25 October 2019

Lao PDR: Additional Financing for Scaling-up Participatory Sustainable Forest Management

Environmental and Social Impact Assessment
Executive Summary

1. Introduction

This document contains the environmental and social impact assessment of the proposed project on ***Additional Financing for Scaling up Participatory Sustainable Forest Management (AF-SUPSFM)[1].*** A summary of the document has been presented and discussed in sub-national stakeholders' consultation workshops held in Bolikhamxay province representing project stakeholders at National, provincial and district levels. Comments and suggestions received have been used to improve and finalize the environmental and social impact assessment (ESIA) as well as in the revision of safeguard instruments of the proposed additional financing.

2. Description of the Proposed Project

The parent project, SUPSFM (also known as SUFORD-SU) became effective on August 30, 2013 and is scheduled to close on March 30, 2020. The original five-year timeframe received a one-year extension (approved May 25, 2018), followed by a second, seven-month extension (approved May 21, 2019) that also restructured the project to reallocate funds across disbursement categories and allow time for preparation of the Additional Financing to SUPSFM (AF-SUPSFM). Predecessor projects supporting the forest sector include the Forest Management and Conservation Project (FOMACOP, 1995-1999), the Sustainable Forestry for Rural Development Project (SUFORD, 2003-2008), and the SUFORD-Additional Financing Project (SUFORD-AF, 2009-2013).

The AF and extension would scale up selected activities of the existing project to better achieve the PDO and achieve more, and address a cost overrun due to exchange rate loss. AF-SUPSFM would allow the GOL to maintain and enhance implementation capacity for participatory SFM, forest certification (which has not yet achieved the project target), reforestation, and livelihood development. The AF would also allow the GOL to implement innovative activities such as chain of custody certification; strengthening multi-agency forest law enforcement; institutionalizing learning to convene knowledge for use in investment and policy; developing Forest Landscape Investment Plans; and ensuring environmentally and socially sustainable private sector participation in the sector -- continuing the close cooperation with the International Finance Corporation (IFC) sister project under the Forest Investment Program that is piloting models for environmentally and socially sustainable plantation partnerships with villages.

The objectives of AF-SUPSFM continue to be linked to REDD+ and climate change mitigation leading to carbon dioxide (CO_2) emission reductions and the protection of forest carbon stocks. In line with REDD+ objectives, AF-SUPSFM will continue to monitor and report on emission reductions and forest carbon stocks.

2.1 Project Development Objective and Expected Outcomes

The PDO for AF-SUPSFM has been revised for simplicity, precision, measurability, and to more closely align with the components. The revised PDO is "to strengthen participatory

sustainable forest management in targeted production forest areas, and forest landscape management in targeted provinces." Key results from the project will include:

- Forest area brought under management plans
- Forest area brought under forest landscape management
- People in forest and adjacent communities with monetary/non-monetary benefit from the intervention
- Rate of annual forest cover loss in targeted Production Forest Areas (PFAs)
- Enhanced carbon storage from improved forest protection and restoration
- Reduced emissions from deforestation and forest degradation.

2.2 Beneficiaries

The main project beneficiaries continue to be the communities involved in the implementation of PSFM in PFAs and Village-use forests in the forest areas covered by the Project. These communities will continue to benefit from maintenance of access to resources and land, and expanded livelihood opportunities. District, province, and national forestry and other relevant government institutions and their staff will continue receiving training and support from the Project. The Government will further benefit from improved quality of forest management, strengthened forest law enforcement and improved revenues if logging and export bans, introduced by the GOL after the approval of SUPSFM, are lifted.

All villages currently receiving support under SUPSFM will continue to do so. Village Livelihoods Development Grants (VLDGs) have already been disbursed under the parent project, SUPSFM (also known as SUFORD-SU) and the continued support will focus on extension support and monitoring for the grants. Villages located within PFAs that have significant forest stock could receive direct and tangible benefits if and when the logging ban is lifted, and village forestry is well developed and implemented on the ground, based on the provisions on village forestry in the 2019 Forest Law. Vulnerable communities, ethnic groups, and women will continue to receive priority in project design and activities through the project's enhanced consultation and participatory processes. The total number of beneficiaries from VLDGs will continue to be about 115,000 individuals, of which 58,700 are women and 90,500 belong to ethnic groups. Additional beneficiaries are involved in casual labor for reforestation, and in forest management planning.

2.3 Project Components

The Project will continue to implement and enhance selected existing activities under all four current components which are presented below. These activities will allow to (a) achieve stronger project outcomes, and (b) implement new activities that contribute to achievement of the existing operation's PDO, and (c) taking advantage of opportunities to strengthen the outcomes and support the strategic convergence on landscape investment but were not part of the original project.

The project components are maintained the same as during the parent project although Component 2 and 4 had a minor name change to more precisely reflect the design of AF-SUPSFM activities:

Component 1. Strengthening and Expanding PSFM in Production Forest Areas
Component 2. Forest Landscape Management
Component 3. Enabling Legal and Regulatory Environment
Component 4. Project Management, Learning and Investment Development

Component 1: Strengthening and Expanding PSFM in Production Forest Areas

The objective of Component 1 is the same as originally planned, which is to strengthen and expand participatory SFM in PFAs. Under SUPSFM, about 20,600 households have benefited from individual VLD grants that were distributed in 666 target villages.

Activities under Subcomponent 1A (Developing Partnerships to Increase Implementation Capacity) were designed to be carried out during project year one under SUPSFM. The AF would not continue to fund activities under this sub-component, although capacity development activities are integrated into other components.

Activities under Subcomponent 1B (Community Engagement in PSFM and Village Livelihood Development) financed under the AF are organized into two groups of activities:

(a) PSFM and Village Forestry activities;
(b) Village Livelihoods Development activities.

PSFM and Village Forestry activities:

(a) Timber legality and certification support [enhanced and scaled up activity]:
  (i) Expansion of SFM certification from the current level of 108,408 ha to 230,000 ha in line with the target set in the GOL Green Growth Development Policy Operation. The expansion will target the Savannakhet and Khammouane provinces where the current certified area lies as well as Bolikhamxay and Vientiane provinces where additional areas suitable for certification have been identified. Besides scope (area) expansion, regular annual audits will be conducted in January 2020 and 2021.
  (ii) If timber harvesting in the SFM certified areas is allowed on an exceptional basis by the Government, the AF will support information campaigns for Chain-of-Custody (CoC) certification in the national wood industry with a focus on those companies that were awarded a CoC certificate during SUFORD AF (2009-2013) (linked to component 3).
  (iii) Contribute to the Timber Legality Assurance System (TLAS) process by pilot testing the control mechanism for the supply chain in PFAs and also to support the implementation of timber legality systems of salvage timber from conversion forests. The work will be conducted in close coordination with the lead agency for TLAS development, the FLEGT Standing Office (linked to subcomponent 3A).
(b) The project will help ensure that private sector investment opportunities are environmentally and socially sound by financing assessments to identify appropriate land in PFAs that is suitable for forest plantations; in the Lao context these lands in PFAs would be barren and degraded lands, locations where there is community interest and buy-in, and areas where there is assurance that plantations will not replace traditional livelihood activities and not result in clearing natural forests. [**enhanced activity**]
(c) Support for selected Village Forest Management Plans (VFMPs): The project has developed VFMPs that have been approved by district authorities for 31 villages in Bokeo and Luang Namtha provinces and focus will be on preparing Village Forest Management Agreements. The project will support the maintenance and management of selected sites and develop them into learning sites suitable for training and awareness raising and potential future village forest investment. [**enhanced activity**]
(d) The re-measurement of sample plots will continue. The project has established around 30 Permanent Sample Plots in each province most of which have already been remeasured once. Each assisted natural regeneration site also includes sample plots that will be measured in selected locations to compare forest regeneration, growth and yield in forests with and without assisted natural regeneration to calculate annual allowable cuts for each PFA. [**enhanced activity**]
(e) Data, information, mapping and knowledge products generated over the last years will be systematically compiled, digitized and integrated in a management information system that would allow the Government to access and use the data for forest

management and investment development. It would also allow the Government to provide selected data sets to interested private investors and other public sector projects. [**enhanced activity**]

Village Livelihood Development (VLD) Activities:

(a) The current extension, monitoring, and learning activities will be enhanced to support the village projects funded with the VLDGs. To maximize effectiveness, the focus will be on the most popular products so that extension activities can reach a large number of participants. As such, technical support would be enhanced and would continue to be provided to livelihoods production groups as identified in the agreed Community Action Plans with participating communities in PFAs and Village-Use Forest areas, specifically on extension and monitoring for VLDG implementation, and learning sites for NTFPs and white charcoal; No new funds would be directed to the VLDGs. There are three specific activities [**enhanced and scaled up activity**]:

   i. To the extent feasible, extension will be combined with farmer-to-farmer exchange visits so that the training could be arranged on field sites where the farmers demonstrate best practices, which will help ensure that the VLD funds already distributed under SUPSFM (100% have been disbursed) generate recurrent benefits.
   ii. Sites for NTFP cultivation and processing will be identified and will receive financial support to become learning/extension sites for training and orientation to showcase best practices and lessons learned. The project will support the maintenance and management of selected sites for training and awareness raising.
   iii. Learning sites for May Tiew (*Cratoxylum cochinchinense* and *C. formosum*) white charcoal plantations in Bolikhamxay and Vientiane provinces to showcase best practices, lessons learned and manage selected sites for training and awareness raising.

(b) Improve the value chain of selected products by working with specific producer groups, establishing the link to interested SMEs, private initiatives, buyers and investors to establish productive partnerships. Collaboration with the Bank-financed Lao PDR Competitiveness and Trade Project is envisaged to enable synergies and greater impact. Joint action will be sought with Pillar C in that project, the "Business Assistance Facility," under that project as relevant. The facility is now set up and active and is designed to provide free-of-charge advisory services to address business operation and market access challenges, and to provide matching grants for 50 percent of the external technical service costs to stimulate growth and transformation for SMEs. Special attention will be given the participation of female-headed households and women entrepreneurs/farmers in market linkage activities. [**enhanced activity**]

Component 2: Forest Landscape Management

The objective of component 2 is the same as originally planned, which is to pilot forest landscape management. SUPSFM has worked in four provinces, Bokeo, Luang Namtha, Oudomxay and Xayaboury, to support provincial authorities to determine the forest landscape area and position the provincial REDD+ Task Forces as the coordinating bodies for integrating a forest landscape management framework template into the provincial REDD+ Action Plans.

Under AF, this component will build on the existing frameworks to finance the development of Forest Landscape Investment Plans. This work will set the stage for expected programmatic follow-on investments such as the Landscape and Livelihood Project (P170559), and the upcoming Emission Reduction Purchase (P165751) under the Bank's REDD+ Forest Carbon Partnership Facility (FCPF), as well as private sector participation to support maximizing finance for development. The component will build on the on-going relationship built among MAF/DOF, the Bank, IFC and private investors, and a sister project with the Burapha company

supported by IFC under the Forest Investment Program. Participation by other partners will be sought.

Through the process of preparing the Forest Landscape Investment Plans, the component will seek to consult with and bring relevant stakeholders and decision makers together to agree on suitable coordination arrangements, investment opportunities and policy reforms and priority practices that would enable private and public investments for priority investments to take place and complement one another. Landscapes would be selected based on existing frameworks and the potential for public and/or private investments to create opportunities for building natural capital and green job opportunities, for example from forest plantations, nature-based tourism, or forest-friendly agriculture.

Activities under subcomponent 2A (Developing Methodologies and Frameworks for Forest Landscape Management) have been carried out under SUPSFM. The AF would not continue to fund activities under this sub-component and will focus on Subcomponent 2B (renamed "Establishing Forest Landscape Investment Plans).

Activities under Subcomponent 2B: Establishing Forest Landscape Investment Plans:

(a) Prepare Forest Landscape Investment Plans in selected landscapes, building on achievements in Sub-component 2A including the Landscape Management Frameworks developed under SUPSFM in four provinces and centrally. The Forest Landscape Investment Plans will be a component of, or input to, the "Provincial Forest Strategic Plan" as noted in the Forest Law Articles 12 and 13.1 Forest Landscape Investment Plans will be endorsed by PAFO, DOF and ideally approved by Provincial Governor. The content for the Forest Landscape Investment Plans would be enhanced by the set of activities described below [**enhanced activity**]:

(b) Assessments to support landscape investment development [**enhanced activity**]:
   (i) Assessment of forest land uses will across all forest categories in the selected landscapes to identify potential suitable industrial and smallholder forest plantation areas, high conservation value forests, infrastructure development plans, and land use in buffer zones to support investment dialogue with stakeholders.
   (ii) Assessment identifying overlapping and adjacent development activities, and minimizing and mitigating impacts of said development activities on selected forest landscape areas.
   (iii) Assessment of cross-sectoral policy issues related to forest landscape coordination, to identify conflicting regulations and legislation and possible reforms.
   (iv) Assessment of current institutional settings and management structures of different forest types and identify possibilities for improvement to guarantee better institutional coordination including (1) Division of tasks between central, provincial, district, commune and village-level institutions; (2) Institutional arrangements for different forest land-uses; (3) Management arrangements at the Forest Management Unit (FMU) level [i.e., cross district PFAs, conservation forest areas (i.e. protected areas) and protection forest areas].
   (v) Assessment of gender inequalities and actions to address them, including recommendations for project design.

(c) Support dialogues, consultations, and coordination platforms on landscape investment and land use [**enhanced activity**]:
   (i) Consultations will be undertaken with the various stakeholders involved in planning, preparation and implementation of large-scale projects having

[1] According to Article 13, main components of Provincial Forest Strategic Plans are as follow: 1. Overall situation of the works on forest and forestland such as development of policy for forest and forestland, situation of management, preservation, development, promotion and utilization of forest and forestland, important roles of forest and forestland for national socio-economic development and climate change; 2. Challenges and directions for development of forest and forestland; 3. Policy, action plan, projects and priority implementation plan for forest and forestland; 4. System for implementation, monitoring and evaluation.

significant impacts on the forest landscapes. e.g. nature-based tourism, industrial forest plantations, large wood industries sector investments like pulp mills and other economic activities and priority investments. The consultation process would assess existing master plans, sector plans and identify how these will affect and benefit all forest land-uses in the forest landscape.

(ii) As a result, specific investment actions can be defined in and around different forest types (PFAs conservations forests (or national protected areas), protection forests) within the broader landscape that would minimize negative social and environmental impacts on forests and natural capital and enable priority economic activities to be implemented in a sustainable way.

(iii) Establish a coordination platform between sectors and development partners to identify synergies and complementary activities in priority forest landscapes and to improve impact of aggregated investments frameworks and pilot in one strategically important forest landscape (For example, Khammouane province faces pressure, and opportunities, from new forest plantations and pulp mill investments, designation of conservation forest areas as potential national parks status or world heritage sites, PFAs with forest management certification and national and provincial protection forest areas).

(iv) Technical coordination with the REDD Project Management Unit in DOF through consultancies and operating costs to ensure that REDD objectives are reflected in SUFORD and forest sector programs and that an anticipated 2020 Emissions Reduction Purchase Agreement will continue to be supervised effectively by DOF in its critical early implementation period.

(d) Develop an integrated monitoring framework across land uses in the forest landscape. [**enhanced activity**]

(e) Build capacity for landscape-scale action through leadership training for landscape champions in critical public institutions and management structures that can serve to advance forest landscape planning and management approaches in Lao PDR. [**enhanced activity**]

Component 3: Enabling Legal and Regulatory Environment

The objective of component 3 is the same as originally planned, which is to improve the legal and regulatory environment for SFM. As such, SUPSFM has provided MAF departments with technical assistance in developing the concept for village forest management, the implementation framework for PSFM, the revision of the forest policy framework, and the development of reference emission levels (REL) for REDD+. It has also provided financial and technical support to forest law enforcement and combating illegal trade of timber and wildlife. The AF will build upon this work to achieve more by financing enhanced and scaled up activities under the two existing subcomponents 3A and 3B.

Subcomponent 3A: Strengthening Legal and Regulatory Frameworks. This work will continue as well as the development of regulations for timber revenue sharing that could support forest economies if and when the country's logging ban is lifted. If the logging ban is lifted, the GOL will need to have a clear roadmap in place on how to proceed to guarantee that participatory SFM will generate benefits for communities, private initiatives and the overall economy (jobs, revenues) in a sustainable manner. This roadmap would help attract reputable CoC certified companies and define a common vision for the moment when the logging ban is lifted. Linked to Component 3, the AF will finance enhanced and scaled up activities under Component 1B to support operationalizing the country's emerging timber legality assurance system (TLAS), especially where it touches on PFA management and salvage logging in conversion forests.

Activities under Subcomponent 3A include:

(a) Continue legal, policy and regulatory development and inter-agency dialogue for SFM, interagency law enforcement collaboration, and the enabling environment for suitable private investments with social and environmental benefits. [**enhanced**

activity]

(b) Develop technical and legal guidelines for private sector engagement in forest plantation management and other economic activities to enhance the capacity of government, private stakeholders, and communities to apply best practices on environmental, social, and financial sustainability [**enhanced activity**]:
   (i) Define and develop guidelines and deliver training to relevant government institutions on how to engage with the private sector in PFAs (public-private partnerships or auction platform), that would support the GOL to partner with reputable companies and that control mechanisms can be enforced.
   (ii) Develop a set of technical, legal and institutional requirements for private companies, addressing such topics as chain-of-custody certification, other market-based certification, technology transfer, capacity building, community consultation and participation, disclosure, grievance redress, ESIA implementation, timber registration, and trading of carbon credits, etc..
   (iii) Develop recommendations for a benefit sharing mechanism that are compatible with the Presidential Decree 1 (2012) on sharing of revenues from timber harvesting in the PFAs.

(c) DOF would be supported in developing the legal framework for TLAS via DOF's FLEGT Standing Office assisting MAF and MOIC in developing key policy reforms [**enhanced activity**]:
   (i) Revising relevant MAF regulations (0962, 0112, 2155, 2157) for controlling the supply chain in conversion areas and production forest.
   (ii) Revising MAF regulations for tree plantation management.
   (iii) Revising MAF regulation for harvesting enterprises, and
   (iv) Revising MOIC regulations (1726, 0336) for auction procedures.

Subcomponent 3B: Strengthening Forest Law Enforcement and Governance. This subcomponent component is designed to strengthen the administration of forest law enforcement by supporting the GOL in achieving its stated goal to achieve Rule of Law status, and to meet its international obligations, including CITES, and to enhance accountability, transparency and reporting standards of the Department of Forest Inspection (DOFI) and all 18 provincial offices of forest inspection.

Significant financial and technical support has been provided to forest law enforcement by strengthening the capacity of DOFI to plan and implement field operations, collaborate with partner agencies, and enhancing the capacity to conduct investigations and manage data. Support was also provided to DOFI for enforcement and implementation of the prime minister's orders to strengthen enforcement of the logging ban and laws to combat the illegal trade in timber and wildlife. The AF will assist DOFI in strengthening collaboration with law enforcement partners, such as the environmental police and customs, in enhancing and fully implementing existing activities to promote the transition to intelligence-led law enforcement and deliver effective provincial, national and international forest and wildlife law enforcement outcomes.

Activities under Subcomponent 3B include:

(a) Continue to support DOFI and Lao WEN agencies to strengthen inter-agency cooperation to detect, disrupt, dismantle and prosecute forest and wildlife related crimes at national and provincial levels [**enhanced and scaled up activities**] including:
   (i) Continue to implement developed systems and provide ongoing technical support to strengthen forest law enforcement. Develop clear mandates to act and implement supporting actions to detect, disrupt, dismantle and prosecute criminals. Monthly allocations to Provinces will be linked to performance indicators.
   (ii) Continue to support DOFI, and other law enforcement agencies to review the mandate of relevant policy to strengthen interagency cooperation to detect,

disrupt, dismantle and prosecute forest (and wildlife) related crime.

(iii) Continue support to DOFI to hold regular quarterly meetings of Lao-WEN to strengthen interagency cooperation to detect, disrupt, dismantle and prosecute forest (and wildlife) related crime.

(iv) Continue to support DOFI, and the broader Lao-WEN network of which DOFI is a key part, to hold cooperation events in at least two provinces (activities, meetings and workshops) to understand interagency mandates, activities and cooperation. This will permit an understanding of the detection mechanisms and strengthen the informant networks and enforcement activities, perhaps with incentives, at the landscape level.

(v) Continue to support forest law enforcement action on the ground. Emphasis will be on encouraging DOFI to work in concert with other law enforcement agencies. Develop clear mandates to detect forest related crime including clarifying the modes of detection, the role of the informants' networks, inter-agency law enforcement collaboration and implement supporting actions to prosecute criminals. Monthly allocations to Provinces will be linked to performance indicators, from detection through to prosecutions.

(vi) Continue building DOFI capacity, but also ensure that interagency law enforcement training is promoted at central, provincial and even district level. Training will be operationalized by focusing on learning by doing, with an emphasis on advanced techniques.

(b) Continue building capacity for the DOFI Information Management System (IMS) by revitalizing the implementation and use of law enforcement systems and tools to improve information collection and development of intelligence capacity within the DoFI IMS unit. It is important that the IMS is harmonized with the law enforcement systems of other law enforcement agencies, particularly the Division of Combating Natural Resource and Environmental Crimes (known as the Environmental Police), as well as with inventories. [**enhanced activity**]

(c) Build capacity and support for Lao PDR to engage in multi- and bi-lateral agreements with Cambodia, China, Myanmar, Vietnam and Thailand, including collaboration through the Association of South East Asian Nations' Wildlife Enforcement Network (ASEAN-WEN) and CITES compliance, which includes timber species. [**enhanced activity**]

Activities under subcomponent 3C (Creating Public Awareness for Climate Change and REDD+) have been carried out under SUPSFM which is now financed under REDD Readiness support projects implemented by DOF. The AF would not continue to fund activities under this sub-component.

Component 4: Project Management, Learning and Investment Development

The National Project Management Office (NPMO) will continue to coordinate the various activities and implemented an efficient M&E system. The procurement program has been completed including civil works, goods and consultant services. During Additional Financing routine activities will continue as well as supporting investment prioritization and development. Activities include:

(a) Continued project operating costs, coordination, management and fiduciary accountabilities including safeguards, financial, and procurement management, monitoring and evaluation, reporting including the completion report, and implementation support visits to provinces and districts by central level staff. [**enhanced activity**]

(b) Operating costs (workshops, travel, information management) for engaging in dialogue with stakeholders and sectors on investment prioritization and development. [**enhanced activity**]

(c) Dedicated learning to convene knowledge and institutionalize what has been learned and put that knowledge into action via new investment and policy. [**enhanced**

activity]

(d) The current PIU team will be maintained to supplement and build institutional capacity. International consultants will focus on policy and concept development, monitoring and documentation, while the national consultants mainly assist in field implementation. It is envisioned that a contract will be maintained for Indufor to carry over this TA support from the parent project to the AF period. [**enhanced activity**]

(e) Maintain and reinforce continued supervision by replacing the worn-out pick-up trucks (6) used by the Project team. The current repair cost is high because of the high mileage on each truck (± 300,000 km). The National Consultants, each of whom oversees 3-6 provinces, will unavoidably be traveling long distances, and it is foreseen that procuring new vehicles is the more economical option. It is envisioned that these trucks will be transferred to the anticipated new Landscapes and Livelihood Project (P170559/P171406) at the end of the AF implementation period. [**enhanced activity**]

3. The Project Setting

3.1 Demographic and Social Setting

Demography and ethnicity: Exactly the same as SUPSFM, AF-SUPSFM will involve 1,078 villages in the 13 provinces already being supported under Components 1 and 2. Also as in SUPSFM, 18 provinces are supported under Component 3 (Law enforcement). Target communities belong to Lao-Tai linguistic family, including Katuic speaking groups, as well as ethnic groups comprising Harak, Talieng, Tri, Souay, Brao, Khmou, Hmong, Mien, and others. In the northern provinces the population comprises predominantly Sino-Tibetan linguistic ethnic groups. Cultural diversity has generated increased ethnographic challenges brought about by different livelihood strategies, gender relations, and overall worldviews. These bring about risks and issues stemming from the considerable variation in terms of social organization, culture, land-use practices, food security, Lao language competency, resource access, gender roles, and participation in local development planning processes.

Customary Authorities and Decision Making: The village is traditionally the primary political, economic and social unit. Leadership is a crucial issue for many of the ethnic groups in the project areas. While the villages have official Village Heads, it does not mean that they have a lead role in all matters. Traditional or customary leaders, for example, choose upland areas for the current season's cultivation; may resolve disputes in the village and with other villages; may manage sacred spaces in the village and its surrounding land, forests, and water; and be important intermediaries between the temporal and spirit worlds. In other words, they perform functions that support the traditional livelihoods systems of the local villagers and are respected. Thus, not to explicitly include them in discussions on matters related to land and forest planning is not culturally appropriate and represents an "adverse social impact."

Gender: In general, women are disadvantaged in comparison with men with respect to access to development benefits, education and health services. Women's representation in positions of power and decision-making remains limited. Women have a far lower average literacy rate than men and many do not speak Lao. Ethnic women are particularly the most disadvantaged in Lao society. They are traditionally in charge of the physical reproduction of their group and also of key economic activities, such as the selection of the indigenous upland rice varieties to be planted or collecting wild food products. They are extremely vulnerable to changes that affect their economic activities, especially change in the environment, settlement patterns, and land usage rights.

Socioeconomic Settings: Poverty, Education, Health, Livelihoods, and Markets: The poorest districts in the country are clustered in the north-western part in the provinces of Louangnamtha, Bokeo, and Oudomxai, which are supported by SUPSFM expansion (parent project) and will continue to be supported under AF-SUPSFM. These provinces comprise

91.6% of the total villages. The 2005 census revealed that 23% of the population had never been to school, with 30% of the women compared to 16% of the men. Utilization of health care services is very low (0.1 annual patient visits per person in some rural districts). Less than 30 per cent of people in need of medical services turn to the health system for help. Food security is often a primary concern for minority ethnic groups. Most of these groups practice rotational rice cultivation as their main livelihood strategy. Non-timber forest products (NTFPs) are an important source of nourishment and they are also a major source of income. The three Northern provinces of Louangnamtha, Oudomxai, and Bokeo are surrounded by three countries with booming economies, but trading with Thailand and Myanmar is increasingly being eclipsed by Chinese influence. There is a particularly long shared history of trade and exchange between the people of Louangnamtha and those of the Chinese province of Yunnan. AF-SUPSFM will continue to work with communities in these areas, by supporting NTFP and cardamom cultivation, farmer-to-farmer learning exchanges and training courses jointly provided by PAFO and the private Chinese owner of the main cardamom nursery located in Oudomxai and serving all three provinces.

3.2 Environmental Setting

The AF will maintain the same environmental setting of the parent project. Some of the PFAs under SUPSFM and the proposed AF-SUPSFM contain a mix of lowland semi-evergreen forests, dry dipterocarp forests, and riverine wetlands, while other PFAs are dominated by mixed deciduous, dry dipterocarp, and savannah forests at lower elevations and lower montane forests on upper slopes. The PFAs in the northern provinces are located in terrain that is mountainous with low-lying river valleys. As most land is found on mountain slopes, the area available for paddy rice is limited and rain-fed upland agricultural fields, fallows, and forests therefore dominate the landscape. Farmers cultivate this hilly landscape via shifting cultivation, a practice that uses fire to clear temporary fields for cultivation.

3.3 Legal and Institutional Setting

Laws and Regulations: Constitutionally, Laos is recognized as a multi-ethnic society, and Article Eight of the 2003 Constitution states that, "All ethnic groups have the right to protect, promote, and preserve the customs and cultures of their own tribes and of the Nation. All acts creating division and discrimination among ethnic groups are forbidden." The Forestry Law (2019) recognizes villagers' customary rights to forest use, and the Land Law (2019) makes provision for communal titling of land. Production Forest Areas (PFAs) were first given highest level recognition via Prime Minister (PM) Decree 59 in 2002, followed by the Ministry of Agriculture and Forestry (MAF) issuance of regulations on forest management and most recently (2012) on timber benefit sharing. Since 1991 there have been a series of Prime Minister Orders to regulate logging, most recently PMO31 (2013) temporarily banning logging in PFAs and PMO15 (2016) to strengthen inspection of timber harvesting, transport and business. Although various laws and regulations may leave room for interpretation, the Letter on Forest Management Policy (2012) is unequivocal that the principle of community participation in forest management be respected. In 2012, the government placed a temporary ban on concessions for some new plantations (Prime Minister's Order 13, PMO13), including rubber; in 2018, the ban was lifted for eucalyptus and acacia (Prime Minister's Order 9, PMO9) and there is renewed vigor in these sub-sectors for both companies and smallholders, resulting in the approval of Decree 247 on Promotion of Commercial Tree Plantations (2019). The PM Order on Decentralisation (2001), the Law on Local Administration (2003), and the Resolution of Politburo (03/PM/2012) provides for the formulation of provinces as strategic units, districts as comprehensively strong units, and villages as development units.

Judicial System: Lao PDR has a four-tier court system: area, provincial, regional, and People's Supreme Court. Conflict resolution is more usually undertaken at village level. An important aspect of access to justice is the availability of legal advice. The lack of lawyers is a significant problem. Increasingly the National Assembly is seen as the ultimate recourse for plaintiffs failing to obtain satisfaction through statutory legal systems, as witnessed by land conflict-related complaints to the National Assembly.

Stakeholders: The main stakeholders in the project are the local communities in participating villages, government units that directly or indirectly play a role in project activities, academic institutions, and mass organizations and civil societies. Various ministries are involved in project activities, including MAF, MONRE, MOIC, and MPI. MAF agencies are directly involved with DOF as the implementing agency of the project, DAEC involved in livelihoods development and extension work, DOFI in forest law enforcement, and NAFRI in studies on livelihoods. Mass organizations (Lao Front for National Construction and Lao Women Union) have been involved in SUPSFM and will continue to play a role in the project in participatory planning and awareness raising activities at grassroots level. Potential role for civil society organizations to be explored in the project are on free prior informed consultations with communities, participatory planning and implementation, and monitoring. District teams will continue to facilitate project activities in participating villages: PSFM Teams for forestry activities and Livelihoods Development Teams for livelihood activities.

Institutional Arrangements: The Project components and activities will continue to be implemented at the national level by a number of ministries and their agencies, and at the sub-national level by their line agencies under the direction of the Provincial or District Administration, as the case may be. Participating villages and district teams will undertake day-to-day implementation at grassroots level. Multi-agency committees will provide oversight at three levels, namely: the National Project Steering Committee (NPSC), the Provincial Project Steering Committee (PPSC), and the District Project Steering Committee (DPSC). Project management offices (PMO) will continue to be maintained at national, provincial, and district levels. The PMOs will continue to be responsible for the smooth flow of inputs to project activities and the monitoring, verification, and reporting of their outputs.

4. Environmental and Social Impact Assessment of the Proposed Project

4.1 Safeguard Mechanisms

For the parent project, SUPSFM, the Environmental and Social Impact Assessment (ESIA) was conducted by the Project Implementing Agency (DOF) and identified environmental and social impacts, affected communities and people including Ethnic Groups defined as Indigenous Peoples (IPs) under the Bank policy OP/BP 4.10. Some of these affected communities and ethnic groups are present with collective attachment to the PFAs in the target provinces, which will also be covered under the AF-SUPSFM. Local livelihoods and incomes depend on forest resources and forest land to varying degrees. Many of the communities are culturally and linguistically distinct ethnic groups and are vulnerable to sudden changes in access to natural resources and related sources of livelihood. The parent project explored and experimented with possible voluntary restrictions on livelihood activities or access to forest resources to ensure more sustainable forest management. Most restrictions are already in place under current law and updated public policies.

Neither land acquisition or resettlement of households and villages is expected under the AF-SUPSFM, because the project will not support new civil works or infrastructure development activities. Nonetheless, the existing Resettlement Policy Framework included as an annex to the Community Engagement Framework applied under original project will continue to be applied under the proposed AF-SUPSFM in the event land acquisition is required by project-supported activities (although this is not envisioned). However, no new grants are being provided under the Village Livelihood Development Fund by AF-SUPSFM, but only technical support and extension services.

The Environmental Category “A” remains applicable. The same safeguard policies will continue to be triggered due to the similar nature and degrees of impacts anticipated and the same nature of the higher-level project objective to utilize forest resources for poverty alleviation while managing these resources in a sustainable manner. The category “A” classification is also justified in light of a complex implementation context with shifting institutional roles, limited capacity context and a shifting policy and regulatory environment.

Nevertheless, significant adverse or cumulative environmental impacts were not experienced under the parent project and are not anticipated under the proposed AF-SUPSFM.

No new safeguard policies are triggered for the AF-SUPSFM. Under the parent project, SUPSFM, a CEF was prepared and effectively applied in accordance with World Bank Operational Policy (OP) 4.10 on Indigenous People and OP 4.12 on Involuntary Resettlement. These instruments remain applicable for AF-SUPSFM. As in SUPSFM, the AF also triggers OP4.12 to ensure that natural resource access does not disproportionately affect any group within the community and are offset with viable alternative options to ensure that the household livelihood in project villages are maintained or enhanced. OP 4.10 is applied in AF-SUPSFM to ensure that all ethnic groups will continue to be engaged in a culturally appropriate way to ensure broad community support. The CEF includes an Ethnic Group Planning Framework, Access Restriction Process Framework and a Resettlement Policy Framework. A series of safeguard assessments were carried out, including Impact Assessment of Village Livelihood Development Fund (VLDF), Customary Tenure among Ethnic Groups, which found good CEF implementation and SUPSFM has been and is in compliance with CEF policy requirements and processes. Key areas identified to be improved are to strengthen ethnic group consultation and engagement and more systematic support to strengthen VLDF implementation and management to improve sustainability of the VLDF.

The CEF has been updated to reflect the scope of the AF, and lessons learned from safeguard implementation by the parent project.

Given the focus of the proposed AF-SUPSFM is to promote sustainable forest management, no large-scale or irreversible environmental safeguard issues are foreseen directly from activities financed by AF-SUPSFM. However, based on the current experience with parent project implementation, the impacts mainly caused by project activities to critical habitats and biodiversity resources have been addressed by having proper project design, norms and procedures for participatory sustainable forest management, which will be important to closely follow and monitor.

The updated CEF, through its Process Framework, addresses access restrictions as a result of the project implementation on the target and communities and gaps in implementation of community engagement and consultation processes. The CEF processes and procedures ensure that the free, prior and informed consultation process will be conducted with affected people, and that project beneficiaries will meaningfully participate in the development and implementation of alternative natural resource use practices, leading more sustainable livelihoods.

The participatory processes that have been used in the project are embedded in the development of CAPs, which are designed to be signed and endorsed by both beneficiary communities and District Agricultural and Forestry Office (DAFO) as the expression of broad community support. CAPs are meant to include measures to both enhance income streams of villagers and address short-term loss in livelihood that may result from stronger restriction of access to forest resources. Baseline livelihood data especially of vulnerable households, including women-headed households, will be collected based on participatory poverty assessment, and their livelihood status will be regularly monitored throughout the project implementation under the participatory monitoring and evaluation (M&E).

Under the participatory M&E, village level meetings will be conducted on a quarterly basis, with the support from project-hired consultants and local experts with experience in participatory methods, and impacted villagers will be identified, livelihood status of vulnerable households be assessed, and measures that may potentially improve project performance in enhancing community livelihoods will be explored. Where villages consist of hamlets that previously constituted independent villages but are now administratively consolidated into larger villages, participatory planning process will start at the hamlet level to ensure that priorities and concerns that may be raised by people from the hamlets and ethnic minorities are reflected in CAP. Project implementation staff under the support of qualified international and

national experts embedded at the district level will help ensure that participatory processes are properly carried out, that villagers gradually gain more experience and knowledge in participatory processes during project implementation, and that voices and interests of minority hamlets are respected in the village level planning process.

Elected village representatives including both a male and a female representative will participate in the annual meeting at the district level, to discuss with project implementing agencies outstanding safeguard issues and agree on measures to address them.

As for the parent project, the ESIA, and all Safeguard instruments that cover the proposed AF-SUPSFM must be compliant with the WB safeguard policies concerning:

- **Environmental Assessment (OP 4.01)**
- **Natural Habitats (OP 4.04)**
- **Pest Management (OP 4.09)**
- **Indigenous Peoples (OP 4.10)**
- **Physical Cultural Resources (OP 4.11)**
- **Involuntary Resettlement (OP 4.12)**
- **Forest Strategy (OP 4.36)**

4.2 Expected Environmental and Social Impacts, and Methodology

AF-SUPSFM will continue implementing the methodology undertaken under SUPSFM. Annual safeguards Assessments carried out during the parent project found no major unresolved issues during implementation. There is an extensive library of literature that has been developed for SUFORD and SUPSFM, including ethnic development plans; socio-economic impact assessment; traditional ecological knowledge, and various technical handbooks. Of pertinence to AF-SUPSFM are several recent reviews of the SUFORD-AF and SUPSFM social livelihoods program and, also key studies including an Ethnological study of Katuic speaking groups. Those reports were complemented by various mid-term reviews, field assessments, and project social impact assessments.

Since AF-SUPSFM is not extending into new areas, there will be no additional social diagnostic. While the challenges to AF-SUPSFM are expected to be like those experienced by SUPSFM, the social and environmental characteristics of the northern areas may present yet new unforeseen issues. Safeguards, both environmental and social, continue to be important aspects of AF-SUPSFM design and implementation.

Several missions were conducted since 2013 for implementation support to SUPSFM including the WB and various stakeholder line agencies, primarily at provincial and central levels. The missions provided a forum for DOF's SUPSFM project team to present project progress and discuss its positive aspects and challenges. The ESIA makes use of these shared lessons and was supplemented by village level surveys and district office meetings.

The general message from those collective assessments suggests that the environmental and social challenges expected under AF-SUPSFM will be similar to those under SUFORD and SUPSFM. The reports indicate that by and large the environmental and social impacts of the forestry and livelihood components are relatively minor, but that some aspects of the design and implementation of SUFORD and SUPSFM have shown shortcomings that need to be addressed under AF-SUPSFM. Therefore, an ESIA methodology is taken that focuses on the challenges that have been faced during SUFORD and SUPSFM, and that will continue to be faced during AF-SUPSFM. Those challenges are described below and design changes for AF-SUPSFM are indicated to meet and successfully overcome them.

5. Challenges under SUFORD and SUPSFM will continue to be addressed under AF-SUPSFM

The following provides the lessons learned from SUFORD and SUPSFM concerning the effectiveness of project mechanisms to deliver full participation of village communities including women and ethnic groups in planning, implementation and decision-making in two main project activities, namely: participatory sustainable forest management (PSFM) and village livelihoods development (VLD). These challenges are will continue to be addressed in the proposed AF-SUPSFM, particularly considering the recommendations provided below.

5.1 Free, prior and informed consultation process

The implementation of free, prior and informed consultation process was a cornerstone of the Community Engagement Framework under SUPSFM. Reviews of SUPSFM safeguard performance have concluded that the consultation process was implemented in a satisfactory manner. A special survey conducted by the project (2019) indicated that nearly all stakeholders (98 %) found the overall community engagement process was satisfactory. A social safeguard assessment (2017) reported that all villages claimed that they have been consulted prior to joining the project. District staff had come to their villages and explained what the project was about. Then the villages were left on their own to decide if they wished to join the project or not. However, the criteria for establishing broad community support varied from the province to the village level and across levels. Even though this stage has already passed, this signifies that under AF-SUPSFM the consistency of applying community engagement processes needs to be improved.

5.2 Mainstreaming Ethnic and Gender in Project Activities

The Lao Front for National Construction (LFNC) has a mandate to act in the interest of ethnic groups and reduction of poverty. The Lao Women's Union (LWU) seeks to enhance women's capacity for self-development and promote women's role in society. Both mass organizations have been key partners in SUFORD and SUPSFM and involved in village engagements of the project.

The social safeguards assessment (2017) found that the approach to involving ethnic minorities in consultations and project activities was not fully consistent. This made it difficult to ascertain the extent and depth of the participation of ethnic groups especially in villages where the minority was very small. The ways to ascertain participation, summoning meetings, and reaching an acceptable level of participation also differed by community. Nevertheless, there was evidence of a concerted effort to reach out to ethnic minorities. One of the key indicators for their effective participation is the distribution of Village Livelihood Grants which shows that among Grant recipients ethnic minorities are overrepresented, that is, there share among Grant recipients is higher than their average share among the entire village population.

The safeguard assessment also showed that in all villages, both men and women participated in major activities of SUPSFM such as community resource profiling, land use planning, and developing the CAPs. When the inputs of the entire community were needed such as in developing the Community Action Plan or proposing livelihood activities, men and women were separated into groups to elicit their respective interests and then they come together in a big meeting to present their collective proposals. Ethnic women who usually are unable to communicate in Lao also said that interpreters were made available for them during major SUPSFM activities. District and provincial staff claimed that SUPSFM contributed much to women's empowerment in communities; through livelihood activities, women have more income to help themselves move out of poverty, and their inclusion in meetings and in decision-making for project activities allowed their voices to be heard.

The safeguard assessment concluded that the knowledge of provincial and district LWU, LFNC, and VLD members on community engagement appear to be directly related with how long they have been working with SUPSFM. Both provincial and district staff benefitted well

from trainings they received from SUPSFM and the open communication lines with the staff at central level. Overall, district forestry staff were satisfied with the guidance they received from the province and villages were satisfied with the guidance they received from district forestry staff on various activities for community engagement. However, as requested by villagers, district staff need to conduct field visits more often. To do so, district staff's request for motorbikes, fuel allowance, and communication equipment need to be addressed. The central LWU and LFNC need to be better engaged in the project to maximize what they can offer.

The implementation of the Ethnic Group Development Plan (EGDP) during SUPSFM was rated as "satisfactory" by the World Bank in May 2019. However, more consultation will be carried out for AF-SUPSFM. Mass organizations, such as the Lao Front for National Development and Lao Women's Union, will continue to be engaged to provide support for communication with local communities with attention given to the following recommendations:

- Recruiting LFND and LWU representatives who can communicate in a linguistically and culturally appropriate way as well as in a gender sensitive manner with target communities, and who are committed to collaborate with AF-SUPSFM so that excessive staff turnover can be avoided.
- Training the LFND and LWU team members fully in ethnic awareness, participatory methodology, conflict resolution mechanisms, safeguard framework, and community engagement process.
- Providing logistical means to participate in the project.
- Involving LFND and LWU in project planning and improving the coordination between district, provincial, and central offices.

5.3 Working with village committees

Predecessor SUFORD projects had established Village Forestry Organizations (VFO) headed by Village Forestry Committees (VFC) and corresponding institutions at village cluster level, i.e. GVFO and GVFC where "GV" means "Group of Village", as well as Village Development Committees (VDC). However, VFOs had not been functioning well after their establishment as the PSFM activities could be carried out by the district team with the VFC and Village Head without involving the entire VFO. Changes in VFC/VDC members that are linked to their position in village administration had also been occurring without proper orientation of their replacements regarding their role in the VFC/VDC.

To address these issues SUPSFM decided to rely only on one organization, Village Forestry and Livelihood Committee (VFLC), to coordinate, implement and monitor project activities. VFLCs are headed by the Village Head as the Chairperson and will include a Deputy Chairperson, Secretary, and Treasurer. Village representatives of Lao Women's Union (LWU) and Lao Front for National Development (LFND) also participate in the VFLC.

VFLCs will continue to be engaged during AF-SUPSFM as contact and action points in both PSFM and livelihoods development. Formal institutions with bylaws and internal rules such as for benefit sharing will be developed under AF-SUPSFM based on actual need, e.g. for managing village-use forest enterprises.

With respect to services provided by the project, the survey on the quality of technical services conducted by SUPSFM (2019) indicated that the VLFCs considered the quality of technical services provided by the project largely satisfactory, 75 % with respect to services related to PSFM and 67 % for VLD. There is, however, still room for improvement, and under AF-SUPSFM, capacity building of staff will continue to be approached through "learning by doing" applying the widely appreciated method which combines a theoretical component with a practicum in the field. With improved skills the staff will be able to service the VFLCs in a more effective manner.

5.4 Benefit-Sharing from Forest Harvest Revenues

The benefit sharing part of SUPSFM could not be implemented due to the GOL's logging and export bans that forbade timber harvesting. The 2019 Forestry Law now accommodates Village Forestry and operational details will need to be developed and would be anticipated to include revenues. It is useful to summarize the history of local forest revenue sharing: Earlier, Regulation 0204/MAF/2002 provided the guidelines for timber revenue benefit sharing in sustainable harvesting done in PFAs. The regulation was replaced by the Presidential Decree 001/PD/2012, which provided a 12 % of gross timber revenue for forest management, 6 % to Forest Resource Development Fund, and 12 % to participating villages.

During the implementation of predecessor SUFORD projects, a few problems in implementing the benefit sharing have been reported, such as communities not being informed or not having fully understood the benefit-sharing principles. On the other hand, an analysis conducted by the project in 2013 indicated that the transfer of funds to villages was done properly with a few exceptions. The work to develop implementation guidelines for the implementation of Presidential Decree 001/PD/2012 was started during SUFORD AF, but with the introduction of PMO 31 in 2013 all logging activities in the PFAs were stopped, and the development of the implementation guidelines was halted.

If the logging ban is lifted, AF-SUPSFM will continue to develop implementing guidelines for timber revenue sharing. Communities and other stakeholders will be informed of the benefit sharing principles to ensure that they can claim what belongs to them when outsiders extract timber. Monitoring mechanisms will be set up to ensure that PAFO does transfer money to villages. MOIC will be supported to implement transparent and competitive log sales.

5.5 Village Livelihood Development Grant

AF-SUPSFM will not provide additional village livelihood development grants (VLDG) but will continue to support villagers with extension services and provide technical support, marketing and favoring associative models. A study conducted by the project in 2018 found that projects launched using VLDGs under SUFORD and SUFORD-AF were largely sustainable as more than 90 % of them were still being implemented five years or more after their launch. The projects were also found to contribute to improved livelihoods and accelerated poverty reduction. Since the approach to VLDG implementation under SUPSFM was similar, it is likely that the impact is similar as well. The Joint Implementation Support Missions have, nevertheless, reported that the villagers request additional extension support to improve the sustainability and increase returns from their project. To address this, under AF-SUPSFM the implementation of on-going village projects will be supported by providing enhanced extension services and undertaking monitoring.

5.6 Safeguards Measures and Gaps Concerning Ethnic Group Development

During the SUFORD and SUPSFM preparation and implementation an Ethnic Group Development Strategy was prepared to ensure that ethnic minorities did not suffer negative impacts and that they received social and economic benefits appropriate to their culture and circumstances. However, the application of the strategy was not fully realized as planned; its implementation had mainly advanced in the better off and more easily accessible districts and villages populated predominantly by Lao and Tai-Kadai. The social safeguard assessment (2017) indicated that the during SUPSFM the situation improved and that ethnic minorities were able to participate in project activities as evidenced by their overrepresentation among recipients of Village Grants (SUPSFM Mission Report 2018). AF-SUPSFM will continue to address this issue by means of the following recommendations:

- Strengthen mechanisms to monitor implementation of safeguards including clear indicators.
- Refine the implementation modalities of the Ethnic Group Development Plans.
- Set up mechanism to ensure that poor households and vulnerable groups are not left aside but actively involved as beneficiaries in project activities.

5.7 Gender equity

The principles of gender equity with respect to natural resource use, its management and decision-making, particularly in upland areas and among different ethnic groups, are quite varied. A lesson learned under SUFORD AF (2007-2012) is that if the project ignores existing customary use of land and forest, it would result in a significant barrier to cooperation from villages. Lack of cooperation had often occurred because project staff tended to talk only to village authorities, who are usually men. Furthermore, ethnic group women tend to be both less familiar with Lao language than men, as well as less literate, often resulting in women's views being completely marginalized or ignored. Under SUPSFM (2013-2019) the situation improved. The social safeguard assessment (2017) indicated that ethnic women unable to speak Lao were provided interpreters in main project events. They were also able to set their priorities for village livelihood activities separately from men before joining them in a plenary session. AF-SUPSFM will continue to address the gender equity issue by considering the following recommendations:

- Train project stakeholders about gender equity and gender mainstreaming to ensure that the provincial and district staff apply the Community Engagement Framework in a consistent manner, and follow the Community Engagement Manual.
- that project will empower women as direct beneficiaries and avoid their marginalization in financial management, tenure issues, etc.
- Set up a culturally and gender suitable interface; this means conducting activities in local languages using better interpreters, and preferably of their choice

5.8 Capacity of project beneficiaries

A capacity assessment regarding government staff conducted by the project in 2018 concluded that the capacity of individuals was in general at a good level for carrying out routine tasks and implementing work plans. Carrying out new activities and developing new approaches requires external technical assistance. The staff could explain rather well what they do and how they do it, but the underlying reasons for the project activities are often not understood (or articulated) that well.

At the village level, a survey conducted by the project in 2018 that showed that more than 90 % of the village livelihood projects financed under SUFORD and SUFORD AF were still in implementation after five years after their launch. While a similar assessment could not be done under SUPSFM due to the short implementation period for village livelihood projects, the approach to technical assistance remained essentially the same and therefore the results of the survey can be considered indicative of the results under SUPSFM as well. At the same time, it should be recognized the recipients of the VLD Grants under SUPSFM have expressed a strong wish to receive additional technical assistance.

Under AF-SUPSFM the village level training will be intensified and done in local languages and at community level to ensure that a maximum of participants can be involved, especially women who lack exposure and less able to leave the village. More emphasis will be placed on farmer-to-farmer exchanges which have been found to be an effective extension method.

5.9 Land acquisition and resettlement

Like the parent project, for AF-SUPSFM, resettlement or village consolidation will not be supported or induced. Nevertheless, it is expected that, like in SUPSFM, some continuing participating villages have been consolidated in the past without proper consultations or livelihood support, or may be planned to be consolidated during the life of the project. As mentioned below in the section on risks, village consolidations often negatively impact on resettled people's livelihood and asset base. Under AF-SUPSFM, a Resettlement Policy Framework developed under the parent project will continue to apply. The framework sets out principles and procedures that will apply when land has to be acquired. (The parent project, SUPSFM, only needed small areas of land for small infrastructure and AF-SUPSFM will not finance infrastructure. Unoccupied state land will be used; taking of land used for economic or residential purposes is unlikely.) Clear rules and principles have been developed and agreed upon with the government with regard to village consolidations.

5.10 Grievance and conflict resolution mechanisms

Under SUPSFM the Grievance Redress Mechanism was based on the Village Mediation Units (VMU) set up by GOL at the village level. VMUs assist the village administration authority to enhance knowledge of and compliance with State laws in the village. They act 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. The main strengths of VMUs are that they provide justice at a community level and use defined rules and procedures while still providing a further opportunity for parties to re-negotiate and reach mutual agreements to resolve disputes.

A survey conducted by SUPSFM (2019) among a sample of stakeholders indicated that minor conflicts had emerged such as disputes regarding village boundary demarcation, goats eating a farmer's crop and accidental burning of a cardamom field. All cases were mediated at community village with Village Mediation Unit and customary leaders. None of the conflicts were left without follow up.

The Grievance Redress Mechanism (GRM) under AF-SUPSFM seeks to strengthen existing government systems (such as VMUs) but it will also explore the possibility to introduce accessible and affordable information technology as a means to lodge complaints (e.g social media, WhatsApp where feasible). In parallel, the project will enable the participating/ affected people to raise concerns through the participatory M&E process and seek for resolutions at the district level meeting. 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 NPSC or Provincial Assembly recently established in all provinces under the new government since 2017.

5.11 Participatory Sustainable Forest Management

SUPSFM and the predecessor projects prepared forest management plans for 41 Production Forest Areas. The implementation of plans prepared under SUPSFM was severely curtailed because of the logging ban; the activities were limited mainly to forest restoration and establishment and remeasurement of Permanent Sample Plots. While the logging ban eliminated the possibility of negative environmental impacts from timber harvesting, the reduced ground presence of staff is likely to have been the reason for a surge in illegal logging in the early part of SUPSFM implementation. On the other hand, the introduction and effective implementation of PMO 15 in 2016 banning the export of unfinished logs combined with effective forest law enforcement dramatically reduced illegal logging in the whole country, by 75 % in one year according to project estimates. AF-SUPSFM will continue to provide support to forest law enforcement focusing on consolidation of the systems and methodologies developed by SUPSFM.

The reduction in illegal logging is likely to have had a positive impact on biodiversity by slowing down or even fully eliminating the degradation of habitats. Demonstrating the positive

development in terms of forest management, DoF was able to regain an FSC certificate for 108,000 ha after it let the previous certificate lapse due to the logging ban. The recertification is an indication of DoF's commitment to manage the PFAs sustainably as well as their expectation that the logging ban will be lifted soon. AF-SUPSFM will continue to support certification to meet the target set by the government to increase the certified area to 230,000 ha.

SUPSFM and the predecessor project have not constructed or planned to construct roads, the existing road network has been found sufficient. This policy and current the logging ban eliminate the risk that logging will cause soil erosion during AF-SUPSFM. This will also ensure that there will not be negative impacts on soil and water quality. Overall, the environmental impact including the visual impact of forest harvesting is very limited when done following SUPSFM guidelines. The rough rule of thumb for harvesting intensity illustrates the point; on average only two trees per one hectare are removed every 15 years.

The assessment on the implementation of environmental safeguards under SUPSFM (2017) gave a positive result. The forest management plan includes HCVF and clearly indicates conservation forests and watershed protection forests with management prescriptions. At village level, HCVF is categorized for sacred forests, burial or crematory forests, and conservation forests. Each village has village regulation to control over these forests. Although there were no specific wildlife management measures implemented in the sampled villages as there were no specific wildlife habitats, hunting of restricted species was completely banned. The government also distributes posters and propaganda to villages for raise awareness. AF-SUPSFM will continue with awareness raising activities seeking to join forces with government-led campaigns.

The environmental safeguard assessment (2017) did not detect use of herbicide and insecticide in the forest but in most agricultural lands and in banana and rubber plantations outside PFAs. SUPSFM has not allowed pesticide use in any of the village projects but it is possible that some individuals choose to use them using their own resources. The Agricultural Unit in each village has campaigns to raise awareness about pros and cons of herbicide, pesticide and insecticide use, and SUPSFM complemented this by conducting awareness raising workshops involving six priority provinces that a survey conducted by the project found to have the highest level of pesticide use. AF-SUPSFM will continue to enforce the ban on pesticide use as well as to implement awareness raising activities, especially to support the implementation of the recently improved legal framework (one new law and two ministerial regulations regarding pesticide use were approved and three more regulations were drafted during 2016-2019).

The government implements fire protection campaigns every year especially during the dry season. Forest fire protection and firefighting is the duty of all people and most villages mobilize their foresters to monitor and patrol their forests. On the other hand, while there is wide awareness about fire protection, in actual practice there is no boundary of fire-prone area specified in any PFA. Overall, however, fire has not been identified as a major issue for forest management. As an example, a large portion of the certified areas are located in fire-prone areas, but the issue of fire has not come up in the certification audits. Nevertheless AF-SUPSFM will develop a fire emergency response system in high-risk areas involving district authorities and villages.

The environmental safeguard assessment (2017) also yielded areas that need to be improved. It seems that the understanding on environmental safeguards is still poor. The staff at different level could not understand the approach on environmental safeguards in their forest areas. On the other hand, the capacity assessment (2018) conducted by the project indicated that despite the limited understanding the staff may have regarding the concept of environmental safeguards, the safeguards have largely been implemented because they are embedded in the project implementation guidelines which the field staff follow. AF-SUPSFM will continue raising awareness of environmental safeguards among staff.

Most villages where NTFP is highly significant have village NTFP regulation. Village committees/foresters use these regulations to control the collection within the villages. Still, collection of NTFP in a destructive manner still existed in some locations in spite of having village regulation. AF-SUPSFM will monitor the situation in the known high-risk areas such as the malva nut tree forests in the southern parts of the country.

Local villagers are often hired to undertake forest management activities such as assisted natural regeneration of forest. To minimize the risk for work-related accidents, SUPSFM developed new provisions in the PSFM Operations Manual concerned with the health and safety of workers in the conduct of PSFM operations in PFAs. These guidelines were implemented in connection with forest restoration work. AF-SUPSFM continues to implement the provisions and expand their coverage to include safety measures in transporting villagers' between their residence and work site, which is currently not covered.

5.12 Land Tenure

Many ethnic groups practice a system of land use and resource management that is uniquely adapted for upland areas. This has developed over generations as part of traditional ways of life and is underpinned through ritual and customary practices. PSFM planning is partially predicated on adequate land tenure systems whereby villagers with upland rotational cultivation are supported and assisted to have communal tenure over enough agricultural land to ensure their livelihoods. AF-SUPSFM will continue to address this issue through continuing or enhancing, where necessary, support for participatory land-use planning (PLUP). PLUP can contribute partially to improved land tenure security. However, the AF-SUPSFM project does not include activities that directly deliver full land tenure security. The PLUP approach can help advance dialogues around land and resource access and partially contribute to better tenure security, but not entirely. In addition, PLUP approach has been enhanced to integrate gender sensitive consultation, while improving local communities' enforcement capacity to prevent villagers and migrants from opening new slash-and-burn areas. The Land Law (2019) does not fully clarify tenure arrangements for rural forest communities but the Forestry Law (2019) includes provisions for enhanced tenure security for local villagers who plant trees in the village territory. The AF-SUPSFM will seek to take advantage of these opportunities by raising awareness and providing technical assistance to interested villagers.

5.13 Monitoring and evaluation

Mechanisms to monitor project implementation have not been fully adequate in the past under predecessor projects. Many formats prepared at central level that would have been useful to monitor participation of ethnic minority, women, and the poor were not shared until late in the project cycle. This resulted in the lack of valid indicators to measure to which extent poor, women, and ethnic minority participated in project activities. Under SUPSFM, LWU and LFND played an increasingly active role in monitoring and evaluation (M&E), especially in special assessments where their involvement made it easier to establish a frank dialogue with the villagers. AF-SUPFSM will implement M&E by conducting routine monitoring on on-going basis throughout the project period as well as special assessments on topics that routine monitoring cannot cover. Additionally, Participatory Monitoring and Evaluation (M&E) will be carried out to give opportunities to project beneficiaries and affected people to voice any concerns they have or suggestions to improve project performance.

6. Risks and potential impacts

Unlike its parent project, the AF will not finance any new activities and areas but the risks and impacts of the ongoing activities will continue to be observed. The challenges outlined above present risks that AF-SUPSFM would have to address, particularly in relation to:

- **Risks related to livelihood loss.** Potential loss of livelihoods due to restrictions on livelihood activities or access to forest resources is expected to be minor because, like the parent project, AF-SUPSFM will implement a participatory Community

Engagement Framework which will enhance current land and resource use patterns to the extent that is technically possible and environmentally sustainable. The project also will continue to support, through advisory services, more sustainable resource use and a diversity of forest-based livelihoods options, including agroforestry systems that should counteract any potential loss to livelihoods.

- **Risks related to weak consultations and participation.** The project's core activity is to work with communities that are reliant to varying degrees on forest resources for their livelihoods. Many of the communities to be included in the project are culturally and linguistically distinct ethnic groups who live outside the mainstream Lao culture. The project will be based on the informed participation of communities by means of a Community Engagement Framework which is designed to engage with ethnic as well as non-ethnic groups.

- **Land tenure and access to natural resources.** Options for secure tenure of households and communities in Laos are constrained by uncertainty and competition for land. Government retains the authority to expropriate any type of land, whether covered by tenure rights or not, for purposes of national interest as well as for Foreign Direct Investment (FDI) opportunities. A title or concession lease may only increase the value of compensation a developer might have to pay. Under current law, and if future legal revisions enables government to retain comprehensive rights of expropriation. Land tenure in Lao PDR can only be enhanced, not guaranteed, and rests on making expropriation as expensive and unattractive as possible. Addressing land tenure under SUPSFM therefore has taken into account a dynamic set of circumstances, but taking advantage of stated Party and national intentions to safeguard rural tenure security as a key strategy to reduce poverty, improve agricultural production, and enhance environmental protection. A new Land Law was promulgated in 2019 which helps clarify land tenure for urban and rural communities, but has a gap in forestland and forest-dependent communities that remains to be addressed in GOL law and policy. AF-SUPSFM will take this perspective into account and emphasize continued implementation of the CEF (and PLUP as needed) to reduce this risk.

A number of additional risks are expected to affect AF-SUPSFM implementation including the following:

Village consolidation and relocation. National policies relating to poverty reduction merged villages to maximize the distribution of services and poverty reduction activities and to accelerate economic development. An unwanted consequence has been an increase in land and natural resource disputes. Unfortunately, village merging did not take account of ethnicity or pre-existing customary use rights. Related to this villages have also been relocated from the highlands to the lowlands as a strategy to reduce shifting cultivation, eradicate opium production, improve access to government services, and consolidate villages into larger, more easily administered units. However, in many cases relocation led to the opposite effect of increased poverty, food insecurity, conflicts, and a diminished status for women, as they lose control over agricultural land.

In order to address such risks, the approach under SUPSFM was that those villages that have been consolidated under the government village consolidation program would be identified through a desk review and initial engagement with villages. Participatory consultations would also be carried out in each village to assess if: (i) land and tenure issues associated with the consolidation have been resolved to the satisfaction of communities, and (ii) adequate land for agriculture or other means of livelihood to improve, or at least maintain their livelihoods, has been made available. Those villages where outstanding issues related to land for agriculture and natural resources are identified would be excluded from the project, and the findings will be conveyed to Provincial Authorities for appropriate action. Such villages would be able to

subsequently become project beneficiaries if: (i) Provincial Authorities demonstrate that issues have been resolved, (ii) communities confirm such resolution met standards of free, prior and informed consultation, and (iii) communities provide their broad community support for participating in SUPSFM. All those villages scheduled or proposed for consolidation during the project life will be excluded from the project.

This same approach will be carried out under AF-SUPSFM but is anticipated that since the AF-SUPSFM will work only in current villages already supported under SUPSFM, there will be no change in the risk profile.

- **Existing land concessions and incompatible granting of concessions.** Provision of land concessions has caused the loss of land not only in villages but also in forestry and watershed areas. Problems arose because concessions were granted without surveys or supervised land allocation, without consulting local communities, and without consideration of existing land uses. This was coupled with a perception that granting concessions enables government to achieve targets in other stated policies, such as eradication of slash and burn cultivation. Land concessions have been championed as a means of reducing poverty by opening land productivity. In many instances, the opposite has been the case.

  Under AF-SUPSFM, attention is placed on strengthening GOL capacity to engage with private investors to better site plantations on degraded forest land as allowed under the 2019 Forest Law, and regulate and monitor activities to help ensure that benefits accrue to local communities and the state (as well as investors). This risk mitigation strategy forms a key activity in the operation and will require sustained dialogue among Government entities, communities and firms and sustained capacity development among Lao institutions and communities.

  Regarding risk of overlapping concessions, an inventory of concessions in project provinces will be periodically updated and discussions will be held with participating provincial governments and sponsoring ministries to avoid or minimize impacts in project financed areas.

- **Other risks and impacts.** AF-SUPSFM also has to deal with other risks including migration and labor availability, salvage logging that extends beyond allowed sites, illegal logging, illegal wildlife trade, shifting cultivation and access restriction, pesticides use, and fire occurrences. Some of these risks are mitigated due to the logging ban and project activities themselves (i.e., illegal wildlife trade and illegal logging which are addressed through the component supporting DOFI to reinforce law enforcement.).

7. Additional Mitigation measures

7.1 Checklist, Eligibility Criteria, and Project Screening

The villages participating in SUPSFM were screened against criteria developed by the project to ensure that the village participation was voluntary. The villages were also screened with respect to their status in village consolidation following the safeguards approach adopted in projects in Lao PDR supported by the WB. AF-SUPSFM will work in the same villages and will not expand its activities to any new villages.

7.2 Enhanced Community Engagement and Consultation

The main approach that will be implemented under AF-SUPSFM to address the gaps in the application of safeguard measures is to continue the same application of a responsive community engagement process, building staff capacity, and regular monitoring, as under SUPSFM. The following improvements are the key factors of the current community engagement process:

(i) integration of gender sensitive consultation and data management; (ii) preparation of activities which give equal weight to men and women's land and natural resource use; (iii) community consensus of village area boundaries, activities, land use and land tenure, for PFA land areas targeted for AF-SUPSFM activities; (iv) improved enforcement capacity to local communities, supported by provincial and district authorities, to prevent villagers and migrants opening new slash-and-burn areas; and (v) inclusion of community land adjacent PFAs, and making it eligible for agro-forestry support.

Community engagement by the project will continue to be undertaken by PSFM Teams and Village Livelihoods Development (VLD) Teams whose members will be district staff. The team members will continue to be provided relevant training in each stage of the process that will involve consultants, as well as non-profit associations (NPA), where relevant, with proven expertise in effective community engagement.

Community engagement has been undertaken in stages in SUPSFM and earlier operations, as follows:

Stage 1: Selection of participating villages and team formation. This stage covers the selection of participating villages following a set of eligibility criteria, team formation and orientation, and preparatory studies related to livelihood options, their requirements, markets, and viability.

Stage 2: Community awareness and resource diagnostics. This stage covers project disclosure, baseline surveys and community consultation on project plans, initiating the free prior and informed consultation process, and community resource profiling.

Stage 3: Participatory planning: consultations, consensus, and agreement. This stage covers participatory land use planning (PLUP) and agreement on components of PSFM plans and the Community Action Plan for livelihoods development.

Stage 4: Implementation of a Community Action Plan. This stage covers the implementation of PSFM plans and CAP, institution and implementation of grievance mechanism, and monitoring and evaluation consisting of village self-monitoring (participatory monitoring) and project monitoring.

7.3 Raising Legal Awareness at Community Level

Legal empowerment is a keystone of development and a process through which the poor are protected and enabled to use the law to advance their rights and interests. SUPSFM will support legal awareness through Village Mediation Units. In areas where they already exist, communities will be informed and directed toward paralegals for legal awareness, as grassroots paralegals are effective agents for creating legal awareness amongst ethnic minority communities.

7.4 Participatory Land Use Planning (PLUP)

Participatory and use planning has been used to identify land use areas and agreements with communities and this is central to PSFM strategy and a mandatory pre-step towards issuance of tenure documents (that are not financed by SUPSFM or AF-SUPSFM or predecessor operations). There are numerous PLUP methodologies used in Laos at the time of SUPSFM preparation. DOF follows the updated PLUP Manual issued by MAF and NLMA under a joint MoU originally agreed in 2009. The experience todate suggests that due to time and resources constraints the PLUP methodology had to be simplified to focus mainly on land use zoning. Assessments done by the project indicate that while the overall quality of land use zoning was reasonably good, some errors were made that cause confusion and hamper effective implementation. Land use may also be very dynamic, and it may be necessary to review and

revised the existing zoning in selected priority areas such as the areas potentially allocated to establishment of commercial tree plantations.

7.5 Physical Cultural Resources (PCR)

AF-SUPSFM will continue to work in all SUPSFM's provinces where there is a rich diversity of cultures and ethnicities and there is potential for AF-SUPSFM activities to impact on PCR. Detailed evaluations of village PCR was not conducted as part of the SUPSFM as well as AF preparation. PLUP planning process, which precedes on-ground activities, is generally the approach to identify known and potential PCR sites. Relevant authorities are consulted on whether PCR would be affected by the project in any given location.

7.6 Adaptable Models for Forest-based Livelihoods

Potential options for expanding forest-based livelihoods will continue to be explored with villagers through farmers associations. Three principal models have been identified including tree farming, agroforestry, and assisted natural regeneration, which have been supported under SUPSFM. AF-SUPSFM continues to provide extension services to implement these and other forest-based non-timber livelihoods strategies, and will enhance this activity by assessing opportunities for market linkages to small and medium enterprises where possible.

8. Project Feedback Mechanisms on Grievances

While surveys conducted by the project show that grievances related to project activities are rare, there must be a mechanism for grievance resolution. Grievances that arise due to project activities will be resolved following a grievance mechanism that will be continued to be 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 Government and World Bank safeguard policies.
- Project participants are aware of their rights to access grievance procedures free of charge.
- The grievance mechanism will be in line with existing policies, strategies, and regulations on redressing village grievances as defined by GoL.
- The grievance mechanism will be institutionalized in each village by a selected group of people, involving ethnic minorities, women, and representatives of other vulnerable groups in the village.

The process to develop such a mechanism initiated under SUPSFM will be continued under AF-SUPSFM. Grievance resolution at village level will make use of traditional mechanisms, as well as village mediation units (VMU). Grievances that are not resolved at village level will be raised to higher levels including the district level, provincial, and national levels through their respective Project Steering Committees. The project will provide training and support to strengthen existing structures at the community level for effectively and collectively dealing with possible grievances.

9. Monitoring and Evaluation and Learning

AF-SUPSFM will use the current reporting, monitoring, and evaluation system developed for SUPSFM, and is being slightly modified to extend some targets and add several intermediate results indicators. The role of communities in monitoring will continue to be strengthened. Participatory monitoring will be supported to ensure that grassroots level information and perceptions are incorporated and forming an important basis for the M&E process and databases. One example is that during late SUPSFM implementation, community interest in additional extension support was noted based on community monitoring of their livelihoods and NTFP activities.

The project will also continue to support methodical learning. Among its activities are conducting special studies and assessments on key topics important for an environmentally, socially, and financially sustainable forest sector that can reduce poverty and protects the rights of communities. These assessments can include technical analysis for developing landscape investment plans, gender assessment, technical aspects of project implementation, enhancements of safeguards and other frameworks to boost sustainability and manage risks, capacity building and other issues relevant to the project.