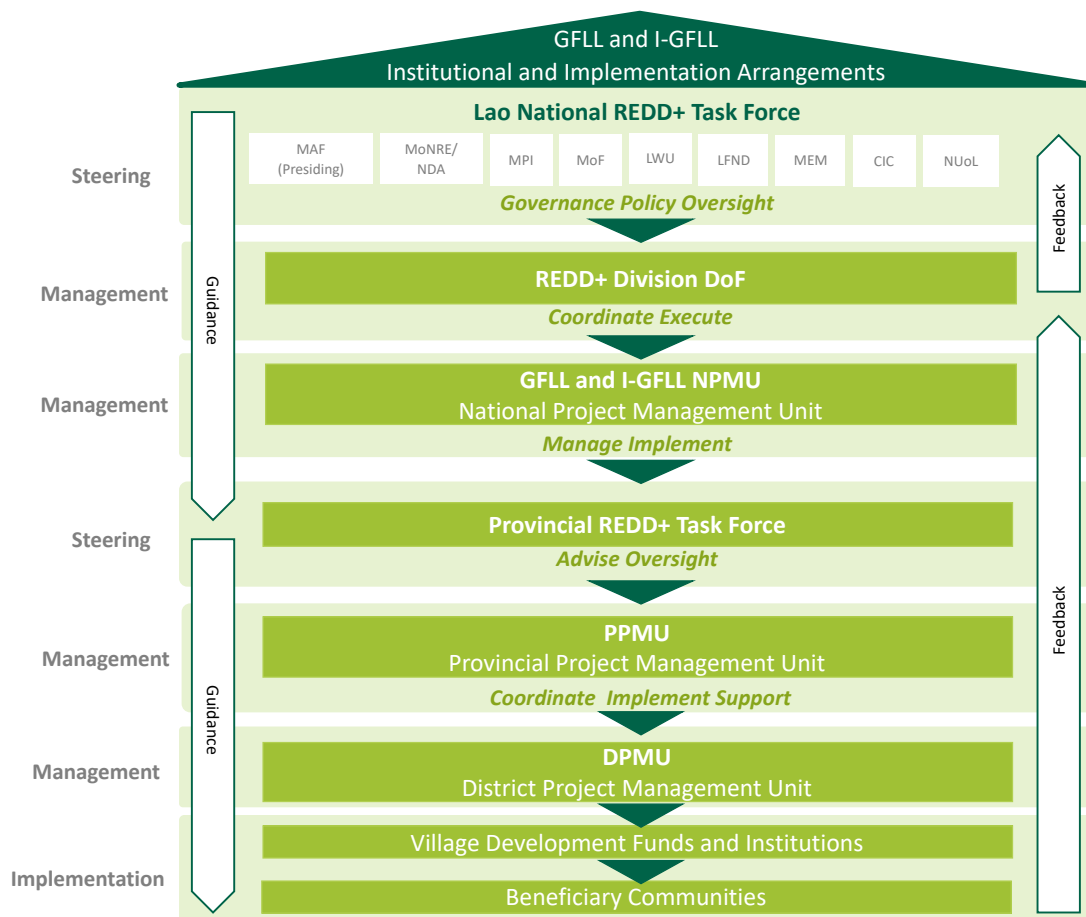
<sup>8</sup> Law on Local Administration 2015, Article 83

<sup>9</sup> Based on BSP-TWG meeting on 1st October 2019,



100. The FPF will be required to prepare financial statements which will be subject to audit by a) the Internal Audit of MAF and b) SAO. The Internal Audit is conducted every six months. The internal audit is conducted by a team under MAF consisting the Inspection Department, Planning Department, and Administration Unit.
101. In addition, international third-party audit will be undertaken as required and will be presented, reviewed, and approved by the Board. The result of the audit is submitted to National Assembly. In addition, the State Audit is also conducted annually. The report of SAO is also presented to the National Assembly. Regarding the BSP audit, the content of both audit reports will provide an opinion on whether the BSP financial report is presented accurately.
102. The NRTF will have oversight of the ER Program. At the provincial level the Provincial REDD+ Office (PRO) and the Provincial REDD+ Task Force (PRTF) are the main actors responsible for coordinating REDD+. **Figure 10** illustrates the coordination mechanism for GFL and I-GFL.

**Figure 10 ER Program Management**



103. Having elected the FPF as the State Fund Agency for the GFLL, the GoL acknowledges the need to strengthen the capacity of the FPF to be ready to manage carbon revenue and not only from the Carbon Fund but for other future programs. The new added functions mean that the FPF has to build additional capacity to handle carbon revenue, including the ER Program Advance Payments. As such, the FPF will be supported under the parallel REDD+ Readiness process to build the additional capacity to be ready to receive the advance payment in October 2021; and the first results-based payment anticipated in 2023. For receiving the proposed advance payment under the ERPA, an interim arrangement is proposed.

### **3.2 Funds Flow of FPF**

104. The disbursement modality described in this section relates to a fully operational FPF. The capacity building plan of the FPF will be implemented and monitored to ensure the fund is ready for full operations as planned. Throughout the capacity building phase regular reviews and assessments would be undertaken to track the growing capability of the fund. The operational readiness status of the fund would be reconfirmed through an assessment two quarters prior to receiving the first advanced payment so that appropriate corrective measures can be taken to ensure compliance with requirements to receive and manage the first results-based payment, anticipated to be received by September 2023.

105. Once approval is issued, the FPF will request a transfer of the funds from the National Treasury through custodian bank to beneficiaries based on the agreed proposals. The Board meeting for ER performance payment approval will be conducted twice in a given project period (2023 and 2025).

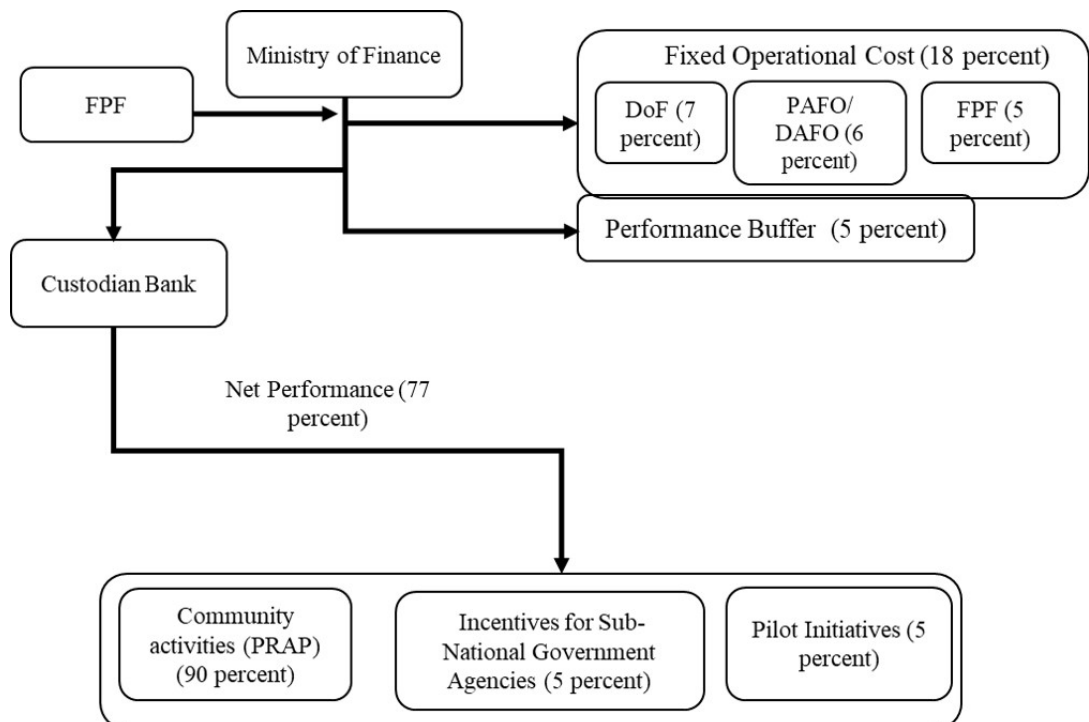
#### **3.2.1 Disbursement to Beneficiaries**

106. Once emission reductions are verified and report is accepted, ER payments from the Carbon Fund, will be channeled through to the GoL National Treasury system under Ministry of Finance via the Bank of Lao.

107. Disbursements from the National Treasury to beneficiaries is initiated following the approval process established in FPF and illustrated in **Figure 12**. The FPF will provide entire annual work plans (AWPs) and budgets to MAF and these will form the basis for disbursements approval. The annual work plans are checked by MPI in order to be in line with the 5-year government economic development plan.

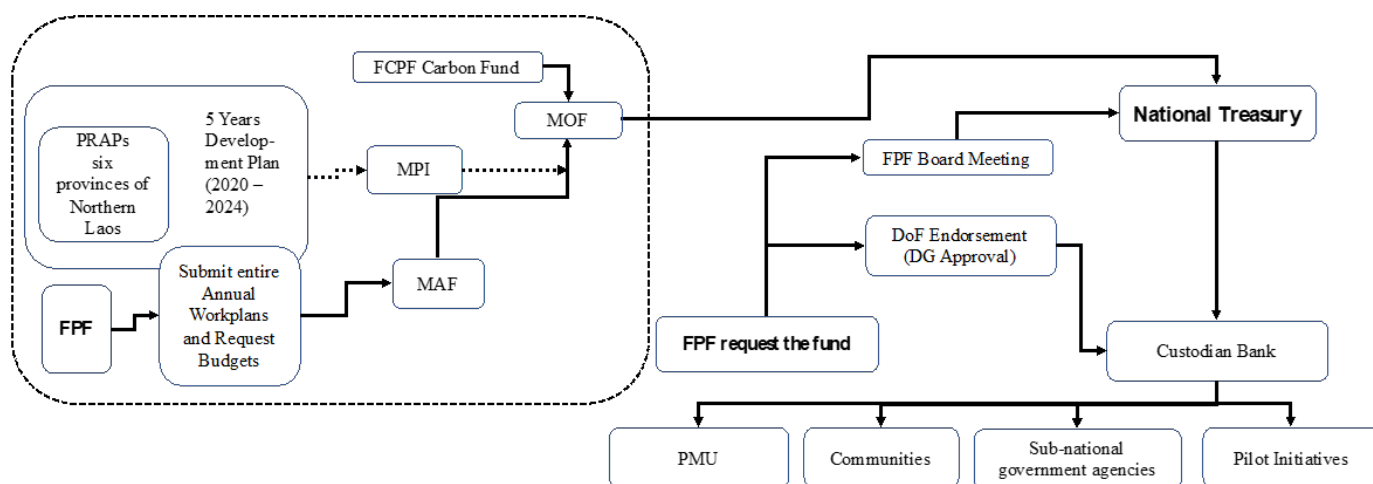
108. In order to reduce administrative delays in disbursing funds from the National Treasury to beneficiaries, a custodian bank will act as trustee to enable the FPF to swiftly transfer the funds to beneficiaries based on the approved ER Program annual work plans from beneficiaries.
109. For monetary benefits, disbursements to beneficiaries are processed following the approval of the FPF Board and endorsement of expenditure by DoF which will be based on the verified ER monitoring results in a given monitoring period. Once the decision is made, the FPF will submit a request for funds from National Treasury to the custodian bank and onto designated beneficiaries. Once funds reach the Custodian Bank, it will take maximum two weeks for benefits to be distributed to the beneficiaries in the six provinces. This process is illustrated in **Figure 12**.
110. For non-monetary benefits, processes will be developed during the inception phase on modality for providing goods and services described in the ERPD. Once the exact investment are decided (e.g. crop seeds, community facilities, training, technology etc), the process would still require approval from the FPF Board and endorsement of expenditure by DoF which will be based on the verified ER monitoring results in a given monitoring period. Once the decision is made, the FPF will submit a request for funds from National Treasury. Specific details will be outlined during the inception face and in the POM.

**Figure 11 Illustration of Funds Flow**



111. The FPF Board approves all disbursement but only after DoF has endorsed the request from FPF. The decision will be based on the verified ER monitoring results in a given monitoring period. Once the approval is given, the FPF will send a request for transfer of funds from National Treasury to the custodian bank and then to the beneficiaries. Bank transfer fees are covered by the State Budget.
112. A proportion from results-based payments is also designated for pilot initiatives, through a selection process. A grant window for call of proposals will be provided. The selection and assessment criteria are under development. Initiatives may be solely within the private sector or may involve private sectors engaging (or having a partnership) with community organizations. Applications will be open for community-based institutions, Non-profit Association (NpA), and research and education institutions. The funds will be transferred as requested by FPF once the proposals have been evaluated and assessed by the Provincial Technical Committee (PTC).

**Figure 12 GFLF Funds Approval Process**



### 3.2.2 Disbursement to communities

113. For funds to be disbursed, VDCs should have agreed detailed budgets and work plans.
114. FPF will request for DoF endorsement and then submit to the Board. Once the decision is made, then the FPF will send a request to transfer the funds from National Treasury to the custodian bank and then to the beneficiaries. The decision will be based on the verified ER monitoring results in each monitoring period.

115. At the village level, the funds will be transferred as requested by FPF from National Treasury, through the custodian bank then to the Village Fund's bank account. However, the use of the funds will have to be endorsed by Village Development Committee (VDC).

116. VDC will be able to access the fund based on protocols to be fully outlined in the POM.

### **3.2.3 Disbursement to sub-national government agencies**

117. Funds will be disbursed from the National Treasury to sub-national governments following the preparation and submission of work and monitoring plans (2020-2022 and 2023-2025) to FPF for endorsement by DoF, and approval by the Board. FPF can only request funds disbursement from Treasury after DoF endorsement.

118. At sub-National level, funds will be transferred as requested by FPF from National Treasury, through the custodian bank to beneficiaries. The fund will arrive to beneficiary's bank account within two weeks. Administration for transfer fee is covered by the State Budget.

### **3.2.4 Disbursement to pilot initiatives**

119. For selected pilot initiatives, the funds will be transferred as requested by FPF once the concept note has been evaluated and assessed by the PTC. The PTC decision will be sent to FPF and copied to National REDD+ Division. The FPF will request a transfer from National Treasury through custodian bank then to sub-National government agencies' bank account. The successful grantees will withdraw the fund from the appointed sub-National government agency's bank account. Joint monitoring by FPF and sub-national government agency will be conducted every quarter, to evaluate the progress of the pilot initiatives.

### **3.2.5 Disbursement for operational costs**

120. Eligible government agencies will submit work plans to DoF for endorsement and to FPF Board for approval. The FPF Board will meet in the first and third quarter of each year to review and approve ER Program operational costs.

121. FPF will provide a notice letter that consists of a) amount of funds to be transferred, and b) the budget for annual work plans. The notice letter will include additional information related to scheduled monitoring and evaluation, and scheduled submission of progress and completion report to the FPF.

### **3.3 Contingency Plan for Interim Mechanism to manage Advance Payment**

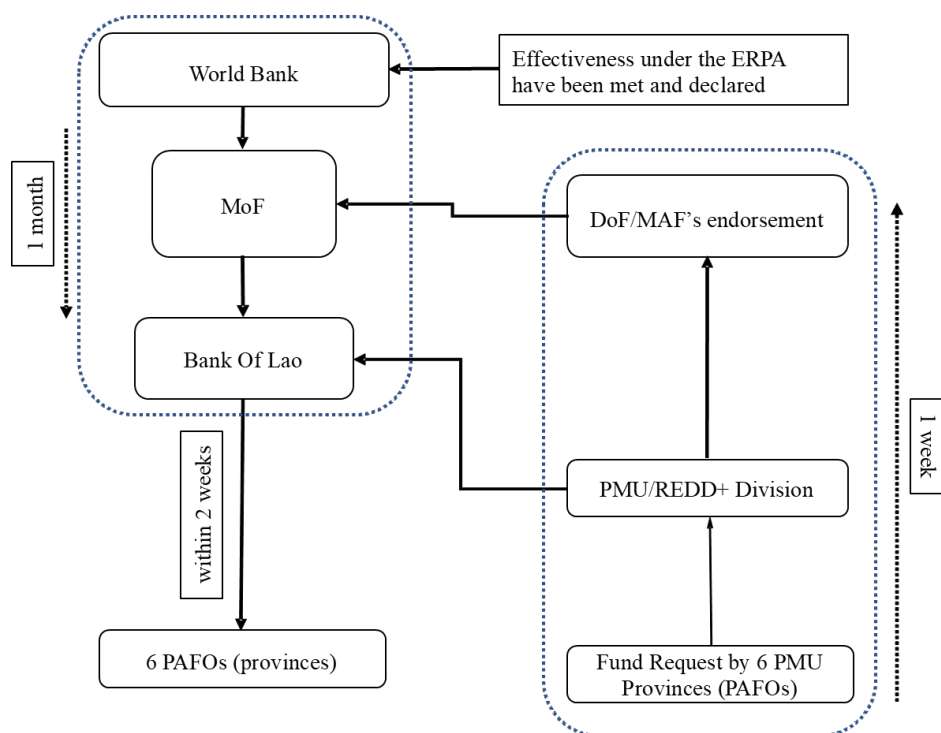
122. The GoL remains committed to ensure the capacity of the FPF is enhanced and strengthened as per the work plan so that the fund is fit-for-purpose to manage the advance payment expected in October 2021; and thereafter, to be fully operational to manage the first results-based payment in September 2023. The GoL further recognizes the existing and continuing uncertainty especially due to external factors that could be beyond its influence to control and manage and may lead to delays.
123. In recognition of this, the GoL proposes an interim mechanism as a contingency plan to receive and manage the advance payment. This interim mechanism would only be activated and used if required based on a review of the readiness progress of the fund that will be undertaken in June 2021. This contingency plan would ensure that delays caused by external factors are mitigated and that such delays do not have an adverse impact on financing the operational costs of the ER program so that it can deliver the planned emission reductions.
124. The GoL proposes utilizing the existing and well-established implementation modality of the FCPF Readiness Grant financial management as the interim mechanism to manage the advance payment.
125. The FCPF Readiness Grant implementation modality has all relevant and acceptable operational manuals and qualified finance and procurement staff in place at the central and provincial levels. FCPF Readiness Grant financial management system is determined to be adequate by the Bank to manage and distribute advance payments. In provinces where staff are not yet in place and not trained, PMU REDD+ Division will arrange appointment of qualified staff and provide training before the advance payment is distributed. The advance payment receipts and expenditure will also be subject to annual audit and such audit reports would be made available to development partners and the public.

#### **3.3.1 Interim mechanism funds flow**

126. Under the interim mechanism funds will be channeled from the Carbon Fund to the Ministry of Finance/National Treasury (Bank of Lao/BoL) (approximately one month). When the funds arrive at the Treasury/BoL, the PMU will initiate a request for funds. The PMU Finance unit will obtain MAF's endorsement and send it to MoF/Treasury (about one week). Once notification from Treasury is received, the

PMU will deliver the Fund to beneficiaries (6 provinces) within two weeks. Refer to **Figure 13**.

**Figure 13 Interim mechanism to manage Advance Payment**





## 4 PERFORMANCE SCENARIO

127. In this chapter, four performance scenarios are presented – 100% performance, 50% performance, 25 % performance, and 10% performance. The BSP recognizes that the benefit distribution will not change despite performance (i.e., distribution to one group will not be prioritized funds are insufficient funds).

### 4.1 Ex-ante Estimate of Emission Reductions

128. **Table 9** presents the total ex ante ERs over the life of the ER Program and estimates over the ERPA term through the implementation of the interventions proposed in the ERPD and described in Section 1. This BSP proposes retroactive accounting/measurement from ERPA signature date to calculate the emission reduction performance.

**Table 9 Ex-ante estimation of ERs during the life of the ER Program and ERPA Term**

	Reference level Emissions	Reference level Removals	Ex-ante estimation Emissions	Ex-ante estimation Removals	Total ex-ante estimation of ERs	Expected set-aside for buffers and conservativeness	Total ERs without set-aside for buffer and conservativeness
	(A)	(B)	(C)	(D)	(E)=(A)-(C)+(B)-(D)	(F)	(G)=(E)-(F)
<b>2019</b>	10.497.472	-1.964.405	8.386.623	-3.079.856	3.226.301	1.020.378	2.205.922
<b>2020</b>	10.497.472	-1.964.405	8.386.623	-3.079.856	3.226.301	1.020.378	2.205.922
<b>2021</b>	10.497.472	-1.964.405	8.386.623	-3.079.856	3.226.301	1.020.378	2.205.922
<b>2022</b>	10.497.472	-1.964.405	8.386.623	-3.079.856	3.226.301	1.020.378	2.205.922
<b>2023</b>	10.497.472	-1.964.405	8.386.623	-3.079.856	3.226.301	1.020.378	2.205.922
<b>2024</b>	10.497.472	-1.964.405	8.386.623	-3.079.856	3.226.301	1.020.378	2.205.922
<b>2025</b>	10.497.472	-1.964.405	8.386.623	-3.079.856	3.226.301	1.020.378	2.205.922
<b>5 year total</b>	52.487.360	-9.822.025	41.933.114	-15.399.281	16.131.503	5.101.892	<b>11.029.611</b>
<b>6 year total</b>	62.984.832	-11.786.430	50.319.736	-18.479.137	19.357.803	6.122.270	13.235.533
<b>7 year total</b>	73.482.304	-13.750.835	58.706.359	-21.558.993	22.584.104	7.142.648	15.441.455

## 4.2 ER Payment Scenarios

129. The benefits from the ER Program will come from the ER payment which is the entire volume of money paid to the GoL in a given monitoring reporting period. The first ER Monitoring Report will be submitted in June 2023 and followed by the first ER payment in September 2023. The second Monitoring Report will be submitted in June 2025, followed by the second and last ER payment in September 2025 (see Section 5 on Monitoring). Each ER payment will include the 5% allocation for performance buffer. The buffer will be released if there is damage caused by force majeure events (such as forest fires). After last verification (2025), the remaining funds from buffer will be re-injected into the net ER performance-based payment. The advance payments will be deducted from the first ER payment.

**Table 10 Proportion of ER Payments based on ERPA terms**

Year	Total ERs without set-aside for buffer and conservativeness (tCO <sub>2</sub> e)	Calculated ER for ERPA term (tCO <sub>2</sub> e)	Gross ER Payments (USD)	Performance Buffer (5% of Gross ER Payments) (USD)	Operational Cost (18%) (USD)	Net ER Performance-based Payments (77%) (USD)	Total Payment (USD)	Timeline Request Payments to FCPF Carbon Fund
2020	2.205.922	-	-	-	-	-	-	
2021	2.205.922	-	3.000.000	-	3.000.000	-	3.000.000	Advance Payment
2022	2.205.922	3.400.000	-	-	-	-	-	
2023	2.205.922	-	14.000.000	700.000	2.461.833	10.838.167	14.000.000	First ER Payment
2024	2.205.922	-	-	-	-	-	-	
2025		5.000.000	25.000.000	1.400.000	1.923.667	21.676.333	25.000.000	Last ER Payment
	<b>11.029.610</b>	<b>8.400.000</b>	<b>42.000.000</b>	<b>2.100.000</b>	<b>7.385.500</b>	<b>32.514.500</b>	<b>42.000.000</b>	

130. The schedule is in line with the ERPA Term Sheet and is summarized in **Table 11**.

**Table 11 ER Monitoring Reporting Schedule**

Period	Dates	ER Monitoring Report Submission
Reporting Period 1	ERPA signature date – December 31 <sup>st</sup> , 2021	June 2023
Reporting Period 2	January 1 <sup>st</sup> , 2022 – December 31 <sup>st</sup> , 2024	June 2025

131. The distribution of Net ER Performance-based Payment will be proportionally divided into the six provinces of Northern Laos. The proportion will consider rates of

deforestation and forest degradation within the ER Program area (emission level). The province that has high annual emission reduction levels will receive a higher portion than others. However, this portion will be evaluated yearly in order to ensure that the benefits are fairly distributed among provinces.

132. **Table 12** illustrates how the performance-based payments would be channeled to the beneficiaries in the six provinces of Northern Laos in the case of full performance of the ER Program. However, the amount of payments flowing to the provincial government will always be allocated based on performance and in case of no performance, the province would not receive any amount of the ER Payment.

**Table 12 Proportion of Benefits distributed to Beneficiaries per Province**

Province	Bokeo	Huaphanh	Luang Namtha	Luang Prabang	Oudomxay	Xayaboury	Total
Annual emission level (tCO <sub>2</sub> e)	670.320	2.287.320	1.222.200	1.677.480	1.124.760	1.417.920	8.400.000
Weightage (%)	7,98%	27,23%	14,55%	19,97%	13,39%	16,88%	100%
Advance Payments (Total USD 3,000.000)	239.400	816.900	436.500	599.100	401.700	506.400	3.000.000
The First ER Payment (USD 14,000,000)	1.117.200	3.812.200	2.037.000	2.795.800	1.874.600	2.363.200	14.000.000
The Second ER Payment (USD 25.000.000)	1.995.000	6.807.500	3.637.500	4.992.500	3.347.500	4.220.000	25.000.000
<b>TOTAL ER PAYMENT</b>	<b>3.351.600</b>	<b>11.436.600</b>	<b>6.111.000</b>	<b>8.387.400</b>	<b>5.623.800</b>	<b>7.089.600</b>	<b>42.000.000</b>
5% Performance Buffer	167.580	571.830	305.550	419.370	281.190	354.480	2.100.000
18% Operation Cost	589.363	2.011.072	1.074.590	1.474.884	988.918	1.246.672	7.385.500
77% Net ER Payments	2.594.657	8.853.698	4.730.860	6.493.146	4.353.692	5.488.448	32.514.500
Incentives for sub-national agencies (5% of Net ER Payments) (USD)	129.733	442.685	236.543	324.657	217.685	274.422	1.625.725
Community Performance-based allocation (90% of Net ER Payments) (USD)	2.335.191	7.968.329	4.257.774	5.843.831	3.918.322	4.939.603	29.263.050
Pilot initiatives (5% of Net ER Payments) (USD)	129.733	442.685	236.543	324.657	217.685	274.422	1.625.725
<b>TOTAL ER Performance-based Payments (USD 32.514.500)</b>	<b>2.594.657</b>	<b>8.853.698</b>	<b>4.730.860</b>	<b>6.493.146</b>	<b>4.353.692</b>	<b>5.488.448</b>	<b>32.514.500</b>

133. The next Sections describes performance scenarios in terms of benefits in the event performance is 100%, 50%, 25% or 10%.

#### 4.2.1 Scenario 1 100 percent performance scenario

134. In this scenario, USD 29.3 million (90% of net ER performance-based payment) would be allocated to communities; USD 1.6 million (5%) to sub-national government agencies; and another 1.6 million (5%) used to support pilot initiatives.

**Table 13 Scenario 1 (100% performance)**

<b>100%</b>	<b>ER Target from deforestation and degradation per Province over 5 years (tCO<sub>2</sub>e)</b>	<b>Relative performance weight</b>	<b>Calculated ER for the ERPA term by Province (tCO<sub>2</sub>e) for over 5 years</b>	<b>Gross ER Payment (USD)</b>	<b>Operational Cost (18%) (USD)</b>	<b>Performance Buffer (5%) (USD)</b>	<b>Incentives for sub-national agencies (5% of Net ER Payments) (USD)</b>	<b>Community Performance-based allocation (90% of Net ER Payments) (USD)</b>	<b>Pilot initiatives (5% of Net ER Payments) (USD)</b>
<b>Bokeo</b>	880.163	7,98%	670.320	3.351.600	589.363	167.580	129.733	2.335.191	129.733
<b>Huaphanh</b>	3.003.363	27,23%	2.287.320	11.436.600	2.011.072	571.830	442.685	7.968.329	442.685
<b>Luang Namtha</b>	1.604.808	14,55%	1.222.200	6.111.000	1.074.590	305.550	236.543	4.257.774	236.543
<b>Luang Prabang</b>	2.202.613	19,97%	1.677.480	8.387.400	1.474.884	419.370	324.657	5.843.831	324.657
<b>Oudomxay</b>	1.476.865	13,39%	1.124.760	5.623.800	988.918	281.190	217.685	3.918.322	217.685
<b>Xayaboury</b>	1.861.798	16,88%	1.417.920	7.089.600	1.246.672	354.480	274.422	4.939.603	274.422
	<b>11.029.610</b>	<b>100%</b>	<b>8.400.000</b>	<b>42.000.000</b>	<b>7.385.500</b>	<b>2.100.000</b>	<b>1.625.725</b>	<b>29.263.050</b>	<b>1.625.725</b>

#### 4.2.2 Scenario 2: 50 percent performance scenario

135. Under this scenario the volume of ERs is halved, and the resulting ER payment is reduced to USD 21 million. USD 14.6 million would be allocated to communities; USD 0.8 million to sub-national government agencies; and 0.8 million used to support pilot initiatives.

136. The provincial performance under this scenario is summarized in **Table 14**.

**Table 14 Scenario 2 (50% performance)**

<b>50%</b>	<b>ER Target from deforestation and degradation per Province over 5 years (tCO<sub>2</sub>e)</b>	<b>Relative performance weight</b>	<b>Calculated ER for the ERPA term by Province (tCO<sub>2</sub>e) for over 5 years</b>	<b>Gross ER Payment (USD)</b>	<b>Operational Cost (18%) (USD)</b>	<b>Performance Buffer (5%) (USD)</b>	<b>Incentives for sub-national agencies (5% of Net ER Payments) (USD)</b>	<b>Community Performance-based allocation (90% of Net ER Payments) (USD)</b>	<b>Pilot initiatives (5% of Net ER Payments) (USD)</b>
<b>Bokeo</b>	440.081	7,98%	335.160	1.675.800	284.886	83.790	64.866	1.167.596	64.866
<b>Huaphanh</b>	1.501.681	27,23%	1.143.660	5.718.300	972.111	285.915	221.342	3.984.164	221.342
<b>Luang Namtha</b>	802.404	14,55%	611.100	3.055.500	519.435	152.775	118.271	2.128.887	118.271
<b>Luang Prabang</b>	1.101.307	19,97%	838.740	4.193.700	712.929	209.685	162.329	2.921.916	162.329
<b>Oudomxay</b>	738.432	13,39%	562.380	2.811.900	478.023	140.595	108.842	1.959.161	108.842
<b>Xayaboury</b>	930.899	16,88%	708.960	3.544.800	602.616	177.240	137.211	2.469.801	137.211
	<b>5.514.805</b>	<b>100%</b>	<b>4.200.000</b>	<b>21.000.000</b>	<b>3.570.000</b>	<b>1.050.000</b>	<b>812.863</b>	<b>14.631.525</b>	<b>812.863</b>

#### 4.2.3 Scenario 3: 25 percent performance scenario

137. Under this scenario the volume of ERs is quartered and the resulting ER payment is reduced to USD 10.5 million. USD 7.3 million would be allocated to communities; USD 0.4 million to sub-national government agencies; and 0.4 million used to support pilot initiatives.

**Table 15 Scenario 3 (25% performance)**

<b>25%</b>	<b>ER Target from deforestation and degradation per Province over 5 years (tCO<sub>2</sub>e)</b>	<b>Relative performance weight</b>	<b>Calculated ER for the ERPA term by Province (tCO<sub>2</sub>e) for over 5 years</b>	<b>Gross ER Payment (USD)</b>	<b>Operational Cost (18%) (USD)</b>	<b>Performance Buffer (5%) (USD)</b>	<b>Incentives for sub-national agencies (5% of Net ER Payments) (USD)</b>	<b>Community Performance-based allocation (90% of Net ER Payments) (USD)</b>	<b>Pilot initiatives (5% of Net ER Payments) (USD)</b>
<b>Bokeo</b>	220.041	7,98%	167.580	837.900	142.443	41.895	32.433	583.798	32.433
<b>Huaphanh</b>	750.841	27,23%	571.830	2.859.150	486.056	142.958	110.671	1.992.082	110.671
<b>Luang Namtha</b>	401.202	14,55%	305.550	1.527.750	259.718	76.388	59.136	1.064.443	59.136
<b>Luang Prabang</b>	550.653	19,97%	419.370	2.096.850	356.465	104.843	81.164	1.460.958	81.164
<b>Oudomxay</b>	369.216	13,39%	281.190	1.405.950	239.012	70.298	54.421	979.581	54.421
<b>Xayaboury</b>	465.450	16,88%	354.480	1.772.400	301.308	88.620	68.606	1.234.901	68.606
	<b>2.757.403</b>	<b>100%</b>	<b>2.100.000</b>	<b>10.500.000</b>	<b>1.785.000</b>	<b>525.000</b>	<b>406.431</b>	<b>7.315.763</b>	<b>406.431</b>

#### 4.2.4 Scenario 4: 10 percent performance scenario

138. Under this scenario the volume of ERs is limited, and the resulting ER payment is reduced to USD 4.2 million. USD 2.9 million would be allocated to communities; USD 0.16 million to sub-national government agencies; and 0.16 million used to support pilot initiatives. However, it suffices to highlight that this is a highly unlikely scenario given the implementation structure of the ER Program with I-GFLL prioritizing three provinces and twenty-eight districts with the highest emission reduction potential.



Table 16 Scenario 4 (10 % performance)

10%	ER Target from deforestation and degradation per Province over 5 years (tCO2e)	Relative performance weight	Calculated ER for the ERPA term by Province (tCO2e) for over 5 years	Gross ER Payment (USD)	Operational Cost (18%) (USD)	Performance Buffer (5%) (USD)	Incentives for sub-national agencies (5% of Net ER Payments) (USD)	Community Performance-based allocation (90% of Net ER Payments) (USD)	Pilot initiatives (5% of Net ER Payments) (USD)
<b>Bokeo</b>	88.016	7,98%	67.032	335.160	56.977	16.758	12.973	233.519	12.973
<b>Huaphanh</b>	300.336	27,23%	228.732	1.143.660	194.422	57.183	44.268	796.833	44.268
<b>Luang Namtha</b>	160.481	14,55%	122.220	611.100	103.887	30.555	23.654	425.777	23.654
<b>Luang Prabang</b>	220.261	19,97%	167.748	838.740	142.586	41.937	32.466	584.383	32.466
<b>Oudomxay</b>	147.686	13,39%	112.476	562.380	95.605	28.119	21.768	391.832	21.768
<b>Xayaboury</b>	186.180	16,88%	141.792	708.960	120.523	35.448	27.442	493.960	27.442
	<b>1.102.961</b>	<b>100%</b>	<b>840.000</b>	<b>4.200.000</b>	<b>714.000</b>	<b>210.000</b>	<b>162.573</b>	<b>2.926.305</b>	<b>162.573</b>

## 5 MONITORING AND REPORTING

### 5.1 BSP Performance Monitoring and Reporting

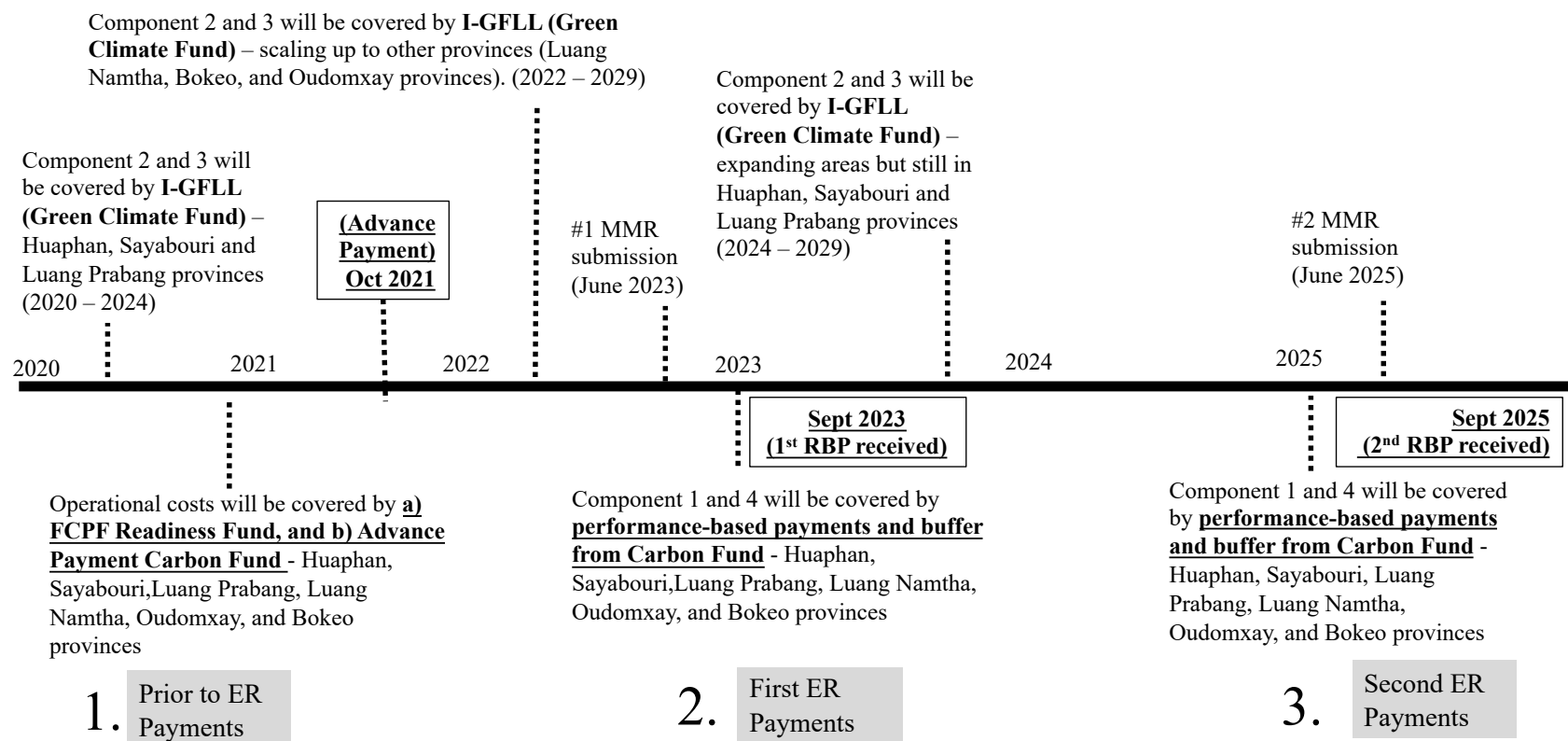
139. Monitoring of benefit sharing has a number of important elements, including monitoring of fund distribution, safeguard plans, use of proceeds against plans, and monitoring of performance for the distribution of conditional performance-based benefits.
140. The monitoring of funds distribution will be a primary responsibility of the FPF. When FPF transfers benefits to beneficiaries at provincial, district, and village levels, the funds will be tracked and monitored. Reporting roles and responsibilities will be further elaborated during the inception phase and formulation of the POM. However, key institutions that have significant reporting roles are DoF, the Forest Inventory and Planning Division (FIPD), and Department of Forest Inspection (DOFI, under MAF)
141. At sub-national level, PAFOs and DAFOs hold important roles and responsibility in operationalization of the ER Program including monitoring and reporting in their administrative territory in line with the design of the ER Program and also for feedback on results, for improvement. PAFOs and DAFOs are the key implementers.
142. The private sector entities that engage in the ER Program activities and local communities will play a key role in monitoring, as the main agents that will deliver on the land-based interventions under the ER Program. For example, businesses with land concessions will have a responsibility to monitor the compliance of their business and mitigate any associated impacts (e.g. encroachment to the adjacent forests). Local communities are expected to monitor their forests based on the land-use plan and any other valid plans agreed on.
143. **Table 17** outlines the reporting roles and responsibilities for different institutions at national and sub-national level. These roles and responsibilities will be further refined taking into account the decentralization and sectoral disaggregation with the DAFOs and PAFOs. Several databases will be required for different activities and will need to be aligned with the capacity development plans.

**Table 17 Roles and Responsibilities for Reporting**

<b>Institution</b>	<b>Reporting Activities</b>
<b>NATIONAL LEVEL</b>	
Ministry of Finance  - National Treasury	<ul style="list-style-type: none"> <li>• Receipt of ER payments</li> <li>• Prepare periodic statement (financial report) MoF and FPF Board</li> <li>• Maintain and update the bank statement of ER payment</li> </ul>
Ministry of Agriculture and Forestry (MAF) - Department of Forestry (DoF) <ul style="list-style-type: none"> <li>○ REDD+ Division and National PMU</li> <li>○ Forest Inventory and Planning Division</li> <li>○ FPF and FPF Board</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare reports on ER Program performance,</li> <li>• Compile and synthesize the separate databases forwarded by the different category beneficiaries</li> <li>• Prepare a synthesis reports and database for each category of benefits (performance based – monetary and non-monetary), allocation to beneficiaries, operation costs, transaction costs etc.</li> <li>• Reporting on progress on National Forest Monitoring System,</li> <li>• Compiling all data necessary for the preparation of the MMR based on the MRV in 2021 and 2024</li> <li>• Coordinate and administrating ER Program</li> <li>• ER program Fund management, financial reporting, supporting internal and external auditing with SAO</li> <li>• Reporting to the Board of Directors</li> <li>• ER Payment Receipt and Disbursement,</li> <li>• Facilitate the distribution of ER payments</li> </ul>
Ministry of Planning and Investment (MPI) - Department of Planning - Investment Promotion Department (IPD)	<ul style="list-style-type: none"> <li>• Responsible for the coordination and development of national development strategies and action plans.</li> <li>• Providing capacity building &amp; technical support to government staff &amp; communities to support the implementation &amp; enforcement of improved land use planning approaches (including ISP &amp; PLUP).</li> </ul>
<b>SUB-NATIONAL LEVEL</b>	
Custodian Bank	<ul style="list-style-type: none"> <li>• Disbursement to beneficiaries</li> <li>• Provision of Bank Statements</li> </ul>
PAFOs, DAFOs, SESU PPMU	<ul style="list-style-type: none"> <li>• Consolidate Work plans</li> <li>• Coordinate and manage the implementation of ER Program activities at province and district level.</li> <li>• Preparation of Annual Work plan in line with PRAPs</li> <li>• Data collection from VDCs</li> </ul>
VDCs	<ul style="list-style-type: none"> <li>• Keep up-to-date records on their use of ER benefits.</li> <li>• Records should include information on the beneficiary households and the amount each received, the types of forest activities, livelihood improvement activities, and skill-development activities undertaken, and the amount of money invested in each of these categories. The beneficiaries will have to summarize the use of funds in the activities and report to FPF</li> </ul>
Communities Groups	<ul style="list-style-type: none"> <li>• Prepare activity workplans</li> <li>• Maintain records of activities in agriculture and forestry (area, maps)</li> <li>• House records</li> </ul>
Actors in Pilot Initiatives	<ul style="list-style-type: none"> <li>• Maintaining records on FLR, SFM, and good agriculture practice implementation</li> <li>• Reporting on performance based on project indicators every 3,6,9, and 12 months to FPF</li> </ul>

144. Reports on the implementation of the BSP (BSP reports) will be submitted to the World Bank six months after the advance payment and annually thereafter, as required by the ERPA. The first BSP report will cover the use of the advance payment. Subsequent BSP reports will also reflect on the implementation of the BSP, with the final report being submitted in December 2025. Reports will include expenditures for operational costs, performance-based ER programs implemented by beneficiaries, and the status of the performance buffer, amongst other relevant information.
145. The illustration in **Figure 14** shows phases of ER Payments and reporting related to the implementation of the ER Program.
146. Monitoring the use of proceeds against plans will be based on FPF Decree No.001/FFRDF/2008. FPF, with coordination from DoF at the national level and with PAFO/DAFO at the provincial/district level, will monitor the outputs of ER programs against the ER plans (based on PRAPs) proposed by beneficiaries. For provincial/district level, the FPF with PAFO/DAFO will conduct regular expenditure checks of the ER Program against the plans. If any irregular expenditures are found, the beneficiaries will have to explain and provide documented proof to FPF.
147. The beneficiaries will have to summarize the use of funds in the activities and report to FPF (based on FDP decree No.001/2008) (See Annex 7). The monitoring results of the use of funds will be reported to the FPF Board. At national level, the DG of DoF will host performance review meetings whereas at provincial level it will be the responsibility of the Heads of PAFO. At village level, FPF and DAFO will monitor the use of proceeds according to FPF regulation and policy (FDP decree No.001/2008) (See Annex 7). Every year, the SAO will conduct an audit of FPF. The result of the State Audit will be reported to the National Assembly.
148. The monitoring results will be subject for FPF to determine the proportions of shared benefits per province for the next disbursement within the six provinces of Northern Laos.

**Figure 14 Sequence of ER Payments and reporting timelines for GFLL and IGFL**



## 5.2 Measurement Monitoring and Reporting of ERs

149. **Table 18** summarizes the schedule for performance monitoring. The MRV system of Lao PDR conducts a time-series analysis of forest type maps to analyze trends in land cover change. Forest type maps of different years are overlaid to create time-series change data by forest parcel, allowing for the identification of area that undergo reversal events.

**Table 18 Schedule of Monitoring and Reporting Milestones**

Year	Activity or Milestone
2020	ER Program start date (ERPA signature date TBD)
2021	Upfront Advance Payment (October 2021)
2022	1 <sup>st</sup> Data Collection and Assessment (NFI/LULC) (January – November 2022)
2023	1 <sup>st</sup> MMR submission (June 2023)
2023	ERPA payment (the First Payment) (September 2023)
2024	2 <sup>nd</sup> Data Collection and Assessment (NFI/LULC) (January – November 2024)
2025	2 <sup>nd</sup> MMR submission (June 2025) <sup>10</sup>
2025	ERPA payment (the second or final payment) (September 2025)

150. The MRV system will enable the quantification, in area and emissions. MMR data collection and assessment LULC currently scheduled twice during the ERPA term (in 2021 and 2024), near-real time monitoring of drivers and interventions to be developed step-wise will provide information to strengthen the monitoring, mitigation and management of reversals in a timely manner.

151. It is particularly important that any signs of reversals are detected and prevented from further expansion through effective forest management interventions incorporated in the program design. The monitoring of performance for distribution of conditional performance-based benefits, will be undertaken by FIPD. The distribution of performance-based benefits is entirely dependent on total emission reductions and increased removals achieved by provinces against the reference level.

<sup>10</sup> "This date is based on the current schedule of the GoL's schedule for NFI and LULC in 2024. The GoL is working with development partners to refine and potentially streamline technical processes. Revised timelines would be reflected in the final version of this BSP"

152. The total contributions of each province performance are the total amount of the ER Payments to be allocated to beneficiaries, which include the communities, sub-national agencies, and pilot initiatives. In the early years of project implementation FIPD will monitor provincial level deforestation and degradation. Thereafter, subject to further accuracy improvements and the development of tools and methodologies the level of deforestation at the district level may also be monitored.
153. As part of the ER Program, and as outlined in the ERPD, a comprehensive approach for MMR has been developed. This approach includes measurement of emission reductions and increased removals achieved against the reference level, and also the monitoring of drivers and the effectiveness of interventions. Annual and five-year targets of emission reductions and increased removals have been developed for all of the six Program provinces and these will be reviewed frequently.
154. The methodology for this will be consistent with the national reference level that has also generated reference levels for the six target provinces. MMR will be conducted twice during the Program period. The first measurement will be undertaken in 2021 and the second measurement in 2024. These measurements would be conducted using methodologies that will be consistent with the construction of the REL (Section 8 – ERPD). The results will be communicated to the Carbon Fund for verification (which will be conducted by independent third-party assessors) and payment for the achieved emission reductions.
155. DOF already has the initial framework and capacity for its national forest monitoring system (NFMS) to carry out the MMRs for the ER Program. Such system and capacity have been developed through the exercises of constructing the RELs for the national level (completed in January 2019) as well as for the ER Program (completed in 2018). To continue stepwise improvement of its NFMS, DOF plans to develop a Lao NFMS Roadmap in 2020.

### **5.3 Monitoring of Safeguards**

156. At the national level, once the NRS receives approval, a national safeguards information system (SIS) will be established to ensure Lao PDR's REDD+ completes the requirement to be eligible for results-based payments. AS noted, for GFLL, a SESU-GFLL will be established at the REDD+ Division and will be led by a coordinator and two support staff.

157. The six project provinces will be divided into two SESU clusters, with each cluster staffed by two personnel to support three provinces. Based on access, communication and feasibility, the provincial clusters will be located at Luang Prabang (SESU-LP), and Luang Namtha (SESU-LM). A total staff of seven will be deployed for safeguards management in GFL. Prior to the start of implementation, capacity building, production of information, education, and communication material, and community consultations will be initiated.

158. The GFL safeguards package includes the following documents that will be used to address safeguards and for project implementation:

- Volume I SESA - Strategic Environmental and Social Assessment;
- Volume II ESMF - Environmental and Social Management Framework;
- Volume III Program Operations Manual; and
- Volume IV Technical Manuals: a) PLUP Manual – Participatory Agriculture and Forest Land Use Planning at Village and Village Cluster Level, b) PSFM Manual - Operations Manual for Production Forests, and c) VFMG - Village Forest Management Guideline and Implementation Manual.

#### **5.4 Feedback and Grievance Redress Mechanism (FGRM)**

159. **Basic Principles:** Grievances may result from project activities and these will be resolved following a feedback and grievance mechanism that is based on the following key principles:

- Rights and interests of project participants are protected.
- Concerns of project participants arising from the project implementation process are adequately addressed and in a prompt and timely manner.
- Entitlements or livelihood support for project participants are provided on time and in accordance with the above-stated GoL and WB safeguard policies.
- Project participants are aware of their rights to and have access to grievance procedures free of charge.
- The feedback and grievance mechanism will be in line with existing policies, strategies, and regulations on grievances as defined by GoL, which require project owners and proponents to set up grievance mechanisms starting from the village level, and also follow legislation under Decision No. 08/MOJ, 2005



that seeks to strengthen conflict resolution at the grassroots level, by establishing Village Mediation Units (VMU).

- The grievance mechanism will be institutionalised in each village by a selected group of people, involving ethnic groups, women, and representatives of other vulnerable groups in the village.

160. ***Village Mediation Unit Functions:*** VMUs assist the village administration authority to enhance knowledge of and compliance with State laws in the village. It acts as the disseminator of laws and regulations in the village, encouraging people of all ethnic groups within the community, to respect and comply with laws and regulations. It closely coordinates with the judicial and other bodies involved.

161. The Feedback and Grievance Redress Mechanism (FGRM) under the project builds on and seeks to strengthen existing government systems such as the VMUs, combined with existing local structures, especially for ethnic groups, but primarily include measures to ensure concerns and grievances of project beneficiaries and affected people will be adequately addressed. The FGRM consists of four steps as follows (see **Figure 15**):

***Step 1. Village level:***

162. The first step in case of a grievance is to report to the VMU, a village level institution that involves traditional and spiritual leaders and has a proven track record for resolving minor conflicts at the village level. The VMU will be in charge of documenting the grievance by using the form provided and signed/fingerprinted by the grievant for processing. The project will develop grievance registration forms for use by complainants and record by VMU. The VMU will keep the Village Grievance Logbook. The Technical Team and consultants will strengthen the capacity of VMUs especially on gender equity and their knowledge of the project including on safeguard requirements.

163. The VMU will be required to provide immediate confirmation of receiving a complaint and should complete an investigation within 14 days of receipt. Then, within five days after receipt of the grievance, the VMU should meet the Complainant to discuss and mediate the grievance and will advise the complainant of the outcome. If the grievance is either a valid grievance that requires investigation and action/compensation or if the

Complainant is not satisfied with the response, the issue is transferred within one month to the next level, led by the District Grievance Committee for further action.

***Step 2. District level:***

164. Grievances that cannot be resolved at the village level will be brought to the District level that will have 30 days after the receipt to review all available information from the investigation by VDCs and Technical Teams and analyse and /or investigate each case. Within 30 days, the District invites the Complainant to discuss the grievance and the Grievant is informed of the outcome of the investigation and the decision.
165. If the Complainant is satisfied with the outcome, the issue is closed, and will provide a signature as acknowledgement of the decision. If the Complainant is not satisfied with the outcome, the Complainant may submit an appeal if there is additional relevant information for reconsideration. Within 14 days, the District will collect facts and reinvestigate, and will invite the Complainant to discuss the appeal. The Complainant will then be informed of the outcome of the investigation and the decisions made. If the Complainant is still dissatisfied with the outcome, he/she can then submit his/her complaint to the PRTF. The District will also be in charge of compiling all grievances into a District Grievance logbook.

***Step 3. Provincial level:***

166. In case of unresolved grievances, such as land grabbing cases, these will be referred to the PRTF.
167. The PRTF will collect facts and re-investigate and will invite the Complainant to discuss the outcome of the investigation and the decisions made. If the Complainant is still dissatisfied with the outcome, he/she can then submit his/her complaint to the NRTF. The PRTF will also be in charge of compiling all grievances into a Provincial Grievance Logbook.

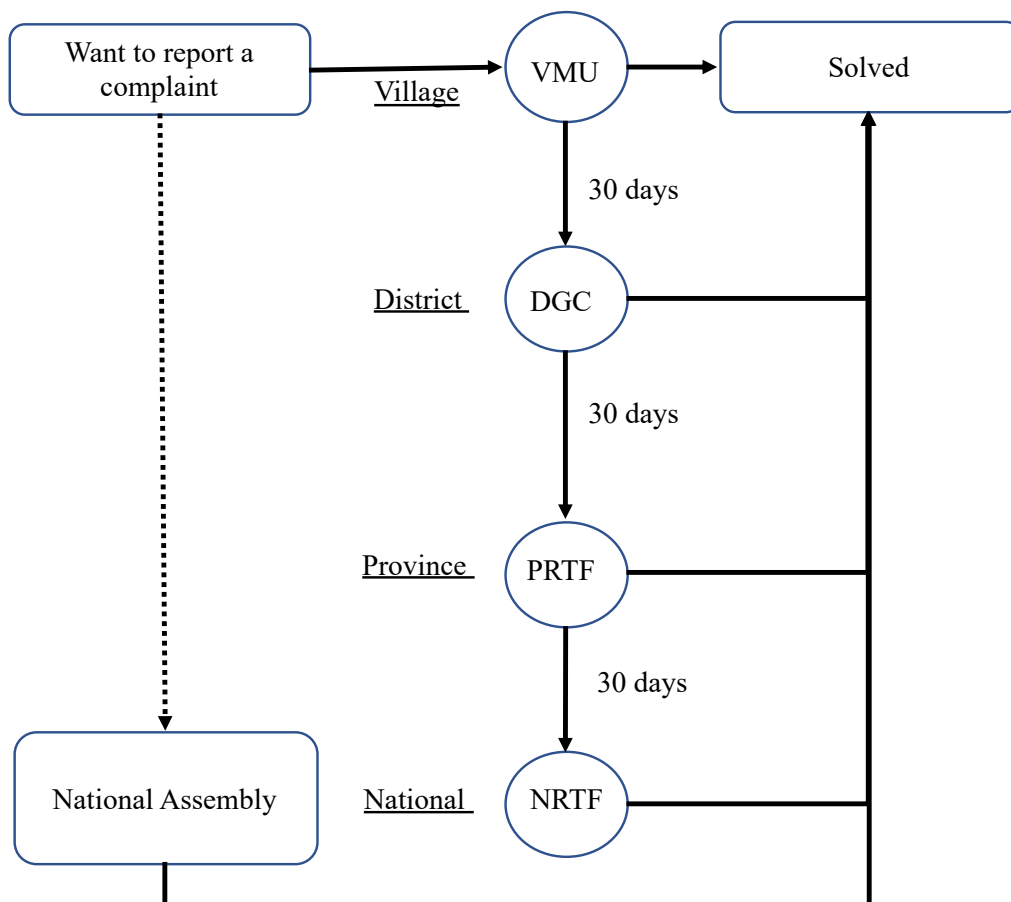
***Step 4. Central level:***

168. Grievances that cannot be solved at the provincial level will be sent to the NRTF. Complainants are also allowed to report their grievances directly to the National Assembly. All staff involved in project implementation, in particular SDA and Technical Teams, will provide necessary assistance so individuals or communities feel free to report grievances. Outstanding grievances that remain to be closed, if any, will

be monitored through participatory monitoring and evaluation, technical audit, and other monitoring and evaluation mechanisms of the project.

169. In parallel to the project grievance mechanism, the project participating/affected people are able to raise concerns through the participatory monitoring and evaluation process and seek for resolutions at the district level meeting where consultants hired directly by the project will also participate. They will also be encouraged to report any outstanding grievances to annual technical audit team which includes expertise in social issues. Also, importantly, complainants are allowed to report their grievances directly to the National Assembly.

**Figure 15 FGRM process in GFL**



## 5.5 Disclosure

170. The BSP will be duly disclosed by the REDD+ Division at the central level and also at the provincial level in the six provinces and on the WB website.

## 6 CAPACITY BUILDING

171. The Lao ER program has taken due cognizance of not only the importance of capacity in overall program management, field implementation, and safeguards, but has also noted the inter-dependence of capacity in these domains that would have a bearing on the effective implementation and functioning of the BSP.
172. Adequate human and financial resources have been allocated to the national and province PMUs to strengthen capacity through formal and on-the-job training. This will focus on priority areas of financial management, procurement and administrative procedures to ensure the funds disbursement mechanism remain efficient and functions within established timelines. A POM will be developed to provide guidance to the program management units, and field staff.
173. Recognizing the importance of safeguards management institutional arrangements to establish national and provincial SESUs have already been agreed. Appropriate technical assistance will be made available to build the capacity of SESU staff both at the national and provincial level.
174. To address capacity development in an organized and targeted manner a capacity development needs assessment has been undertaken and a capacity development plan has been prepared. This framework identifies and prioritizes three themes and eight modules for capacity building and includes i) Natural Resource Management, ii) Community Engagement and Safeguards, and iii) Law Enforcement and Monitoring.
175. The eight modules cover participatory land use, protected area and conservation area management; alternative livelihood development; forest land restoration; gender and social inclusion, safeguards; feedback and grievance redress; innovative approaches to community patrolling; and GIS and law enforcement.
176. These capacity building modules will be offered to program management unit staff as well as to community representatives, NPA staff, and the LFND, and LWU. This integrated approach to capacity building will ensure that the management and implementation ecosystem of the project ensures the effective functioning of the BSP.
177. The capacity building approach for the FPF is critical to the BSP and is described separately, along with plans for the capacity building for the MMRV.

## 6.1 FPF Capacity Building

178. For the FPF to assume the role of managing income from results-based payments, additional capacity is necessary and this BSP outlines a full capacity building strategy imbedded in the REDD+ Readiness grant expected to continue until 2022 (if an extension is granted). The objective of the capacity building plan is to ensure that FPF has the capacity to receive advanced and results-based payments and meets all the fiduciary requirements under the ERPA. Both short-term and long-term measures are under consideration and will be implemented.
179. In order to adequately prioritize the capacity building of the FPF, a capacity needs and gap assessment was conducted in early 2019 and pointed out a clear need “to improve the institutional capacity in relation to administration, fund management, financial management, project management and implementation of relevant social and environmental safeguard frameworks for projects. In order to ensure accountability, all processes need to be transparent and easily understood by donors, government staff, and fund recipients”.
180. In January 2020, the FPF conducted a further self-assessment based on the World Bank fiduciary requirements. The assessment included eight control risks: a) risk on implementing entity, b) funds flow, c) staffing, d) accounting policies and procedures, e) internal audit, f) reporting and monitoring, and g) information system. Each risk was then analyzed based on FPF current capacity status to determine whether the risk rating is high (H), substantial (S), moderate (M), or negligible or low (L) risk.
181. Based on the assessment, FPF financial management system is on low risks (62.5 percent), whereas 25 percent is on substantial risks (S) and 12.5 percent is on moderate risk (M). The absence of external audit and the use of paper-based data system puts FPF in substantial risks on financial management. Given these risk ratings, it is then necessary to improve the financial system and introduce external audit for FPF. Operational capacity needs to be strengthened with additional specialist staff in addition to training current staff. Refer to Annex 8 in this document on the detailed risk assessment.
182. The capacity of the FPF will focus on the key areas where gaps have been identified as indicated in **Table 19**.

**Table 19 Focused capacity building for FPF**

Specific Aspects	Key Actions
Financial and administrative capacities	<ul style="list-style-type: none"> <li>- Establish new institutional-level policies, guidelines and processes</li> <li>- Administration and human resources</li> <li>- Finance</li> <li>- Procurement team</li> </ul>
Transparency and accountability capacities	<ul style="list-style-type: none"> <li>- Enhance existing institutional level policies and guidelines</li> </ul>
Fund operations and disbursement capacities	<ul style="list-style-type: none"> <li>- Document existing processes that have not yet been formalised within a documented procedure or guideline</li> <li>- Linking to sub-national institutions responsible for ER Program implementation</li> </ul>
Project management capacities including reporting	<ul style="list-style-type: none"> <li>- Capacity building and human resources, especially to implement any new policies, guidelines or processes</li> <li>- Project appraisal (enhanced process needed)</li> <li>- Ensuring benefit allocation process are adhered to</li> <li>- Project evaluation (within monitoring and evaluation)</li> <li>- Ensuring beneficiary eligibility criteria is applied consistent and according to the BSP</li> <li>- Monitoring and evaluation</li> <li>- Transparent grant eligibility criteria and evaluation</li> </ul>
Implementation of social and environmental safeguards and grievance and redress mechanisms	<ul style="list-style-type: none"> <li>- Understanding the operationalization of the SESA, ESMF, EGPF, PF and collaboratively working with different project implementation units (PMU, PPMU, SESU, NRTF,</li> </ul>

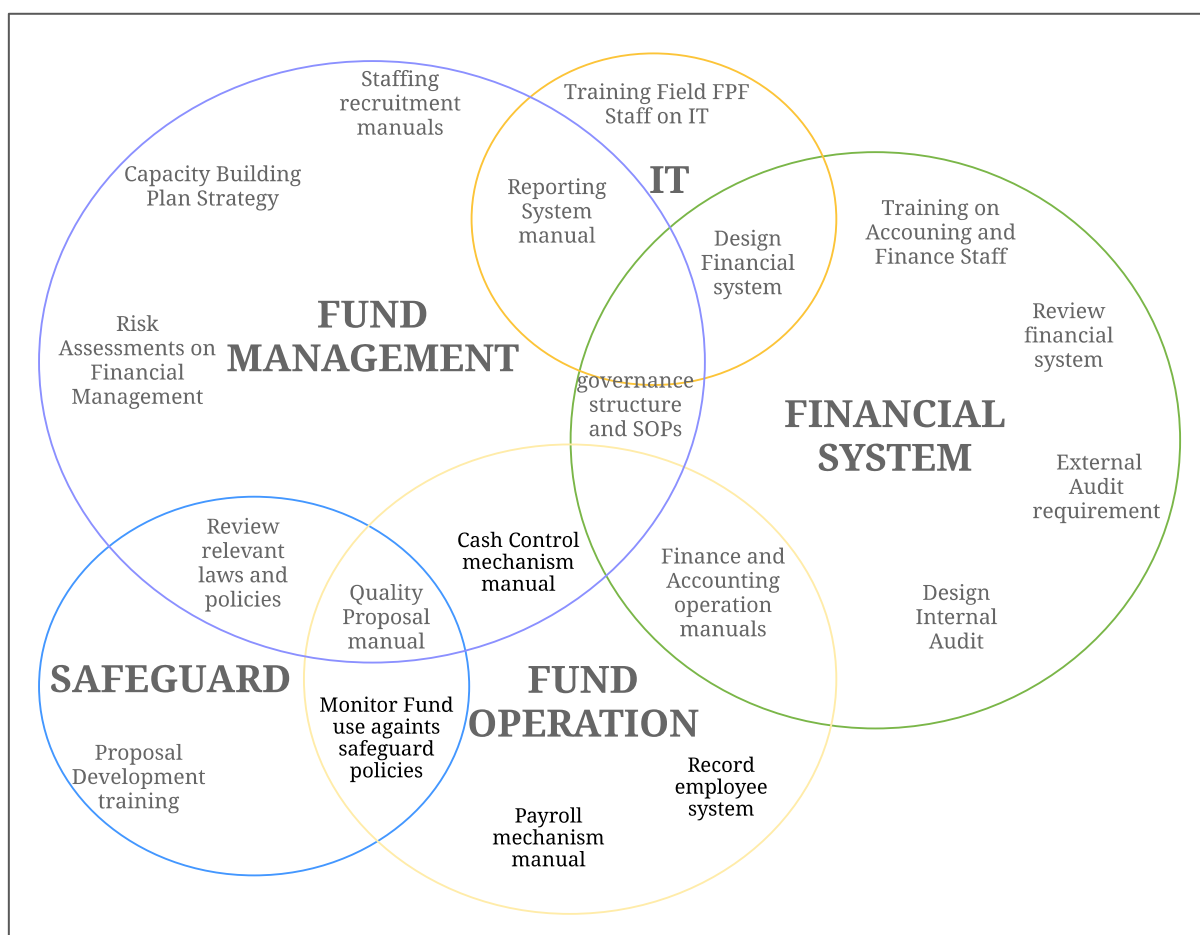
183. In general, the capacity building strategy involves recruiting additional technical specialists to develop training material, fund management procedures and operational manuals prior to receiving the first payment under the ERPA (Annex 9). See **Table 20** for capacity building plan for FPF. The focus is to address the capacity needs and gaps identified in the assessment carried in 2019 and address the risks in fiduciary self-assessment.

**Table 20 Capacity Building Plan for FPF**

No	Activity	2020		2021			
		Q3	Q4	Q1	Q2	Q3	Q4
1	FPF Capacity Building Technical Assistances on Board						
2	FPF Workshop for CB Plan						
3	Consultations for developments of manuals and internal guidance documents						
4	FPF Training on Financial System, Accounting, and Budgeting						
5	FPF Training on Procurement Process						
6	FPF Training on Project Management						

No	Activity	2020		2021			
		Q3	Q4	Q1	Q2	Q3	Q4
7	FPF Training on Monitoring and Reporting System						
8	FPF Software and Hardware for Finance system procured and installed						
9	Trial Program Financial System and IT Network System and Adjustment						
10	Software Training for FPF headquarter and province office						
11	Deploy FPF computerized REDD+ finance system						
12	FPF Self-Assessment on Financial Management (Evaluation)						
13	FPF receives Advance Payment						

**Figure 16 Diagram Venn for FPF Capacity Building**



184. The capacity building aims to help FPF to redesign its governance structure and revise its standard operating procedures (SOPs), manuals and internal guidance documents in order to meet World Bank fiduciary requirements. Manuals and internal guidance

documents will be completed before the trainings are started. The additional IT infrastructure will be installed, and software training provided to enhance the operational and electronic financial reporting capacity for effective funds transfers to sub-national offices.

185. Given the need for FPF to meet World Bank Fiduciary requirements, a mid-term fiduciary assessment will be conducted to determine FPF status of readiness to receive results-based payments followed by actions to fill any gaps that may be identified.



## **7 COMMUNICATION**

### **7.1 Summary of Consultations**

#### **7.1.1 Stakeholder Consultations 2016-2019**

186. Consultations for the development of the GFL and I-GFL started in 2016, with the development of the PRAPs. During the period 2016-2019, a total of 186 consultations were held, during which 5,525 persons participated, out of which 1,316 were women. Separate consultations were also held with ethnic women groups to develop gender integration plans. Consultations with local authorities and communities, including ethnic peoples, in all of the six provinces of the project provided information on project objectives, description, and components, and potential impacts (positive and negative) of the project, and the safeguards package.

187. Consultations were held in a manner that would elicit discussion and questions. Key documents pertaining to the project were made available in a summarized form. In February 2019, additional consultations were held in 30 villages in the provinces. In April 2019 a consultation was conducted with key stakeholders of the six provinces for validation of project components and activities. The ER title consultation with land holders was conducted in August 2019 within the six provinces. The intensive BSP consultations were conducted in September and October 2019.

#### **7.1.2 Consultations for development of the BSP**

188. The focused and specific consultative process for the design of the GFL benefit-sharing plan started in January 2019 and undertook a review of existing approaches to benefit sharing in the forestry and natural resources sector in Lao PDR. This culminated in several meetings of the BS-TWG that endorsed the road map and approach to develop the BSP. In order to understand the project context and field realities several members of the Benefit Sharing TWG participated in consultations held during 2019.

189. Based on the review document several meetings with key members of REDD+ Division and the BS-TWG have been held to develop the framework for the benefit-sharing plan. Senior staff and policy makers from several key ministries participated in the most recent consultation-workshop, which was held in May 2019 on the ERPA negotiation process. A direct outcome of this workshop has led to revisions in the framework, based on an improved understanding of key elements that will contribute to an effective benefit-sharing plan for the project context. Institutional arrangements

and fund agency for benefit sharing were also consulted on during the BS-TWG meeting from July to October 2019. Forest Protection Fund (FPF) is chosen as State Fund Agency for GFLB BSP implementation with consideration of the new Forest Law (2019).

190. In October 2019, GoL agreed that MoF will allow FPF to manage FCPF Carbon Fund through custodian bank. It means that the fund disbursement process will be faster than the normal process, as the approval process from relevant ministries becomes shorter. This means that a timeframe of less than one month can be achieved to disburse the funds to beneficiaries.
191. During the public consultation in provinces, proportions in operational costs between national and sub-national agencies were consulted on. The proportions were calculated based on the role of responsibilities of agencies in the ER Program. Following a robust and long debate, it was finally agreed that national agencies will have a slightly higher (54.5 percent) proportion in facilitating the ER Program than sub-national agencies (45.5 percent).
192. In parallel, the process of assessing the ability of the Program entity for ER title transfer has also resulted in multiple focus group discussions, bilateral meetings with the legal department at the Prime Minister's Office, the Law Committee of the National Assembly, and with key ministries. Several meetings of the BSP-TWG, and internal meetings with senior DoF/MAF policy makers have also been held. To enhance understanding of the ER title transfer issues and the benefit sharing plan key documents have been translated, presentations made, and discussions held in the Lao language. **Table 21** shows summary of BSP consultations and ER titles with land holders in the six provinces of northern Laos.

**Table 21 Consultations on BSP and ER Title with Land Holders in ER Program Area**

Date	Description	Participants		
		Total	Men	Women
Subnational Consultations				
2-3 April 2019	Subnational consultation on safeguards and BSP	76	57	19
BSP TWG Meetings				
31 Jan – 2 Feb 2017	BS TWG meeting on lessons sharing	37	22	15
5-6 Apr 2017	BS TWG meeting	7	5	2
27 Apr 2017	BS TWG meeting	7	5	2
2 July 2019	Consultation on BSP draft	14	10	4
5 July 2019	Consultation on BSP institutional arrangements	11	7	4
18 July 2019	Consultation on BSP institutional arrangements	12	8	4
Consultations on ERs title with land holders in the 6 Northern provinces				
5 August 2019	Oudomxay province	30	24	6
	Xayaburi province	24	19	5
6 August 2019	Luang Namtha province	30	26	4
	Luang Prabang province	19	16	3
8 August 2019	Bokeo province	27	24	3
	Huaphan province	28	25	3
24 September 2019	National REDD+ Task Force Meeting	31	26	5
1 October 2019	ERPA negotiation team meeting (related to Advance Payment)	23	19	4
2 October 2019	BSP National Technical Working Group Meeting	12	7	5
4 October 2019	Vientiane Province (BSP National Consultation with Six PAFO/DAFO)	28	23	5
8 October 2019	Bokeo Province (BSP consultation covering 3 provinces)	66	53	13
10 October 2019	Luang Prabang Province (BSP consultation covering 3 provinces)	46	34	12
Other Consultations				
9 Mar 2017	Consultation on the implementation of the 6 TWGs	11		
12-15 Dec 2017	6 TWGs meeting on REDD+ preparedness progress review with the World Bank	48		

## 8 ANNEXES

### Annex 1. ER Program Detailed Operational Costs

Key operational costs include project management (USD 620,700) and technical support (USD 379,300). The project management will cover technical assistance, purchase of IT equipment and operating cost at the National Level. Technical capacity at both national and sub-national level will be strengthened through the recruitment of Financial Management Assistants, a Project Management Advisor, International Senior Advisor to Support REDD+, Junior Foresters, Financial Auditor, and others. IT hardware and software will be purchased for Provincial PMUs. In addition, the existing PMU consultants at REDD+ Division/DoF will be retained to continue as part of the GFLL PMU and FPF.

**Table 22 ERPA Financing Plan for Readiness and Operational Costs 2020 - 2025**

No.	PROJECT COMPONENTS	FCPF Readiness Fund	Carbon Fund Advance Payment	Carbon Fund Result Based Payment	Total (USD)
1	Project Management	620,700	1,815,700	2,288,315	4,724,715
2	Technical Support	379,300	1,184,300	1,096,685	2,660,285
	<b>Total (USD)</b>	<b>1,000,000</b>	<b>3,000,000</b>	<b>3,385,000</b>	<b>7,385,000</b>

For effective ER Program implementation, capacity for social and environmental safeguards implementation is required at both national and sub-national level. Three Social and Environment Safeguard Units (SESU) will be set up with one at national and two at provincial level. The two Units at provincial level will be setup in Luang Namtha and Luang Prabang each representing a cluster of three provinces (Refer to Section 8.2). Setting up and capacity building of these units will be undertaken through the FCPF Readiness grant between September 2020 and May 2021 and may continue for 12 to 18 months.

Further operational costs will go towards strengthening the FPF. A full capacity development plan for the FPF is describe in Section 7.

**Table 23 ERPA Advance Payment Budget October 2021 – September 2023**

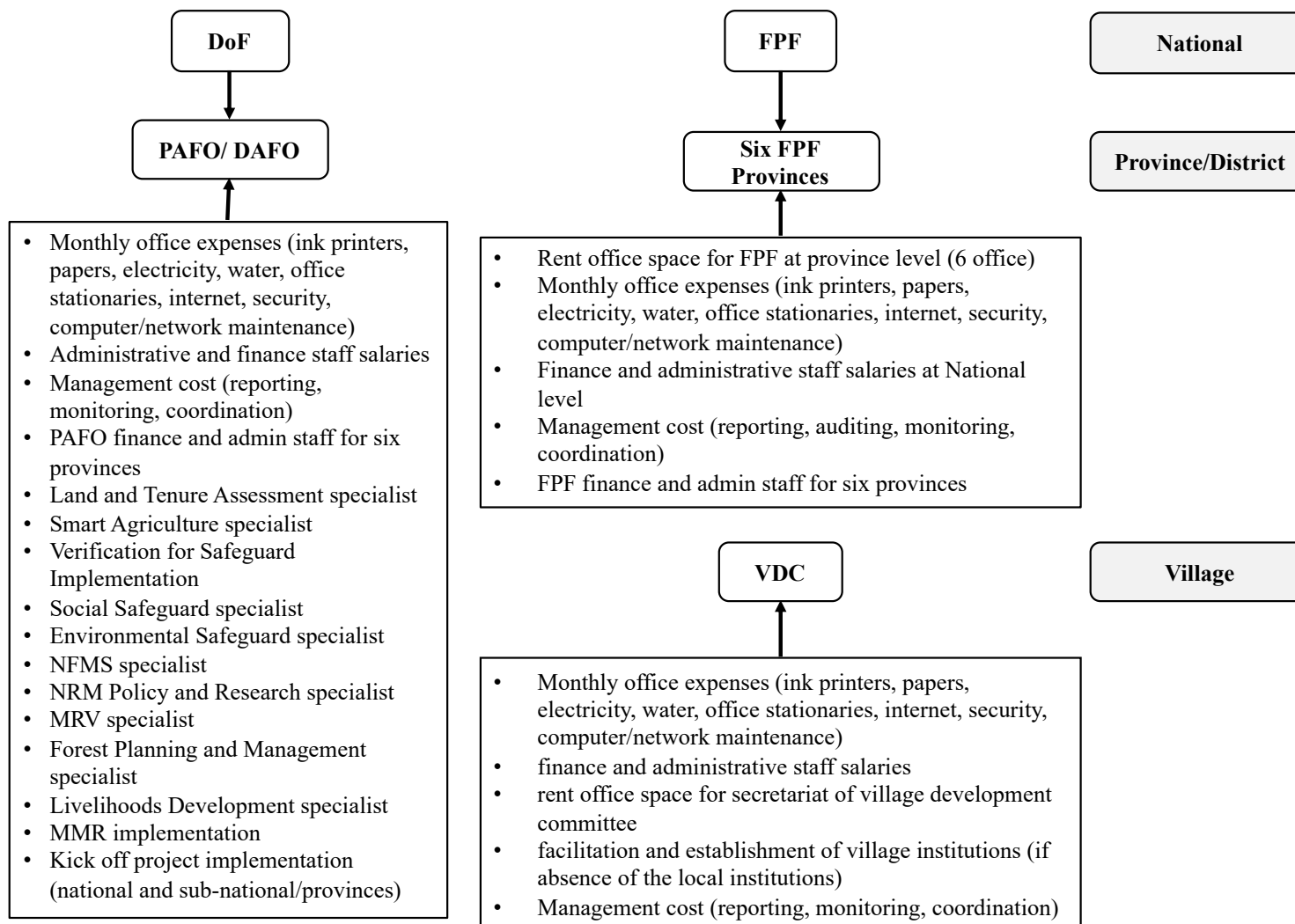
<b>PROJECT COMPONENTS</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total (USD)</b>
<b>PROJECT MANAGEMENT</b>	<b>443,020</b>	<b>966,700</b>	<b>405,980</b>	<b>1,815,700</b>
<b>PMU National</b>	394,250	499,500	250,580	1,144,330
<b>PMU Province</b>	48,770	467,200	155,400	671,370
<b>TECHNICAL SUPPORT</b>	<b>169,000</b>	<b>670,200</b>	<b>345,100</b>	<b>1,184,300</b>
<b>Natural Resource Management</b>	30,000	121,200	93,600	244,800
<b>Safeguards Management</b>	-	-	-	-
<b>Measurement, Reporting and Verification</b>	25,000	93,000	71,500	189,500
<b>Capacity Building</b>	54,000	216,000	-	270,000
<b>Forest Protection Fund Strengthening</b>	60,000	240,000	180,000	480,000
<b>Total Advance Payment (USD)</b>	<b>612,020</b>	<b>1,636,900</b>	<b>751,080</b>	<b>3,000,000</b>

The outline of the operational budget is based on the assumption that the GoL will be able to receive an advance payment of USD 3 million to cover the initial implementation costs of the ER Program. See **Table 24** and **Figure 17** for allocation and total operational cost of the ER program (2022 – 2025).

**Table 24 ERPA Operational Costs – Financial Plan 2020 – 2025**

PROJECT COMPONENTS		2020	2021	2022	2023	2024	2025	Total (USD)
<b>1</b>	<b>PROJECT MANAGEMENT</b>	<b>299,100</b>	<b>614,620</b>	<b>1,116,700</b>	<b>765,900</b>	<b>960,340</b>	<b>968,055</b>	<b>4,724,715</b>
<b>1.1</b>	<b>PMU National</b>	<b>181,500</b>	<b>435,000</b>	<b>489,500</b>	<b>558,700</b>	<b>753,140</b>	<b>760,855</b>	<b>3,178,695</b>
1.1.1	<i>Management and Support Staff</i>	123,100	218,200	262,700	254,800	271,340	284,340	1,414,480
1.1.2	<i>Capital expenses</i>	-	100,000	90,000	-	-	-	190,000
1.1.3	<i>Recurring costs</i>	58,400	116,800	136,800	303,900	481,800	476,515	1,574,215
<b>1.2</b>	<b>PMU Province</b>	<b>117,600</b>	<b>179,620</b>	<b>627,200</b>	<b>207,200</b>	<b>207,200</b>	<b>207,200</b>	<b>1,546,020</b>
1.2.1	<i>Management and Support Staff</i>	-	18,000	72,000	72,000	72,000	72,000	306,000
1.2.2	<i>Capital expenses</i>	50,000	30,000	420,000	-	-	-	500,000
1.2.3	<i>Recurring costs</i>	67,600	131,620	135,200	135,200	135,200	135,200	740,020
<b>2</b>	<b>TECHNICAL SUPPORT</b>	<b>164,300</b>	<b>384,000</b>	<b>670,200</b>	<b>462,740</b>	<b>482,455</b>	<b>496,590</b>	<b>2,660,285</b>
<b>2.1</b>	<b>Natural Resource Management</b>	<b>-</b>	<b>30,000</b>	<b>121,200</b>	<b>126,000</b>	<b>130,800</b>	<b>134,400</b>	<b>542,400</b>
2.1.1	<i>Forest Planning and Management Specialist</i>	-	7,500	30,300	31,500	32,700	33,600	135,600
2.1.2	<i>NRM Policy and Research Specialist</i>	-	7,500	30,300	31,500	32,700	33,600	135,600
2.1.3	<i>Climate Smart Agriculture Specialist</i>	-	7,500	30,300	31,500	32,700	33,600	135,600
2.1.4	<i>Sustainable Livelihoods Development Specialist</i>	-	7,500	30,300	31,500	32,700	33,600	135,600
<b>2.2</b>	<b>Safeguards Management</b>	<b>75,800</b>	<b>102,000</b>	<b>84,000</b>	<b>84,840</b>	<b>88,230</b>	<b>90,840</b>	<b>525,710</b>
2.2.1	<i>SESU Management Specialist</i>	12,000	15,000	-	-	-	-	27,000
2.2.2	<i>Social Safeguards Specialist</i>	18,000	3,000	-	-	-	-	21,000
2.2.3	<i>Safeguards Management Specialist</i>	35,000	84,000	84,000	84,840	88,230	90,840	466,910
2.2.4	<i>Environmental Safeguards Specialist</i>	10,800	-	-	-	-	-	10,800
<b>2.3</b>	<b>Measurement, Reporting and Verification</b>	<b>10,500</b>	<b>42,000</b>	<b>93,000</b>	<b>94,340</b>	<b>99,565</b>	<b>102,630</b>	<b>442,035</b>
2.3.1	<i>NFMS Specialist</i>	-	9,000	36,000	36,600	38,790	39,960	160,350
2.3.2	<i>Land Use Change Assessment Specialist</i>	-	9,000	36,000	36,600	38,790	39,960	160,350
2.3.3	<i>MRV Support Specialist</i>	10,500	24,000	21,000	21,140	21,985	22,710	121,335
<b>2.4</b>	<b>Capacity Building</b>	<b>-</b>	<b>54,000</b>	<b>216,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>270,000</b>
2.4.1	<i>Capacity Building Assessment Specialist</i>	-	9,000	36,000	-	-	-	45,000
2.4.2	<i>Training of Trainers Specialist</i>	-	9,000	36,000	-	-	-	45,000
2.4.3	<i>Village Facilitators (6 Specialists)</i>	-	36,000	144,000	-	-	-	180,000
<b>2.5</b>	<b>Forest Protection Fund Strengthening</b>	<b>78,000</b>	<b>156,000</b>	<b>156,000</b>	<b>157,560</b>	<b>163,860</b>	<b>168,720</b>	<b>880,140</b>
2.5.1	<i>Fund Management Specialist/Team Leader</i>	42,000	84,000	84,000	84,840	88,230	90,840	473,910
2.5.2	<i>Financial Management Specialist</i>	18,000	36,000	36,000	36,360	37,815	38,940	203,115
2.5.3	<i>Operations and IT Specialist</i>	18,000	36,000	36,000	36,360	37,815	38,940	203,115
<b>Total (USD)</b>		<b>463,400</b>	<b>998,620</b>	<b>1,786,900</b>	<b>1,228,640</b>	<b>1,442,795</b>	<b>1,464,645</b>	<b>7,385,000</b>

**Figure 17 Operational Cost allocation**





## Annex 2. Development Partner Agriculture and Forestry Project Portfolio and Budget

**Table 25 Development Partner Project Portfolio and Budget**

No .	Development Partner Status	Project	Location		Budget (million)		Objectives
			GFL	National	GFL	National	
1	IFAD Negotiation 2020-2026	PICSA Partnerships for Irrigation and Commercialization of Smallholder Agriculture	Huaphan Luang Prabang Sayabouri	-	USD 29.00	-	Profitable smallholder irrigated agriculture, improved diets, encompassing increased dietary intake and improved diet quality for nutritionally vulnerable group, school-based nutrition interventions
2	ADB/EU 2019-2027	Sustainable Rural Infrastructure and Watershed Management Sector Project	Huaphan Luang Prabang	National	-	USD 49.46	The project will increase the profitability of the agriculture, natural resources and rural development sector by enhancing sustainable, market oriented agricultural production together with natural resources management.
3	APFNet 2015-2022	SFM-NL Sustainable Forest Management in the Northern part of Lao PDR	Bokeo Luang Namtha Odomxay		USD 3.56		To explore, test and demonstrate effective approaches on forest restoration and forest management and responding mechanism to generate sustainable flow of benefit to closely related stakeholders. To strengthen forest law enforcement and promote cooperation on trans-boundary biodiversity conservation. To share information and knowledge of best practices on forest restoration and rehabilitation.
4	EU Operational 2013-2021	FLEGT Forest Law Enforcement, Governance and Trade	-	National	USD 4.50 (25 percent)	USD 13.50	To improve opportunities for the Lao timber industry to access the EU market, diversify timber industry and products, and increase revenue from timber exports
5	Carbon Fund Negotiation 2020-2024	GFL Governance, Forest Landscapes and Livelihoods-Northern Laos	Bokeo Huaphan Luang Namtha Luang Prabang Oudomxay Sayabouri	-	USD 42	-	The project objective is to reduce greenhouse gas emissions and enhance removals from Lao PDRs forest



No.	Development Partner Status	Project	Location		Budget (million)		Objectives
			GFL	National	GFL	National	
6	GIZ Operational 2019-2021	CLIPAD Climate Protection through Avoided Deforestation	Houaphan, Luang Prabang, Sayaboury	National	USD 2.8	-	The framework conditions for implementing the GoL's ERP have been improved at national level and in six northern provinces
7	GIZ Operational 2008-2020	CLIPAD – FC Climate Protection through Avoided Deforestation-Financial Cooperation Module	-	National	USD 2.75	USD 8.25	To regulate and promote sustainable management, protection and conservation of village forests by establishing a legal basis and framework to link all village forest categories with international funding for climate change mitigation, and to channel it down to the village-level through performance-based payments
8	GIZ 2020-2024	I-GFL Implementation Plan – Governance, Forest Landscapes and Livelihoods – Northern Laos Sub-Project 1, Phase 1	Huaphan Luang Prabang Sayabouri	-	USD 22.70	-	The program's main objective is to support the Government and people of Laos in changing the present-day use of forests and landscapes and to ensure a transition to sustainable management at scale. This will reduce close to 58m tCO <sub>2</sub> eq over the project's duration.
9	JICA Operational 2015-2020	F-REDD Sustainable Forest Management and REDD+ Support Project	Luang Prabang Oudomxay	National	Not separated	USD 6.9	Capacity for Sustainable Forest Management is strengthened through incorporation of REDD+ into the sector strategy and improved forest resource information.
10	KfW Operational 2019-2025	VFMP Village Forestry Management Project	Luang Prabang Sayabouri	National	USD 7.0	USD 0.7	The condition of forest ecosystems and the livelihood of the population in the project areas are improved by the sustainable management of village forests.
11	KfW Operational 2015-2022	ICBF Integrated Conservation of Biodiversity and Forests	Bokeo Luang Namtha	National	USD 9.4	USD 1.3	Effective management of two target landscapes (NPAs, corridors) contributes to sustaining biodiversity in forest ecosystems, while supporting livelihoods of forest-dependent communities. ICBF supports various measures to address the loss of biodiversity/ forests (threats/ drivers)
12	WB Operational 2014-2021	LENS2 Second Lao Environment and Social Project	Luang Prabang	National	USD 4 (10 percent)	USD 38	To provide support to forested upper watersheds of rivers important to hydropower, agriculture, irrigation and flood prevention; create wildlife and Protected Area enforcement standards; support capacity building for national, provincial

No .	Development Partner Status	Project	Location		Budget (million)		Objectives
			GFL	National	GFL	National	
							and district institutions that implement environmental and social impact legislation, and; build the capacity of the Environmental Protection Fund
13	WB Operational 2013-2021	SUPSFM Scaling-Up Participatory Sustainable Forest Management Project	Bokeo Huaphan Luang Namtha Luang Prabang Oudomxay Sayaboury	National	USD 10 (25 percent)	USD 30	Reduce carbon emissions through participatory sustainable forest management in priority areas and to pilot forest landscape management in four northern provinces in Lao PDR.
14	FAO/Project formulation 2020-2025	Climate Smart Agriculture alternatives for upland production systems in Lao PDR	Huaphan Luang Prabang	National	USD 1-2	USD 2-4	To enhance resilience of vulnerable upland communities to climate change impacts through CSA practices in upland production systems
<b>Pipeline Funding</b>							
15	IDA	Green Growth DPF including Forest Governance 2 and 3	MAF/MPI	National		USD 80	
16	FIP/IDA 2019-2021	LA-Scaling-Up Participatory Sustainable Forest Management (Additional Funding)	7 PFAs located in Bokeo, Luang Namtha, and Oudomxay			USD 5	To execute REDD+ activities through participatory sustainable forest management in priority areas and to pilot forest landscape management in four provinces
17	(IDA/GEF) 2021-2026	Lao Landscape and Livelihood Program	TBA	TBA		USD 57	To improve sustainable forest management and enhance livelihoods and tourism opportunities in selected landscapes in northern, central and southern Lao PDR
	<b>million Sub-Total USD</b>				USD 139.71	USD 200.41	
	<b>million TOTAL USD (including pipeline)</b>				<b>USD 326.12</b>		

### Annex 3. Legislative Framework of Lao PDR Authorizing MAF to ER Title Management

**Table 26 Legislative Framework for ER Title Management**

Text	Articles	Wordings
Constitution	Article 17.2	Land, mine, water, air, forest, non-timber forest products, aquatic animal, wildlife, other natural resources are property of the national community which are managed by the State on its behalf. However, the constitution acknowledges property rights (rights of possession, rights of use, rights of usufruct, rights of disposition) and inheritance rights to individuals, legal entities and organisations in accordance with the laws.
Land Law	Article 3	Land of the Lao PDR is under the ownership of the national community as prescribed in Article 17 of the Constitution in which the State is charged with the centralised and uniform management [of land] throughout the country and with the allocation [of land] to individuals, families and economic organisations for use, lease or concession, [the allocation] to army units, State organisations, political organisations, the Lao Front for National Construction, [and] mass organisations for use [, and the allocation] to aliens, apatrids, foreign individuals and organisations of such persons for lease or concession.
Land Law	Article 18	The Ministry of Agriculture and Forestry is charged with managing agricultural land, determining different categories of agricultural land, studying and developing regulations on the management, protection, development, and use of this category of land and, thereafter, submitting [them] to the government for consideration and approval.
Land Law	Article 20	The Ministry of Agriculture and Forestry is charged with managing forest land, determining different categories of forest land, studying and developing regulations on the management, protection, development, and use of this category of land, including environmental protection, and, thereafter, to submit [them] to the Government for consideration and approval.
Forest Law	Article 2	Forest is a precious natural resource of the nation and its specific ecology consists of biodiversity, water resources and forestland with various tree species growing naturally or planted in the protection forest zone, conservation forest areas and production forest areas.
Forest Law	Article 4	Natural forest and Forestland are the property of the nation community and The State manages through centralization and unity throughout the country. Trees planted by people or planted by an organisation in the areas designated with their labour and/or funds within recognition of the Forest and Forestland Management Organisation shall become the property of such individuals or organisations.
Forest Law	Article 5	The State has the policy to invest in preservation, regeneration, development of forest and Forestlands in connection with the socio-economic development plan and in building facilities and technical bases for preserving the environment, water resources, biodiversity and people's livelihoods including the provision of sedentary livelihoods. The State encourages individuals, households and organisations to carry out protection and development of all forest types, forest regeneration and tree planting activities in degraded Forestland and barren Forestland areas to become abundant forests for environmental protection, tree planting for raw material supply to industry and handicraft factories with the provision of various incentive policies such as credit and exemption or reduction of taxes and duties according to the regulations.
Forest Law	Article 6	Protection, development and utilization of forests and Forestlands shall be implemented according to the following principles: 1. Ensuring the central management by the State throughout the country. 2. Ensuring the relevance with the socio-economic development plan, duties of national defence and security, forestry strategy, and master plan and plans of forest and Forestland utilization.

Text	Articles	Wordings
		<p>3. Ensuring protection, regeneration, development of forests and Forestlands, water resources, biodiversity and the environment to abundance with people's participation.</p> <p>4. Ensuring benefits to the State, organizations and individuals engaged in protection, development of forests and Forestlands according to the laws and regulations.</p> <p>5. Ensuring effective, efficient and sustainable utilization of forests and Forestlands without negative impacts on the environment.</p> <p>6. Linking the forestry development strategy of Lao PDR with regional and international.</p>
Forest Law	Article 57	The Ministry of Agriculture and Forestry is authorized to manage forestland and to define forestland types in collaboration with other sectors concerned to study and making regulations in the management, preservation, development and utilization of these types of land including preservation of environment and then submit them to the government for consideration and approval.
Forest Law	Article 62	The Ministry of Agriculture and Forestry is authorized to develop forestland by creating a coordination mechanism between sectors concerned, local administration authorities and all parties in the society including people to take part in forestland development by issuing policies, methods and measures related to preservation, improvement and rehabilitation of land to be in better condition with higher values and maintaining a healthy forest ecosystem.
Forest Law	Article 77	The government assigns the Ministry of Agriculture and Forestry in collaboration with the Ministries concerned such as the Ministry of Industry and Commerce, the National Land Management Authority, the Water Resource and Environment Agency, the Ministry of Energy and Mining, the Ministry of Public activities and Transport, the National Tourism Authority, the Ministry of Planning and Investment, the Ministry of National Defence, and the Ministry of Information and Culture to carry out the preservation and development of forest and forestland resources in a sustainable manner in accordance with the strategy national socio-economic development plans, the forestry strategy and the environment management strategy and the scope of the formulated management plans.
Forest Law	Article 84	After forest zoning, forest category classification, delineation of forest and forestland areas, the State allocates the ownership to organisations and individuals.
Forest Law	Article 90	<p>The allocation right to use forest and forestland areas of the State is the decision of authorised organizations to grant forest and forestland areas to village administration authorities for long-term sustainable use according to the management plan and laws and regulations.</p> <p>Allocation of rights to use forestland is the decision of authorized organizations to grant forestland to individuals, households and organizations living in the designed forest area for the sustainable use according to the contract and laws and regulations.</p>
Forest Law	Article 104	<p>The government manages forest and forestland areas in a centralised and uniform way throughout the country by assigning the Ministry of Agriculture and Forestry to be as central agency of coordination with other organisations concerned such as the National Land Management Authority, the Ministry of Industry and Commerce, the Ministry of Energy and Mining, the Ministry of Public Health and the Water Resources and Environment Agency The forest and forestland management organisation in Lao PDR is comprised of :</p> <ol style="list-style-type: none"> <li>1. The Ministry of Agriculture and Forestry, the Department of Forestry acts as the secretariat.</li> <li>2. Provincial or Vientiane Capital Agriculture and Forestry Office.</li> <li>3. District or Municipal Agriculture and Forestry Office.</li> <li>4. Village Forestry Units.</li> </ol>

## Annex 4. GFLL Consultation on Institutional Arrangements and Proportions for Benefit Sharing Plan of ER Program

### **Date: 2 July 2019**

Participants: Refer to participant list

Location: REDD+ Division Meeting Room

### **Content of the meeting:**

- BSP institutional arrangements
- Benefit sharing mechanism and benefit allocation
- Roles and responsibilities of relevant stakeholders
- Subnational consultation on BSP

### **Comments/Concerns raised during the discussion:**

- More clarification on how emission reduction target is calculated.
- Possibility of having the Forest and Forest Resources Development Fund (FFRDF) as a fund management agency instead of Environment Protection Fund (EPF).
- What will be the activities for community, EPF and DoF?

### **Next steps:**

- Institutional arrangements and fund flow of both options (EPF and FFRDF) will be proposed and discussed during the next TWG meeting.
- Arrangement of the subnational consultation

### **List of participants**

No.	Name	Position	Organization	Telephone
1	Mr. Bounhom Phothimath	Social Consultant	REDD+ Division	91660212
2	Mr. Phothong Chandaphet	Deputy Head	DoLA	55087111
3	Mr. Phetsomphu Kiobmala	Deputy Head	DIMEX. MOIC	55499070
4	Mr. Somchay Inthavong	Deputy Head	DRDC	55340924
5	Mr. Khamma Homsisavath	Head of Department	FIPD	
6	Mrs. Phetsomphone Vonghachack	Head of Office	FFRDF	22205315
7	Mr. Sypha Chanthavong	Legal Consultant	REDD+ Division	22993355
8	Dr. Kinnalone Phommasack	Deputy Head	REDD+ Division	
9	Mr. Kuru	Social Consultant	REDD+ Division	22417524
10	Mr. Anupam Bhatia	Chief Technical Advisor	REDD+ Division	
11	Ms. Pinkeo Imsokasy	Officer	DoPF. DoF	56878731
12	Mr. Phetdavong Namphachan	Deputy Head	REDD+ Division	59210202
13	Mr. Soukphavanh Sawathvong	Officer	REDD+ Division	28125273
14	Ms. Souchitta Chemcheng	Environmental Consultant	REDD+ Division	59998438

**Date: 5 July 2019**

Participants: Refer to participant list

Location: REDD+ Division Meeting Room

**Content of the meeting:**

- Discussion on the institutional arrangements and benefit sharing mechanisms under both options (EPF and FFRDF)

**Comments/Concerns raised during the discussion and next steps:**

- More details on the pros and cons of each option is required and to be discussed in the next meeting.

**List of participants**

No.	Name	Position	Organization	Telephone
1	Mr. Kuru	Social Consultant	REDD+ Division	22417524
2	Mr. Phetsomphu Kiobmala	Deputy Head	DIMEX. MOIC	55499070
3	Mr. Somchay Inthavong	Deputy Head	DRDC	55340924
4	Mr. Phothong Chandalaphet	Deputy Head	DoLA	55087111
5	Ms. Pinkeo Imsokasy	Officer	DoPF. DoF	56878731
6	Mr. Soukphavanh Sawathvong	Officer	REDD+ Division	28125273
7	Ms. Souchitta Chemcheng	Environmental Consultant	REDD+ Division	59998438
8	Mr. Bounhom Phothimath	Social Consultant	REDD+ Division	91660212
9	Mrs. Phetsomphone Vonghachack	Head of Office	FFRDF	22205315
10	Dr. Kinnalone Phommasack	Deputy Head	REDD+ Division	
11	Mr. Sypha Chanthavong	Legal Consultant	REDD+ Division	22993355

**Date: 18 July 2019**

Participants: Refer to participant list

Location: DoF Meeting Room

**Content of the meeting:**

- Benefit sharing mechanism
- Fund transfer and management
- Discussion on the pros and cons of institutional arrangements and benefit sharing mechanisms under both options (EPF and FFRDF).

**Comments/Concerns raised during the discussion:**

- The revised Forestry Law on the Forest Protection Fund (formerly known as FFRDF) indicates that one of the revenue sources of the fund comes from trade of forest carbon.
- Two options were suggested for further analysis of pros, cons and improvements needed for each option:

- Option 1: EPF as a fund management agency but has to strengthen the capacity of FPF in the areas of management, administration, monitoring and evaluation.
- Option 2: EPF as a fund management agency but with the condition that after the capacity of FPF has been strengthened, FPF will become the fund management agency. The FPF management fee of 8 percent is too high. This needs to be discussed.
- What are the activities for result-based payment at the community level? How will the payment be made? How will the fund be managed? Will it go to village revolving fund? How will community and individual receive the benefits.

#### **List of participants**

No.	Name	Position	Organization	Telephone
1	Mr. Susath Xayakoumman	Director	DoF	021215000
2	Mr. Bounhom Phothimath	Social Consultant	REDD+ Division	91660212
3	Mrs. Phetsomphone Vonghachack	Head of Office	FFRDF	22205315
4	Mr. Stepi Hakim	BSP Consultant	REDD+ Division	
5	Ms. Souchitta Chemcheng	Environmental Consultant	REDD+ Division	59998438
6	Mr. Khamsene Ounkham	Director	REDD+ Division	54466829
7	Mr. Saleumxay Dalavong	Officer	DoA. MoF	28212222
8	Mr. Phonexay Keopaseuth	Officer	DoPF. DoF	55318184
9	Mr. Aphisith Panyasack	Officer	REDD+ Division	78742208
10	Ms. Sandy Soukaseum	Officer	REDD+ Division	95485055
11	Mr. Sypha Chanthavong	Legal Consultant	REDD+ Division	22993355
12	Ms. Samnak Sisavath	Deputy Head of Sector	REDD+ Division	29802414

#### **Date: 24 September 2019**

Subject: NRTF Meeting chaired by Vice Ministry of Agriculture and Forestry

Location: DoF Meeting Room

Participants: 31 Person (5 women) - MONRE, F-REDD, Ministry of Energy & Mining, MAF, GIZ, MPI

#### **Content of the meeting:**

- Review and update REDD+ Program in Laos including Benefit sharing Plan
- The decision for FPF as Fund Agency for FCPF Carbon Fund

#### **Comments/Concerns raised during the discussion:**

- Agreed FPF as Fund Agency for FCPF Carbon Fund implementation



- Need to explore the necessary policies within MAF and MoF for FPF to be eligible for FCPF Carbon Fund requirement.

**Date: 1 October 2019**

Subject: ERPA negotiation team meeting (related to Advance Payment) chaired by Deputy DG

Location: DoF Meeting Room

Participants: 23 Person (4 women) – DoF, REDD+ Division, and Consultants, MoF, MPI

**Content of the meeting:**

- Explanation of ERPA term sheet
- Comparison of ERPA term sheet with other countries
- Proposed ERPA terms sheet with consideration of Advance Payment
- Advance payment will cover operational cost of ER Program

**Comments/Concerns raised during the discussion:**

- Agreed ERPA terms sheet
- Need to explore the advance payment and the impacts to the distribution of benefits to beneficiaries.

**Date: 2 October 2019**

Subject: BSP National Technical Working Group Meeting chaired by DG

Location: DoF Meeting Room

Participants: 12 Person (5 women) - DoF, REDD+ Division, and Consultants, MPI, MoF

**Content of the meeting:**

- Review and update Benefit sharing Plan
- The decision for FPF as Fund Agency for FCPF Carbon Fund as the result of 24 September 2019
- Consideration to speed up the fund disbursement to beneficiaries.

**Comments/Concerns raised during the discussion:**

- Proportions of benefit sharing plan need to be consulted with sub-National stakeholders (particularly with PAFO/DAFO)
- MAF and MoF will provide solution to accelerate the fund disbursement so that FPF can manage and transfer the funds to beneficiaries based on annual ER programs.

**Date: 4 October 2019**

Subject: BSP National Consultation with Six PAFO/DAFO chaired by Deputy DG

Location: Talath (Vientiane Province)

Participants: 28 Person (5 women) –representatives from six PAFO provinces, REDD+ Division, Consultants.

**Content of the meeting:**

- Update Benefit sharing Plan
- The decision for FPF as Fund Agency for FCPF Carbon Fund as the result of 24 September 2019



- Consultation of proportions in BSP

**Comments/Concerns raised during the discussion:**

- Participants agreed that FPF as Fund Agency for FCPF Carbon Fund
- Participants agreed with proportions of benefit sharing plan. However, it needs to explore the detail role and responsibility of government agencies in ER Program.
- The operational cost is proposed to be between 20-25 percent from total ER Payments.

**Date: 8 October 2019**

Subject: BSP provincial Consultation with relevant stakeholders chaired by Deputy DG

Location: Bokeo Province

Participants: 66 Person (13 women) - five villages, LFNC, LWU, Furniture Association, districts, CSO (GCA), Rubber Purchasing Association, Defence. (Bokeo, Luang Namtha, and Oudomxay)

**Content of the meeting:**

- Update Benefit sharing Plan
- The decision for FPF as Fund Agency for FCPF Carbon Fund as the result of 24 September 2019
- Consultation of proportions in BSP

**Comments/Concerns raised during the discussion:**

- Participants agreed that FPF as Fund Agency for FCPF Carbon Fund
- Participants agreed with proportions of benefit sharing plan. However, it needs to explore the detail role and responsibility of government agencies in ER Program.
- The operational cost is proposed to be between 20-25% from total ER Payments, but it might be based on the negotiation with the World Bank.

**Date: 10 October 2019**

Subject: BSP provincial Consultation with relevant stakeholders chaired by Deputy DG

Location: Luang Prabang Province)

Participants: 46 Person (12 women) - LFNC, PAFO/DAFO, Jongher Co., 6 villages, Information, CSO (GCA), GIZ, LWU, three provinces (Huaphanh, Sayaboury, Luang Prabang).

**Content of the meeting:**

- Update Benefit sharing Plan
- The decision for FPF as Fund Agency for FCPF Carbon Fund as the result of 24 September 2019
- Consultation of proportions in BSP

**Comments/Concerns raised during the discussion:**

- Participants agreed that FPF as Fund Agency for FCPF Carbon Fund
- Participants agreed with proportions between national and sub-national agencies, 54.5% and 45.5% accordingly.
- The operational cost is proposed to be 20% from total ER Payments, but it might be based on the negotiation with the World Bank.
- It needs to review proportion of each component to link with cash flow structure.
- Participants agreed with conditions of performance-based payments (5%, 90%, 5%) for beneficiaries.

## Annex 5. Example of permitted activities in good agriculture practices (GAP)

FAO defines Good Agricultural Practices as a “collection of principles to apply for on-farm production and post-production processes, resulting in safe and healthy food and non-food agriculture products, while taking into account economic, social and environmental sustainability.”

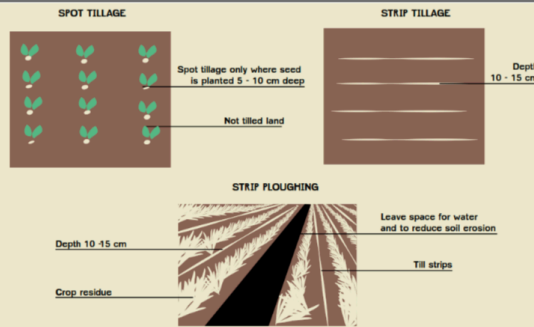
In the context of the Northern Region of Lao PDR, a range of agricultural practices is considered to enable sustainable intensification of agriculture production and therewith contribute to a re-duction of deforestation and forest degradation. In general, improvement of soil quality should enable farmers to practice agricultural production on a certain area for a longer period of time, and thus reduce the risk of deforestation for new agricultural area.

Conservation agriculture, practices that minimise disruption of a soil’s structure, will – especially on hilly terrain where soil degradation is a major problem – contribute to soil conservation and soil quality. Practices such as no-tillage, cover crops, crop rotation and/or crop residue manage-ment have already shown to reduce and prevent soil erosion and contribute to soil quality and moisture.

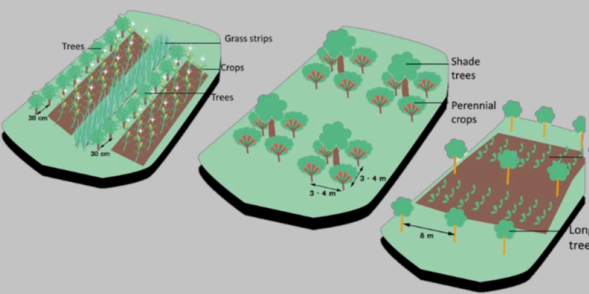
Depending on agriculture activities (crops, livestock) that are identified with high potential in certain districts and/or villages, a range of Good Agricultural Practices is possible. Example of good agriculture practices are as follows:

Intercropping	
Practice	<p><b>Intercropping and relay cropping</b></p> <p>Intercropping is the planting of two or more crops in the same field at the same time, e.g. maize and legumes (beans).</p> <p>Relay cropping is the planting of temporary crops within the main crop before the main crop is harvested. Relay cropping ensures the land is used continuously. It reduces the cost of subsequent cultivation while ensuring the availability of organic matter for the new crop.</p>

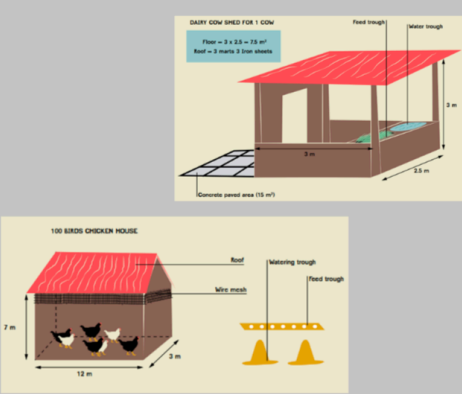
## Conservation Agriculture

Practice	<p><b>Conservation agriculture</b></p> <p>Conservation agriculture is a way in which crops can be grown in a sustainable way while conserving the environment. Conservation agriculture is based on three core principles:</p> <ul style="list-style-type: none"> <li>Permanent soil cover with mulch or crops residues (residue management), to protect the soil</li> <li>Minimal soil disturbance during tillage</li> <li>Crop rotation/diversification.</li> </ul> <p>Residue management refers to the sound handling and utilization of plant and crop residues that combines mulching, composting, integrative manure and livestock management. Plant residues are a major source of carbon in soil. Residues can be used as trash lines or mulch, or can be used for feeding livestock. Manure from the livestock can then be collected and used on the farm.</p> <p>Conservation tillage is a planting system that ensures minimal soil disturbance. It leaves at least 30 - 50 % of the field surface covered with crop residues such as mulch and stubble after planting has been completed. The top and sub soils are not mixed in the process.</p>	 <p>The diagram shows three methods of conservation tillage:</p> <ul style="list-style-type: none"> <li><b>SPOT TILLAGE:</b> Shows a grid of plants with labels indicating 'Spot tillage only where seed is planted 5 - 10 cm deep' and 'Not tilled land'.</li> <li><b>STRIP TILLAGE:</b> Shows a field with horizontal lines and a label 'Depth 10 - 15 cm'.</li> <li><b>STRIP PLOUGHING:</b> Shows a field with diagonal lines and labels 'Depth 10 - 15 cm', 'Crop residue', and 'Till strips'. A note says 'Leave space for water and to reduce soil erosion'.</li> </ul>
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## Agroforestry

Practice	<p><b>Agroforestry: trees between crops, or as livestock fence/shade trees</b></p> <p>One of the bases for establishing resilient and sustainable farming systems is to integrate trees into the system. In mountain areas, the most common farming approach is to use a mixed crop livestock agroforestry system. This can be made considerably more successful if nitrogen-fixing plants (NFPs), especially those that occur naturally in the environment, are deliberately incorporated into the system.</p> <p>Alley cropping is the growing of annual crops or forage between rows of trees or shrubs to form hedgerows. In dispersed inter-planting, trees are grown in a systematic way in fields alongside crops to provide food, fuel wood, building poles, fodder etc. The trees also provide nutrients and organic matter for the soil, and shade for crops and livestock.</p>	 <p>The diagram shows three types of agroforestry systems:</p> <ul style="list-style-type: none"> <li><b>Trees:</b> Shows a field with rows of trees and crops, with labels 'Trees', 'Grass strips', 'Crops', and 'Trees'.</li> <li><b>Shade trees:</b> Shows a field with rows of trees and crops, with labels 'Shade trees', 'Perennial crops', and 'Crops'.</li> <li><b>Long term trees:</b> Shows a field with rows of trees and crops, with labels 'Long term trees' and 'Crops'.</li> </ul>
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## Improved livestock management (feeding, animal husbandry)

Practice	<p><b>1. Improved feeding (diet)</b></p> <p>Livestock mainly feed on pasture (perennial fodders, pastures and legumes), crop residues, or on shrub land. Pasture management - selective sowing of improved varieties of pasture to enhance livestock grazing - can contribute to improved livestock nutrition and therewith increase livestock production (e.g. weight gain, milk production). Rotational grazing for example enables the grassland to recover and thus contributes to improved quality and quantity forage.</p> <p>Other improved feeding practices include crop residue treatment for improved digestibility, or the feeding of special feedstuffs (grass, hay, silage, grains, beans, or waste products from the rice milling industry such as rice bran) for a balanced diet of carbohydrates, proteins, vitamins and minerals.</p> <p><b>2. Animal husbandry</b></p> <p>Poorly constructed housing reduces productivity and exposes livestock to pests and diseases. Furthermore, exposure to the sun can cause heat stress to the animal, reducing production and fertility. Proper animal husbandry including manure management can contribute to livestock productivity and health.</p>	 <p>The diagram shows two types of livestock housing:</p> <ul style="list-style-type: none"> <li><b>DAIRY COW SHED FOR 1 COW:</b> Shows a cow shed with a red roof and a label 'Floor = 3 x 2.5 = 7.5 m²'. A note says 'Roof = 3 m x 2.5 m x 2.5 m'.</li> <li><b>100 BIRDS CHICKEN HOUSE:</b> Shows a chicken house with a red roof and a label 'Roof = 3 m x 2.5 = 7.5 m²'. A note says 'Roof = 3 m x 2.5 m x 2.5 m'.</li> </ul>
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## Annex 6. Example of permitted activities in Village Forest (in compliance with FFRDF Decree PMO No.38/2005)

Selection of appropriate Village Forest Management (VFM) activities according to the Forest Category

**Table 27 Example of Permitted Activities in Village Forest**

Forest Category	Possible Activities
Conservation Forest	Forest patrolling for protection against encroachment
	Patrolling against fire and intervention in case of forest fire
	Fire prevention (digging firebreaks, ploughing firebreaks, controlled burning of firebreaks, clear vegetation strips, building of fire observation towers)
	Identification and marking of trees to be left as mother trees for seed production; clearing of grass cover around mother trees
	Seed collection for direct seeding in other areas
	Promotion of natural regeneration, in case there was shifting cultivation or logging in parts of the forest areas
	NTFP management and development
Protection Forest	Forest patrolling for protection against encroachment
	Patrolling against fire and intervention in case of forest fire
	Fire prevention (digging firebreaks, ploughing firebreaks, controlled burning of firebreaks, clear vegetation strips, building of fire observation towers)
	Build check dams or small water reservoirs to have water for firefighting and water for watering planted tree seedlings
	Identification and marking of trees to be left as mother trees for seed production; clearing of grass cover around mother trees
	Seed collection for direct seeding in other areas
	Promotion of natural regeneration, in case there was shifting cultivation or logging in parts of the forest areas
	Enrichment planting (Forest enrichment by planting more valuable trees in poor forest with little natural regeneration)
	NTFP management and development
Village Use Forest	Forest patrolling for protection against encroachment
	Fire prevention (digging firebreaks, ploughing firebreaks, controlled burning of firebreaks, clear vegetation strips, building of fire observation towers)
	Build check dams or small water reservoirs to have water for firefighting and water for watering planted tree seedlings

## **Annex 7. FPF Decree on Regulation the management and use of budget of Forestry and Forest Resource Development Fund (FFRDF Decree No.001/2008)**



Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity

Ministry of Agriculture and Forestry  
Forestry and Forest Resource Development Fund

No. 001 / FFRDF  
Vientiane Capital, Dated 27/ Feb/2008

### **REGULATION ON THE MANAGEMENT AND USE OF BUDGET OF FORESTRY AND FOREST RESOURCE DEVELOPMENT FUND**

- Based on the Prime Minister Decree No. 38/PM, Dated 21/02/2005 on the Forestry and Forest Resource Development
- Based on the Regulation of the Forestry and Forest Resource Development No. 0264/DoF.FRDF, Dated 27/09/2005
- Based on the Agreement of Role of Forestry and Forest Resource Development No. 002/DoF.FRDF.06, Dated 19/04/2006
- Based on the Announcement of Ministry of Finance No. 0885/MF, dated 27/04/2007 and Announcement of Ministry of Agriculture and Forestry No. 0145/MAF, dated 10/07/2007 on the Fund Raising and Expenditure Management Fund.

**The Board of the Forestry and Forest Resource Development Fund issues the Regulation:**

#### **SECTION I OBJECTIVES AND GOALS**

##### **Article 1**

The objectives of this regulation is; to manage and use the budget of the fund to be alight with the rule of forestry and forest resource development fund no. 0264/DoF.FRDF, Dated 27/09/2005 and the advisory on the management of the fund no.0885/MF, Dated 27/04/2007 and the announcement of ministry of agriculture and forestry no.0145/MAF, Dated 10/07/2007

## Article 2

The goal is to ensure the source of fund, enough, stable and sustainable to use in the forest development activities and the management of the fund to be on track for the pilot projects to be efficiently implemented in both quantity and quality.

## **SECTION II SOURCE OF INCOME FOR THE FUND**

### Article 3

The source of income for the fund has state in the article 12 of the decree no.38/pm, dated 21/02/2005 as follow:

- Fees from the use of forest, forestland and forest resources.
- Obligation from the re-plantation of forest and non-timber forest product.
- Fee from forest inventory, forestland and forest resources.
- The contribution of business on timber, non-timber forest product and wildlife from both domestic and foreign investor.
- The contribution of the state, individual, collective and civil organization both domestic and international, international organization and finance institution and others.
- Other income from interest and shareholding from investment and stock holding.
- Income from the portion of timber sale from production forest based on decree no.59/pm, dated 22/05/2002 on sustainable management of production forest.
- One percent from the sale of electricity from hydropower project for forest fees.
- One percent from the sale of product from mining project for forest fees.
- One percent from the fine of any illegal activities that destroy forest and forest resource (one percent from the fine).

### Article 4

The fund office work together with department of state asset management of the ministry of finance on the collection of its income on the basis of calculation based on decree no.0885/MF; dated 27/04/2007 for each type of income.

## **SECTION III PLANNING FOR BUDGET**

### Article 5.

All provinces and capital municipality throughout the country and concern stakeholders that propose the plan to use money from the fund must align with its goals for the use of fund that stated in article 14 of decree no.38/pm, dated 21/02/2005. Any agency that plan to use money from the fund need to study and seek for information, potential and feasibility to implement pilot projects. Setting activities/scope of work in detail and set reasonable budget try to avoid the plan and activities that not suitable and not align with the goal and out of the scope that set by the fund office.

### Article 6.

Office of the fund consider to set budget for local and related stakeholders to provide advisory for budget use and then propose to board committee to consider and approve the plan by the

foreseen of administration board of forestry and forest resource development fund based on the principle that set.

After the board committee has approved the budget plan then propose to the ministry of finance include in the national budget plan that annual approved by the national assemble. Then next step is to arrange and distribute the budget to feasible use by the foreseen and approve by the fund's director to sigh a final stage.

## **SECTION IV MANAGEMENT AND USE OF FUND**

### Article 7.

The office of the fund manages all budget that allocated to province and other related organization to implement pilot project for forest and forest resource development of each period that has guidance from that fund secretariat. All budget of the fund will be used for development of forest and forest resource as stated in the article 14 of the decree no.38/pm dated 21/02/2005.

Provincial agriculture and forestry office and capital municipality are the fund collectors from the investors and store in the provincial treasure. The investors have to declare to the treasure office and the provincial agriculture and forestry for the payment and the related (PAFO) facilitate the movement of the goods for investors. PAFO together with the office of provincial treasure transfer the fund the account of FRDF that opened at the central capital based on the statement of the decree no.0885/MF, dated 27/04/2007 and the announcement no.0145/MAF, dated 10/07/2007.

### Article 8.

After the board of administration approved the work plan and budgets plan then the implementation is a duty of the fund secretariat and the fund office.

### Article 9.

The provincial and capital municipality or related organization will receive the budget after the fund office had approved and proposed to fund secretariat to allocate the fund basing on the work plan and activities of the projects in each quarter and the period of the facial year.

### Article 10.

The fund office will withdraw or transfer money to each pilot project under the forest sector base on the agreement and approve from the fund director of the fund according to the following principles:

- 10.1 if the project is a technical one will need detail and such as: work plan, human resource budget and time frame in detail to be reference for the money allocation in each period and time frame to implement and monitor the work.



10.2 in the case of procurement to hire staff or infrastructure, the fund receivers have to follow the decree no.03/pm dated 09 January 2004 on the procurement of goods, construction, maintenance and service by the state budget.

#### Article 11.

The fund withdraw or transfer to provinces and capital municipality and related organization, the fund office will allow in a periodic method or base on the work plan of each projects before transfer the money of next period only the project had completed the summarise of the previous budget and the report of the work that implemented in each period to the fund office as stated in the regulation.

### **SECTION V LOANS BY THE FUND**

#### Article 12.

The office of the fund will allocate the loan to villagers, individuals, public organizations, projects and other organization at different level who interested in tree plantation, ecotourism development and other related activities that connect to forest and forest resource development with low interest at 7 percent per year.

#### Article 13.

Villagers, individual, company that received load from the fund office will to have a need economic document and property to asset for guarantee similarly to the bank loan. Government officers, public organization, state projects and other governmental organization at different level will need letter of guarantee from its institution.

### **SECTION VI REPORTING, MONITORING AND EVALUATION OF THE BUDGET USE**

#### Article 14.

Provinces and capital municipalities or pilot projects the received fund from the fund office need to summarise the budget use in the activities as stated in the regulation of the fund office (Advance payment report/summarise and receipts). Progress report on the activities that implemented to attach for the fund office after the completion of the work or with thirty (30) days, monthly, quarter or annual reporting basis.

#### Article 15.

The next payment of the fund will be considered from the fund secretariat only if the report/summarise on budget is submitted to the office of the fund.

#### Article 16.

The follow the article 16 of the prime minister decree no.38/pm, dated 21/02/2005 and to monitor and evaluate the report that provinces and capital municipalities submitted fund office;



the secretariat office need to regularly make field visits to the pilot project who received fund as stated in the role of fund office.

## **SECTION VII AWARDS AND MEASURES AGAINST OFFENDERS**

### Article 17.

Villagers, individuals, legal entities, companies, public organizations, projects and governmental organizations at different level that out standing implantation on forest and forest resource development will receive awards and other appropriate praises from the government where the administration board of the fund will propose to the state to provide pensions, credit, tax and other related as stated in the regulations.

### Article 18.

Measures to offenders who use the money received from the fund out of tract or use for other activities that not related to forest and forest resource development will have to be informed, fine or criminal prosecution base on forestry law no.13/na, dated 19/11/2005.

## **SECTION VIII FINAL PROVISIONS**

### Article 19.

Provincial and capital municipality sector, forestry and agriculture service center, village clusters and related organization that use the budget from the fund office should recognise and implement this regulation strictly.

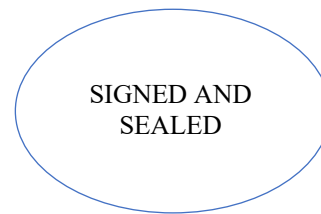
### Article 20.

The board of the forestry and forest resource development fund is the entity body to improve and edit this regulation to be alight with goal to fund utilization and management as its role and if any suspicious may occur then it needs to be advise and approve by the minister of agriculture and forestry.

### Article 21.

This regulation on the use and management of the forestry and forest resource development fund is to replace the previous regulation no.005/FRDF.06, dated 25/07/2006 and shall become effective on the date of signature.

The President of the Administration Board  
The Forestry and Forest Resource Development Fund



Dr. Ty Phommasack

## Annex 8. Financial Management Questionnaires – Assessment Exercise with FPF (January 2020)

### Summary Risk Assessment

Project: FPF Capacity Building

Date: January 2020

	Risk assessment				
Inherent risk	H	S	M	N	Comments
Control risk					
<b>1. Implementing entity</b>				X	
<b>2. Funds Flow</b>				X	
<b>3. Staffing</b>			X		Minimum staff
<b>4. Accounting Policies and Procedures</b>				X	
<b>5. Internal Audit</b>				X	
<b>6. External Audit</b>		X			No external audit
<b>7. Reporting and Monitoring</b>				X	
<b>8. Information System</b>		X			Mostly paper-based Excel spreadsheet

H – High      S- Substantial      M – Moderate      N – Negligible or Low

## Financial Management Questionnaires

### Project:

Self-assessment completed by: REDD+ Division Consultants

Date: 8 January 2020

### Bank review/Assessment completed by:

Date:

Interviewee: Head of FPF (Ms. Sengphachan)

Note: If there is more than one implementing entity, a Questionnaire should be completed for each entity

Topic	Yes	No	N/A	Review	Remarks/Comments
<b>1. Implementing Entity</b>					
1.1 What is the legal status/registration of the entity	X				Decree No. 38/2005
1.2 Has the entity implemented a bank-financed project in the past	X				Received and managed fund from KfW for ICBF project; received and managed revenues from timber resources (through national treasury/BoL)
1.3 What are the statutory reporting requirements for the entity	X				As required (monthly, quarterly, and annual report). Experiences in providing monthly internal reports to DoF (Planning division), quarterly activity and financial reports to MoF, monthly reports to KfW, every six months report to National Steering Committee (Ministry of Finance, MAF, MPI)
1.4 Is the governing body for project independent?		X			Under MAF (Vice Minister of MAF)
1.5 Is the organizational structure appropriate for the needs of the project?	X				The funds from government revenues (timber royalties) are managed under government system. It also applies for other fund sources (privates and donors)

Topic	Yes	No	N/A	Review	Remarks/Comments
Risk assessment (implementing entity)	H	S	M	L	Low (N/L)
<b>2. Funds Flow</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Review</b>	
2.1 Describe the funds flow arrangement, including a chart and explanation of the flow of funds from the World Bank, Government, and other financiers.	X				FPF has the regulations on fund flow arrangements based on supervision by MoF.
2.2 Are the arrangements to transfer the proceeds of the loan (from the government/ ministry of finance) to the entity satisfactory?	X				
2.3 Have there been major problems in the past in receipt of funds by the entity?		X			Government budget might take 6 months to be delivered, but for private or donor budgets the delivery is reliable and quicker (two weeks to one/two months)
2.4 In which bank will the Special Account be opened?			X		FPF bank account is under National Treasury system
2.5 Does the PIU have experience in the management of disbursements from the World Bank?	X				FCPF Readiness Fund
2.7 Does the entity have/need a capacity to manage foreign exchange risks?	X				FPF experiences mostly manage local currency. It needs a capacity to manage the foreign exchange risk.
2.8 How are the counterpart funds accessed?	X				Through commercial bank (BCEL)
2.9 How are payments made from the counterpart funds?	X				Through commercial bank (BCEL)
2.10 If part of the project is implemented by communities or NGOs, does PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	X				

Topic	Yes	No	N/A	Review	Remarks/Comments
2.11 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in-kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	X				
Risk Assessment (Funds Flow)	H	S	M	N	Low (N/L)
<b>3. Staffing</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Review</b>	<b>Remarks/Comments</b>
3.1 What is the organizational structure of the accounting department? Attach an organization chart.	X				Yes, FPF has the structure. It is being proposed to the DoF for approval. Planning, finance and Administration Unit. The draft attached.
3.2 Identify the accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	X				Account staff = 3 persons. Handle government fund/project. It will add private project (Hydro) to the account unit. Total 7 staff including 1 volunteer. Planning (1) and admin staff (1) = 2 person Account staff = 3 persons (2 accounting, and 1 petty cash/cashier) – forestry background Head of FPF = 1 person Deputy FPF = 1 person. Total = 7 persons. Educational background needs to be checked. ToRs are available.
3.3 Is the project finance and accounts function staffed adequately?		X			Need more staff according experiences because the background is forestry. Need a proper accountant in the accounting unit. Language is a problem because cannot speak English. Only one staff has IT skill. Need to more staff knowing the IT. Experience in budget preparation but not project accounting system.

Topic	Yes	No	N/A	Review	Remarks/Comments
3.4 Is the finance and accounts staff adequately qualified and experienced?		X			Not enough qualified because the background is forestry not accounting (for accounting staff).
3.5 Is the project accounts and finance staff trained in Bank procedures?	X				One of three accountants have been trained by ICBF from Germany for three days training on project accounting system in mid-2019. Fund transfer to the communities.
3.6 What is the duration of the contract with the finance and accounts staff?			X		Three accounting staff are government staff.
3.7 Indicate key positions not contracted yet, and the estimated date of appointment.			X		
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff ?	X				The supervisor directly elaborated the description of assignments. The roles and responsibilities of each unit are being proposed to DoF for approval (internal procedures for FPF). Copy attached. FPF does not have finance management manuals.
3.11 At what frequency is the staff transferred?			X		It depends on the promotion. Seldom happened for the accounting staff. Only for the head of FPF was promoted. Because the government budget is limited, the staff has to be multi skills. From 2005, it has been three times the change of the FPF leader. This is the 4 <sup>th</sup> leader for FPF.
3.12 What is training policy for the finance and accounting staff?	X				If there is a request from MAF and MoF to conduct financing training, then FPF will send the staff to participate. This is also the same for the other project invitation. Frequency might be one a year (at most).

Topic	Yes	No	N/A	Review	Remarks/Comments
Risk Assessment (Staffing)	H	S	M	N	Moderate (M)
<b>4. Accounting Policies and Procedures</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Review</b>	<b>Remarks/Comments</b>
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	X				Recording or filing system is available in terms of finance transactions. They can track the financial transactions if there are some requests for clarifications.
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	X				For government project, Board FPF has an authority to approve the transaction for large project. The Head of FPF will check the qualification of the project (between the budget and the output).
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?			X		
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?		X			The proposed budget does not match with the available budget from the Government. Proposed budget 1.8 billion KIP (2019) and there are 13 projects requesting the budget more than as allocated by the Government.
4.5 Are the General Ledger and subsidiary ledgers reconciled and in balance?					
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	X				Yes. All documents are restored on paper based. The Excel spreadsheet is used.



Topic	Yes	No	N/A	Review	Remarks/Comments
<b>Segregation of Duties</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Review</b>	<b>Remarks/Comments</b>
4.7 Are the following functional responsibilities performed by different units or persons: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction.					The transaction has to be endorsed by National Treasury staff, Department of Finance MoF. Transaction is recorded by FPF accounting system (excel based). Head of FPF and accounting staff made monitoring transaction every quarter year.
4.8 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?					<p>Once FPF receives the allocated budget from the MAF (after endorsed by National Assembly), planning unit of FPF will check the proposal activity from the province in accordance with the allocated budget. FPF does not keep the cash money but FPF has exclusive authority to transfer the fund from National treasury to the beneficiaries (province level). Planning staff will prepare the document based on the proposal activity. Submit the head of FPF, then FPF submit the secretary and submit to the Board Committee. Vice Minister will approve and submit to MPI (for endorsement), and back to Board Committee and return to Head of FPF and Planning Unit office FPF. The Planning staff send to the financial unit for prepare document transfer. Financial unit keeps the document transfer by paper-based and external drive and Microsoft Excel application.</p> <p>The transfer from National treasury to province level takes 2 weeks to one month.</p>

Topic	Yes	No	N/A	Review	Remarks/Comments
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?					The National Assembly has decided budget Allocation. So, if there is reconciliation, then it needs approval from the Assembly.
Budgeting System	Yes	No	N/A	Review	Remarks/Comments
4.10 Do the budgets lay down physical and financial targets?	X				There are annual work plan and five work plan that allocated budget to activities (physical and financial targets) and to be submitted for approval
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?		X			According to actual activities, budget received is not enough for activity implementation, monitoring and evaluation.
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	X				In the past, budget expended was based on venues derived from NTFPs and timber fees
4.13 Are approvals for variations from the budget required in advance or after the fact?	X				There was variation of budget in advance because collection of venues was late, allocation of budget was not enough and some activities are required to be continued, so variation of budget is needed
4.14 Who is responsible for preparation and approval of budgets?	X				Preparation budget is proposed by implementation agencies (PAFOs), and the approval is done by Board of FPF
4.15 Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	X				Based on state procedures, project proposals, annual work plans of state projects and detail activities are prepared accordingly.

Topic	Yes	No	N/A	Review	Remarks/Comments
					For activity and budgeting, FPF follows the Ministry of Planning and Investment (project period is allowed for 5 years)
4.16 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	X				The implementing agencies are in charge of plan, budget and project proposal preparation
Payments	Yes	No	N/A	Review	Remarks/Comments
4.17 Do invoice processing procedures provide for: <ul style="list-style-type: none"> <li>• Copies of purchase orders and receiving reports to be obtained directly from issuing departments?</li> <li>• Comparison of invoice quantities, prices, and terms, with those indicated on the purchase order and with records of goods actually received?</li> <li>• Comparison of invoice quantities with those indicated on the receiving reports.</li> <li>• Checking the accuracy of calculations?</li> </ul>	X				All invoices and documents are filed in good order and can be checked according to MoF's procedures as needed
4.18 Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	X				Stamped and signed
4.19 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?					Monitoring done by the Head of FPF and Accounting Staff.
Policies and Procedures	Yes	No	N/A	Review	Remarks/Comments
4.20 What is the basis of accounting (e.g., cash, accrual)?	X				There are accountant and cashier. No big cash kept by FPF

Topic	Yes	No	N/A	Review	Remarks/Comments
4.21 What accounting standards are followed?	X				Excellent program
4.22 Does the project have adequate policies and procedures manual to guide activities and ensure staff accountability?					There is no specific policy. Presently, use of 4000/MoF (Manuals and regulations from Ministry of Finance)
4.23 Is the accounting policy and procedure manual updated for the project activities?					
4.24 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy, or procedure to be used by the entity?		X			FPP refers to decree 38/PM. New decree 38/PM is under revision
4.25 Are there written policies and procedures covering all routine financial management and related administrative activities?	X				Follow Ministry of Finance procedure No. 4000/MoF and annual notice from the FPP Board Committee and Secretariat for these activities
4.26 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	X				If there is any issue, there will have prosecution according to the relevant laws
4.27 Are manuals distributed to appropriate personnel?	X				If there is such manual, distribution will be done to provincial government staff.
<b>Cash and Bank</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Review</b>	<b>Remarks/Comments</b>
4.28 Are there any project bank accounts opened yet?	X				❖ FPP opened account with national treasury ❖ Opened ICBF project's account with BoL and BCEL
4.29 Indicate names and positions of authorized signatories in the bank accounts.	X				<u>Authorized signatories</u> 1 . Head of FPP secretariat – DG f DoF 2. Deputy Director of DPF (In the case that head of secretariat is on mission, there will have entrustment for

Topic	Yes	No	N/A	Review	Remarks/Comments
					authorized person. Remark: one signature of signatories is accepted for expenditure)
4.30 Does the project maintain an adequate, up-to-date cashbook, recording receipts and payments?	X				To comply with financial procedures/projects, so reference and checking are checked.
4.31 Do controls exist for the collection, timely deposit, and recording of receipts at each collection location?	X				In the past, collection of venues was implemented from central level to local level. Allocation of budget was managed and allocated by FPF (secretariat and executive committee) to local based on prioritized activities of government
4.32 Are bank and cash reconciled on a monthly basis?	X				There are reports (monthly, quarterly, bi-yearly, nine monthly and annually), there are check of cash in hand in comparison with bank statement
4.33 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	X				If there is any discrepancy, responsible staff will clarify and check
4.34 Are all receipts deposited on a timely basis?	X				All financially relevant documents are recorded and filed
<b>Safeguard over Assets</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Review</b>	<b>Remarks/Comments</b>
4.35 Is there a system of adequate safeguards to protect assets from fraud, waste, and abuse?	X				According to existing laws and decrees, monitoring system in computer and hard copies will be kept in a shelf to ensure safety.
4.36 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	X				Accountant, pretty cash accountant will record budget account, fixed asset account (materials) on a book and in computer using spreadsheets (current system) and reporting.

Topic	Yes	No	N/A	Review	Remarks/Comments
4.38 Are there periodic physical inventories of fixed assets and stocks?	X				Each year, fixed asset accountant checks, updates and reports.
4.39 Are assets sufficiently covered by insurance policies?	X				They haven't been covered by insurance before. No insurance until now.
<b>Other Offices and Implementing Entities</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Review</b>	<b>Remarks/Comments</b>
4.40 Are there any other regional offices or executing entities participating in implementation?	X				Conducted by local offices or implementation units.
4.41 Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	X				FPP uses state budget. Therefore, an established team in MAF, MoF and State Audit Organization conducts financial audit.
4.42 Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	X				Regularly. <ul style="list-style-type: none"> <li>For State/project budget expenditure report, the reporting should be done every month, 3 months, 6 months, 9 months and annually.</li> <li>For technical reports, the reporting is done according to the tasks assigned.</li> </ul>
4.43 Are periodic reconciliations performed among the different offices/implementing agencies?	X				There has been monitoring including bookkeeping and cash count in the treasure each month in accordance with regulation and produce report.
<b>Other</b>					
4.44 Has the project advised employees, beneficiaries, and other recipients to whom to report if they suspect fraud, waste, or misuse of project resources or property?	X				Actual monitoring to produce report to the manager and report to each level of the organization.

Topic	Yes	No	N/A	Review	Remarks/Comments
Risk Assessment (Accounting Policies and Procedures)	H	S	M	N	Low (N/L)
<b>5. Internal Audit</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Review</b>	<b>Remarks/Comments</b>
5.1 Is there an internal audit department in the entity?	X				Two times per year (every six months) by a team consisting inspection department under MAF, planning department under MAF, Administration Unit of MAF.
5.2 What are the qualifications and experience of audit department staff?	X				Accounting persons from government (MAF).
5.3 To whom does the internal auditor report?	X				National Assembly copied to Board Committee of FPF and disseminate to FPF staff.
5.4 Will the internal audit department include the project in its work program?			X		
5.5 Are actions taken on the internal audit findings?			X		After internal audit, the team report to MAF (leader) and FPF institution.
Risk Assessment (Internal Audit)	H	S	M	N	Low (N/L)
<b>6. External Audit</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Review</b>	<b>Remarks/Comments</b>
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?			X		No External Audits. But there is State Audit (maybe one or two years)
6.2 Are there any delays in audit of the entity? When are the audit reports issued?			X		

Topic	Yes	No	N/A	Review	Remarks/Comments
6.3 Is the audit of the entity conducted according to the International Standards on Auditing?			X		
6.4 Were there any major accountability issues brought out in the audit report of the past three years?			X		
6.5 Will the entity auditor audit the project accounts or will a separate auditor be appointed to audit the project financial statements?			X		
6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented.			X		
6.7 Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?			X		
6.8 Has the project prepared acceptable terms of reference for an annual project audit?			X		
Risk Assessment (External Audit)	H	S	M	N	Substantial (B) – No external audit
<b>7. Reporting and Monitoring</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Review</b>	<b>Remarks/Comments</b>
7.1 Are financial statements prepared for the entity? In accordance with which accounting standards?	X				Follow financial regulation and compare with account in the bank every month.
7.2 Are financial statements prepared for the implementing unit?	X				Every financial document including transactions and pretty cash must be summarized, reported and kept for record to facilitate monitoring and reporting to the organization.



Topic	Yes	No	N/A	Review	Remarks/Comments
7.3 What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision-making?	X				Monthly reporting should be done and report to the organization.
7.4 Does the reporting system need to be adapted to report on the project components?	X				Reporting must be in accordance with scope of activities defined by FPF/project and within the timeframe approved (if it's delayed, modification can be made following the processes).
7.5 Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	X				Every document must be in accordance with the plans and approved activities and complied with laws and regulations of Ministry of Finance.
7.6 Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	X				Report on transactions and remaining money in the account, cash account, bank account correctly and in accordance with regulations.
7.7 Are financial management reports used by management?	X				
7.8 Do the financial reports compare actual expenditures with budgeted and programd allocations?	X				Financial report must correspond to the plans that are approved by the Board Committee, develop a budget allocation plan for activities that are already approved.
7.9 Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	X				FPF has been using spreadsheets to prepare for financial reports

Topic	Yes	No	N/A	Review	Remarks/Comments
Risk Assessment (Monitoring and Reporting)	H	S	M	N	Low (N/L)
<b>8.Information Systems</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Review</b>	<b>Remarks/Comments</b>
8.1 Is the financial management system computerized?	X				Excel spreadsheets
8.2 Can the system produce the necessary project financial reports?	X				Yes.
8.3 Is the staff adequately trained to maintain the system?		X			Only one has the IT capability
8.4 Does the management organization and processing system safeguard the confidentiality, integrity, and availability of the data?			X		
Risk Assessment (Information System)	H	S	M	N	Substantial (S) – still use Paper based. Excel spreadsheet.

## **Annex 9. List of Terms of References for Forest Protection Fund Specialists**

1. Terms of Reference (TOR) FPF Fund Management Consultant (International)
2. Terms of Reference (TOR) FPF Financial Management Consultant (National)
3. Terms of Reference (TOR) FPF Safeguard Consultant (National)
4. Terms of Reference (TOR) FPF IT and Operations Consultant (National)

**FULL TERMS OF REFERENCE AVAILABLE SEPARATELY**

## Annex 10. Sub-arrangement Contract template

**THIS AGREEMENT** is made this Effective Date \_\_\_\_ day of \_\_\_\_\_, [2022] by and between the Ministry of Agriculture and Forestry, hereafter the Program Entity, [insert name and address], and the Sub-project Entity, [insert name and address], a private entity registered under the laws of Lao PDR.

**WHEREAS** the Program Entity manages a project entitled Governance, Forest Landscapes and Livelihoods in Northern Lao PDR (the “**GFL**”) that aims to achieve eleven (11) million Emission Reductions (the “**Emission Reductions**” or “**ERs**”) over the five-year period of 2020-2024.

**WHEREAS** the Forest Carbon Partnership Facility (“**FCPF**”) Carbon Fund is committed to purchase a minimum of eight million and four hundred thousand (8.4) of these Emission Reductions over the five-year period of 2020-2024, through an Emission Reductions Payment Agreement (the “**ERPA**”) valued at USD forty-two (42) million.

**WHEREAS** this Emission Reductions target will be achieved by implementing the GFL project in the six Northern Provinces of Lao PDR through result-based payments from the FCPF Carbon Fund, payments that are made by the Forest Protection Fund (the “**FPF**”) with the Program Entity’s approval.

**WHEREAS** the Sub-project Entity desires to participate to the GFL by implementing Sub-project and/or ER program Measures against result-based payments, as described in the GFL Emission Reductions Program Document (the “**ERPD**”), which will contribute in achieving ERs under the GFL.

**NOW, THEREFORE**, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

### 1. Definitions

“**Benefit Sharing Plan**” or “**BSP**” means a plan developed by the Program Entity in accordance with the ER Program Document and the Methodological Framework and submitted to the Trustee on how the Program Entity will share Monetary and Non-Monetary Benefits generated by the implementation and operation of the ER Program with Beneficiaries, as may be updated from time to time.

“**Carbon Fund**” means the trust fund established under the Facility to receive funding from the Carbon Fund participants referred in the ERPA, for which the World Bank is acting as Trustee.

“**Emission Reductions**” or “**ERs**” means one metric tonne of Carbon Dioxide Equivalent reduced, avoided, removed or sequestered within the ER Program Accounting Area under the ER Program below the Reference Level, as measured, reported and Verified in accordance with the ER Monitoring Plan, the Methodological Framework and the ERPA General Conditions.

“**ER Monitoring Report**” means a report provided by the Program Entity, and in form and substance satisfactory to the Trustee, in accordance with the REDD Country Participant’s MRV System, the ER Monitoring Plan and the Methodological Framework, setting out:

- (i) the number of ERs generated by the ER Program during the previous Reporting Period as monitored in accordance with the ER Monitoring Plan;
- (ii) the occurrence of any Reversal Event(s) (together with a detailed description of the cause and impact of such event(s) and the measures taken to minimize or mitigate the adverse effect of such event(s) on the ER Program and/or the Program Entity’s performance of its obligations under the ERPA);
- (iii) any inability, in full or in part, to transfer Title to ERs to the Trustee or any Title Contest by any Contesting Party (including the identification of the Contesting Party and a detailed description

- of the nature of the challenge, of the area in the ER Program Accounting Area that is affected by such challenge and of how the Program Entity endeavored to address and resolve such challenge) during the previous Reporting Period, and how and to which extent the Program Entity resolved such inability or Title Contest during the previous Reporting Period; and
- (iv) all other data as may be required to be collected and recorded by the ER Monitoring Plan.

**“ERPA”** means the two Emission Reductions Payment Agreements, Tranche A and Tranche B of the Carbon Fund, between the World Bank, as Trustee of the Carbon Fund, and the Program Entity providing for the sale and payment for ERs, here between the World Bank and the Ministry of Agriculture and Forestry of Lao PDR.

**“ER Program”** means the program described in the ER Program Document, here the Governance, Forest Landscapes and Livelihoods in Northern Lao PDR.

**“ER Program Document”** is the document that presents the technical and organizational aspects of the ER Program and ER Program Measure in accordance with the Methodological framework.

**“ER Program Measure (s)”** means one or more policies, measures or projects to reduce deforestation and/or forest degradation and enhance and conserve carbon stocks that directly address the key drivers of deforestation and/or forest degradation, as described in the ER Program Document.

**“ER Program Monitoring Plan”** means the plan refers to as such and incorporated in the ER Program Document that guides the Program Entity in its ER Monitoring activities and ensures that all data and management systems are in place to allow subsequent successful ER Monitoring and Verification of GHG Reductions generated under the ER Program Measure.

**“Feedback and Grievance Redress Mechanism”** or **“FGRM”** means a mechanism to accept, assess, and resolve stakeholder feedback or complaints related to the preparation and implementation of the ER Program.

**“Forest Protection Fund”** or **“FPF”** means the LAO PDR State fund established as a body under the Lao PDR Ministry of Agriculture and Forestry by Prime Minister’s Decree Number 38/PM, dated 21 February 2005.

**“Greenhouse Gas”** or **“GHG”** means any of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride and any other substance recognized as a greenhouse gas under the International Rules.

**“Non-monetary benefits”** means the benefits provided by the Program Entity as described in Section 5(d) of this Contract.

**“Program Documents”** means together or individually the ER Program Document and the ER Monitoring Plan.

**“Program Entity”** means the Government of Lao PDR, represented by the Ministry of Agriculture and Forestry.

**“REDD+”** or **“REDD”** means REDD plus, for reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of carbon stocks.

**“Reversal”** means a situation at any given point in time during the term of the ERPA where a Reversal Event has resulted in the aggregate amount of ERs measured and Verified within the ER Program Accounting Area for one Reporting Period being less than the aggregate amount of ERs measured and Verified within the ER Program Accounting Area for the previous Reporting Period.

**“Reversal Event”** means the occurrence of one or more events at any given point in time during the Term that may result in a Reversal.

**“Safeguards Plans”** means, as applicable, the Sub-Project Environmental and Social Management Plan, Process Framework (PF) or Plan of Action, Resettlement Action Plan (RAP), Ethnic Group Development Plan (EGDP), and any other environmental or social related plan or document to be prepared for the Sub-Project to eliminate, offset, reduce, manage or compensate for any adverse environmental and social impacts of the Sub-Project as required under the World Bank Operational Policies and in accordance with the Environmental and Social Management Framework (ESMF), Resettlement Policy Framework (RPF) and Ethnic Group Policy Framework (EGPF) prepared for the ER Program.

**“Sub-Project”** means project implemented by the Sub-project Entity as part of the ER Program Measure(s) in accordance with the terms of the ERPA and terms of the sub-agreement Contract; if there are inconsistencies between the terms in the ERPAs and those under this contract, the terms of the ERPA prevail.

**“Sub-project Entity”** means an entity or other group or community owning and implementing a Sub-project or ERs Program Measures under the ER program, as described in the Terms of reference, the ERPD, the ERPA and/or the Sub-Project Inventory.

**“Sub-project Inventory”** means the inventory listing and identification of all Sub-Projects included in the ER Program established and maintained by the ER Program.

**“Trustee”** means the World Bank, acting as trustee of Carbon Fund.

**“World Bank Operational Policies”** means the social and environmental safeguard policies of the World Bank, as updated, amended or modified from time to time.

## 2. Implementation of Sub-project or ER Measures.

- a) The Sub-project Entity shall implement the following task [rehabilitating natural degraded forests, or implementing native tree species plantation, or implementing improved agriculture systems and mixed-species plantations (including native species)] as [Sub-project or ER Program Measures] to the GFL.
- b) The Sub-project Entity shall plant forest and/or forestland [Insert size of hectare or trees per hectare] [Enumerate tree species] over [Insert number] year(s), in [Describe Sub-project/ER Program measures area, location, hectare, province, district, village] that contributes to emission reductions.
- c) The Sub-project Entity shall implement, manage, monitor, and report on the trees planting, surviving and growing over the [Insert Sub-project/ER Program measures time period] period.
- d) The Sub-project Entity shall register the planted trees with the relevant Forest and Forest land Management Government Agencies

## 3. Payments.

- a) For each hectare of forest and/or forestland [Insert size of hectare or Insert number of trees or trees per hectare] that contributes to emission reductions, the Sub-project Entity shall receive an amount of [Insert number and currency].
- b) Payments and conditions relative to these payments will be made and set by the Forest Protection Fund (“FPF”), in accordance with the Benefit Sharing Plan. Therefore, an invoice shall be sent to the Department of forestry (REDD+ division) for approval.
- c) Payments shall be withdrawn by the Sub-project Entity from the custodian bank designated by FPF.
- d) Payment conditions are annexed to this Contract.

4. Sub-project Entity obligations.

The Sub-project Entity shall:

- a) implement all applicable requirements of the ER Monitoring Plan, including those pertaining to environment and social performance and operational management systems, unless the Program Entity exclusively monitors the data/info required to be included in the ER Monitoring Report;
- b) install, operate and maintain facilities and equipment and retains staff necessary for gathering all such data as may be required by the ER Monitoring Plan, including by establishing and maintaining all related data measurement and collection systems as are necessary, unless the Program Entity exclusively installs, operates and maintains the facilities and equipment and retains staff necessary for gathering all such data as may be required by the ER Monitoring Plan in which case this obligation does not bind the Sub-project Entity;
- c) implement its [Insert Sub-project or ER Program measures], as specified [in the ERPD or Terms of Reference annexed to this Contract], in accordance with [the terms of the ERPD or Terms of Reference annexed to this Contract];
- d) authorize the Program Entity to transfer any ERs generated from such [Insert Sub-project or ER Program measures] to the FCPF Carbon Fund free of any third-party interest or encumbrance;
- e) keep the Program Entity informed of the progress of the development of [Insert Sub-project or ER Program measures] and provide to the Program Entity all information requested by the Program Entity in respect of the operation of the [Insert Sub-project or ER Program measures];
- f) inform the Program Entity immediately after becoming aware of the occurrence of a Reversal Event under the [Insert Sub-project or ER Program measures];
- g) operate and Implement its [Insert Sub-project or ER Program measures] in compliance with the World Bank Operational Policies and any Safeguards Plans provided under the ERPA;
- h) maintain and prepare its [Insert Sub-project or ER Program measures] to allow for Verification. The Sub-project Entity shall collaborate with any third-party auditors and, shall allow and facilitate access to the [Insert Sub-project or ER Program Measures] area; and
- i) satisfy any obligations in respect of applications for all licenses, permits, consents and authorizations required to implement the [Insert Sub-project or ER Program measures].

5. Program Entity obligations.

The Program Entity shall:

- a) provide the Sub-Project Entity with:
  - 1) the ERPD,
  - 2) the ER Monitoring Plan (if needed),
  - 3) the Safeguards Plans,
  - 4) the Feedback and Grievance Redress Mechanism institutional framework and operational procedures,
  - 5) reports templates,
  - 6) the World Bank Operational Policies and,
  - 7) any other information relevant to the implementation of the [Insert Sub-project or ER Program measures], including relevant communication between the Trustee and the Program Entity;

- b) support the Sub-project Entity to prepare and implement the Safeguards Plans;
- c) collect from the Sub-project Entity, and if necessary, confirm the accuracy of, all information to be collected under the Monitoring Plan and the applicable Safeguards Plans;
- d) take all necessary steps to ensure that the Sub-project Entity develops and implements in accordance with the Terms of Reference, the Program Documents, the BSP, and the ERPA; and
- e) provide the Sub-Project Entity with Non-monetary benefits set in accordance with the BSP, such as: [Insert the following accordingly: capacity building/training in Sustainable forest management practices in relation to complying with FLEGT rules and/or Improved agriculture systems, Native trees plants and/or Seeds].

6. Termination.

- a) This Contract shall commence on the Effective date of this Contract for a period of [Insert number] year(s). Termination occurs at the end of the Contract Period.
- b) Termination of this Contract shall not relieve either party of any liability or obligation that was incurred prior to the effectiveness of such termination.

7. Dispute Resolution.

- a) If a dispute or claim arises under this Contract (a “**Complaint**”), the parties agree to use the following dispute resolution process as set by the Feedback and Grievance Redress Mechanism under the ER program: the Complaint will be referred in writing to the Provincial REDD+ Office that acts as secretary to be registered. The Provincial REDD+ Office presents the Complaint to the REDD+ Provincial Task Force (PRTF) that will be chaired by the Vice-Governor of the province with full authority to resolve the Complaint. Those individuals will use good faith efforts to resolve the Complaint within thirty (30) days after the Complaint has been registered by the Provincial REDD+ Office.
- b) If the PRTF is unable to resolve the Complaint or agree on the appropriate corrective action to be taken, within the time frame, then either party may pursue any course of action available to it, under the FGRM, or under the judicial system or other forms of legal recourse available in Lao PDR.
- c) Pending resolution of the Complaint, both parties will continue to perform their respective undisputed responsibilities under this Contract.
- d) Nothing contained in this section will limit or delay the right of either party to seek injunctive relief from a court of competent jurisdiction, whether or not such party has pursued informal resolution in accordance with this section.

- 8. Sole Contract. This Contract, including the Terms of Reference and Payment conditions annexed to this Contract and the contract signed between the Sub-project Entity and the FPF relative to payments, constitutes the sole agreement of the parties and supersedes all oral negotiations and prior writings with respect to the subject matter hereof.

9. Governing Law; Consent to Jurisdiction.

The parties hereto agree that this Contract and any claim, counterclaim or dispute of any kind or nature whatsoever arising out of or in any way relating to this Contract (“**Claim**”) shall be governed by and construed in accordance with the laws applicable in Lao PDR.



**Program Entity**

**Sub-project Entity**

By:

Name:

Title:

By:

Name:

Title:

## Annex 11. Documentation BSP consultations at National and sub-National level



NRTF Meeting – 24 September 2019 – Vientiane Capital



BSP National Consultation – 4 October 2019 – Vientiane Province



BSP Sub-National Public Consultation – 8 October 2019  
Bokeo Province



BSP Sub-National Public Consultation – 10 October 2019  
Luang Prabang Province