



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 05-Dec-2019 | Report No: PIDC27280

**BASIC INFORMATION****A. Basic Project Data**

Country Lao People's Democratic Republic	Project ID P170559	Parent Project ID (if any)	Project Name Lao Landscapes and Livelihoods Project (P170559)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date Dec 01, 2020	Estimated Board Date Mar 31, 2021	Practice Area (Lead) Environment, Natural Resources & the Blue Economy
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Agriculture and Forestry	GEF Focal Area Multi-focal area

Proposed Development Objective(s)

To improve sustainable forest management and enhance livelihoods and tourism opportunities in selected landscapes in northern, central and southern Lao PDR

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	57.37
Total Financing	57.37
of which IBRD/IDA	50.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	50.00
IDA Credit	50.00

Non-World Bank Group Financing

Trust Funds	7.37
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Global Environment Facility (GEF)

7.37

Environmental and Social Risk Classification

Substantial

Concept Review Decision

Track II-The review did authorize the preparation to continue

B. Introduction and Context

Country Context

- From 2005-15, the Lao People’s Democratic Republic (PDR) achieved rapid growth and significant decline in poverty, though inequality widened.** Since 2000, gross domestic product (GDP) growth has averaged around 8 percent per annum. The poverty rate declined from 34 percent in 2003 to 23 percent in 2013, yet the Gini coefficient increased from 32.5 to 36.2, reflecting lower gains for the bottom 40 percent, and higher poverty concentrations in rural areas, most of which is forestland.
- Growth has largely relied on the short-term liquidation of natural resources. With the new 2030 National Green Growth Strategy (NGGS), Lao PDR is shifting its growth framework to build long-term wealth by careful managing natural capital.** Unsustainable growth patterns have a high cost: natural capital depletion equaled 4.8 percent of 2017 GDP, mostly from forest loss of 3.6% from 2005 to 2015. Deceleration of growth to over 6 percent by 2017 indicates limits to this growth pattern.
- The deterioration of natural capital disproportionately affects vulnerable rural communities and amplifies natural disaster and climate risks.** Degradation and loss of forest resources and biodiversity undermine the ability of the natural resource base to provide livelihoods and to reduce persistent risks from floods, landslides, and droughts. This is because over 70 percent of the population depends on forest resources, soil, wetlands, and fish for income and nutrition. As many as 31% of rural villages reported in the 2010/11 Census of Agriculture that they are prone to flood and 70% reported being drought prone. Average annual costs from natural disasters are 0.9 percent of GDP but 2.1% in 2018.
- Climate projections for Lao PDR show increased intensity and frequency of rainfall and flooding risks during wet season and longer dry seasons accompanied by more severe droughts.** These risks affect livelihoods and key sectors, including forest food systems, fisheries, crops, and hydropower. Forests and natural solutions can help reduce the risks of climatic effects becoming disasters and complement conventional engineering plans in “grey-green” hybrid infrastructure. If applied at landscape level, natural solutions are more likely to offer substantial, durable and cost-effective benefits.

Sectoral and Institutional Context

- The comparative advantage of Lao PDR is its natural wealth, which is over 50% of the economy.** Recognizing this, the 2030 National Green Growth Strategy (NGGS) and Forest Law were both approved in 2019, charting a more sustainable development path that prioritizes forest-based development as an important driver for growth, jobs, and



livelihoods -- including conservation, nature-based tourism, village forestry, timber and non-timber production, and wood industries.

6. **Lao PDR intends to invest in its natural capital for greener, more resilient growth.** The country's policy framework seeks to return to 70 percent forest cover, from the current 58 percent (2019) that requires priority protection. The forest estate comprises three officially designated categories – conservation, production, and protection forest areas. These forestlands are managed by the Ministry of Agriculture and Forest (MAF) Department of Forestry (DOF) and account for 70 percent of the country's total land area. Village forests are found within and outside these three categories.

7. **The management of the forest estate is undergoing a rapid state of change catalyzed by the 2016 Prime Minister Order No 15 (halting logging and export of unprocessed logs) and the new Forest Law.** Some of the conservation forests (also known as National Protected Areas) are being re-designated as national parks; while most of the rest of the estate will include village forest management. Degraded lands in national production forests have been opened to industrial plantations which are expanding or will soon do so.

8. **Lao conservation forests possess globally significant biodiversity and habitat integrity, which is a comparative advantage for tourism.** No other region of the world has so high a rate of endemism, or endangerment among its biota. Conservation forests, also referred to as protected areas (PAs), total 15 percent of the country, and are homes to some of the poorest households. Three ecosystems are high priority, globally outstanding conservation landscapes: (a) the montane forest ecosystem in the Greater Annamites occurring in the higher elevations generally has higher species uniqueness compared to lowland forests; (b) the wet evergreen forest ecosystem in the Annamites bordering Vietnam arguably has the highest biodiversity, and (c) the massive karst formations of Central Lao PDR. These three priority ecosystems are fairly well represented within the PA system, although some notable gaps remain. To strengthen its commitment to conservation, the Government announced the designation of the first two National Parks (NP) in February 2019. DOF has identified seven PAs as candidates for upgrading to NP status, as nature-based tourism has become a high priority in the country's most recent strategic policy frameworks.

9. **Tourism in Lao PDR is driven by growing regional demand for opportunities to interact with conservation landscapes and wildlife, as well as traditional cultures.** Tourism could increase from the current 4% of the economy to the global average of 10%, requiring protection of landscapes with good forest, water and wildlife assets. Yet the PAs that anchor these landscapes face challenges including thin budgets and staffing, weak concession management, overlapping institutional mandates, infrastructure expansion into PAs, low revenues, and tourism products that respond to regional demand.

10. **In production forest areas (PFAs), forestry is not yet generating the jobs that it could for such a forest-rich country.** The Government has been putting in place policies needed for legal certified timber to support exports to lucrative international markets to meet the growing international demand for "good wood." The Government has recently targeted 650,000 ha of degraded forest lands for regeneration and restoration for investment potentially by plantation investors. Some investment is already present and growing fast. Participatory sustainable forest management (PSFM), including restoration of native forests, could complement sustainable plantation forests. In this scenario, communities and smallholders would partner with plantation companies to generate local livelihoods and environmental benefits.



11. **The third major category is “protection forest areas,” which has not received sufficient regulatory and management attention to fulfill the intended role to protect infrastructure and provide watershed services including flood risk reduction.** Lao’s 47 protection forest areas are the largest single land use designation in the country, and host an estimated 1896 villages. Because these areas are generally highly degraded, under the 2019 Forest Law there is a renewed opportunity to pursue village forest management, including restoration and non-wood forest products, that would also reinforce the protective role of these forests while generating local livelihoods.

12. **Land use change across the forest estate has also resulted in greenhouse gas (GHG) emissions, which have increased from 25 MtCO_{2e} in 2000 to over 161 in 2012.** Of this, approximately 83% of the emissions were due to converting forests for agricultural production and infrastructure.

13. **The 2019 Forest Law recognizes that a sustainable, productive forestry sector built on a combination of sustainable forest management (SFM) and high quality private investment could restore degraded areas, reduce pressure on globally significant native forests and conservation areas and their endemic biodiversity while driving economic growth and reducing poverty.** Without support for the sector, unsustainable land use would continue in the face of large-scale international investments having recently been put in place without an operational framework for landscape level decisions. To manage the risks and take advantage of economic opportunities from productive forestry, a landscape approach to managing the full forest estate is a gap facing the sector and economy.

Relationship to CPF

14. **The operation is well aligned with the World Bank Group’s Country Partnership Framework (CPF) 2017–20211 for Lao PDR, and directly promotes the Bank’s twin goals, climate action, and sustainability.** The operation supports objective 3.1 (promoting environmental protection and sustainable natural resource management) and objective 3.2 (putting in place enhanced disaster risk management and climate and disaster resilience). The operation is expected to improve overall governance by bringing multi-sectoral interests together around a coordination mechanism, addressing a key issue identified in both the SCD and the CPF.

C. Proposed Development Objective(s)

To improve sustainable forest management and enhance livelihoods and tourism opportunities in selected landscapes in northern, central and southern Lao PDR

Key Results (From PCN)

15. **Key results include:**

- a. Improved livelihoods opportunities for communities in forest areas
- b. Increased forest cover
- c. Improved management of conservation forests and biodiversity protection
- d. Reduced greenhouse gas emissions and increased carbon storage.

¹ Report No. 110813-LA. Discussed by the Board of Executive Directors on April 27, 2017.



D. Concept Description

16. **Some interventions are addressing these challenges but tend to be fragmented spatially, sectorally, and financially, and/or small scale, thus unable to generate the transformation needed.** Fragmented interventions and financing can undermine service delivery and achievements of results. At the same time, Lao PDR has made great strides in the past two years in revising public policy to support a greener growth framework. These gains are still fragile, and to maintain them visible impact must be delivered in securing livelihoods, jobs, environmental benefits, and resilience. A new strategic landscape platform is needed to consolidate these gains in a programmatic framework, leveraging expertise and resources from the different entities while being flexible to learn and adapt.

17. **There is therefore a need for Investment Project Financing (IPF) for the Government’s long-term national “Forest and Forest Resources Program,” which is the main platform available for coordinating interventions on landscapes and livelihoods throughout the forest estate in line with the 2019 Forest Law.** The development and implementation of this operation would support the government to strengthen its platform to convene sectors, stakeholders, partners, and projects across the forest estate; leverage diverse financing sources; and enhance information, institutions, and incentives. **It would take an integrated, spatially concentrated approach to investment in SFM, village livelihood development, conservation, nature-based tourism, and reduction of climate risk and emissions.**

18. **The proposed operation would support the Government over seven years to implement its strategic program to manage its forest estate (i.e., the forest landscape) to achieve the conservation, production, and protection objectives.** This approach is in line with the Forestry Law enacted in 2019, and would convene sectors, financing sources, stakeholders² and partners, as well as information and incentives. By convening institutions, information, incentives, and investments around one government-led program of activities in targeted large landscapes in the south, central and north of the country, action can be more efficient and effective. The project would support a platform for scaling up action throughout the greater Annamites as more experience is built. Coordinated action would deliver a complementary range of environmental and economic benefits related to better functioning and more resilient ecosystems, and the protected areas, wildlife, production forest areas, and villages dependent on them.

19. **Blended IDA/GEF financing would be complemented by trust funds and parallel private investments in forestry and tourism that would help maximize finance for development.** Priority landscapes within the greater Annamites would be selected using criteria to be confirmed. Each landscape would be defined spatially by the three categories of forestlands in contiguous districts. The number of landscapes supported by the operation would depend on the scope of financing available, and the size of the landscapes selected. Within these landscapes, specific investment sites would be selected for project investment, and these sites would define the physical footprint of the project. For example, some protected areas straddle two or three provinces. The operation would begin by convening and coordinating action in 5-6 priority large landscapes within 7-8 provinces in the north, central and south, and scaling up as more experience is built.

² Forest dependent communities living in and around the three forest categories including ethnic minorities, small-holder timber producers, small and medium forest enterprises in production and processing (timber, NTFPs), community-based nature-based tourism businesses, community-based patrolling groups, village forestry committees, and others.



20. **The Project would have four components** that, taken together, help convene and “crowd in” coordinated actions and investments in priority spatially explicit landscapes to achieve larger impact at scale than would be possible with small fragmented projects. Components would be financed by IDA and GEF and would include:

- 1: Investing in Natural Wealth and Resilience in the Forest Landscape
- 2: Livelihoods Opportunities from the Forest Landscape
- 3: Institutions, Incentives, and Information to Build Natural Wealth and Resilience
- 4: Project Coordination, Management and Monitoring.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

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APPROVAL

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