

**Terminal Evaluation of FSIP Project**

Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity

**Forestry Strategy Implementation Promotion (FSIP) Project:  
Terminal Evaluation Study Report**

Study Covering the Period of  
April 2006 to May 2010

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Study Prepared for:

Ministry of Agriculture and Forestry (MAF), Department of Forestry (DOF)

Japan International Cooperation Agency (JICA)

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## Acronyms

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ADB	Asian Development Bank
CB	Capacity Building
CDM	Clean Development Mechanism
CliPAD	Lao-German Program on Climate Protection through Avoided Deforestation
DAFO	District Agriculture and Forestry Office
DANIDA	Danish International Development Agency
DG	Director General
DOF	Department of Forestry
DOFI	Department of Forestry Inspection
DOPC	Division of Planning and Cooperation, DOF
EPF	Environment Protection Fund
EPL	Environment Protection Law
FCP	Forest Carbon Partnership
FIPD	Forest Inventory and Planning Division, DOF
FOMIS	Forestry Management Information System
FRDF	Forestry and Forestry Resource Development Fund
FS	Forestry Strategy 2020 (of Lao PDR)
FSIP	Forest Strategy Implementation Promotion (Project)
FSWG	Forestry Sub-Working Group
GDP	Gross Domestic Product
GOL	Government of Lao PDR
GOF	Government of Finland
GTZ	Deutsche Gesellschaft fuer Technische Zusammenarbeit
ha	hectares
INGO	International Non-Government Organization
IUCN	World Conservation Union
JICA	Japan International Cooperation Agency
KfW	German development bank
Lao PDR	Lao People's Democratic Republic
LSFP	Lao-Sida Forestry Programme
MAF	Ministry of Agriculture and Forestry
MOF	Ministry of Finance
MOIC	Ministry of Industry and Commerce
MTR	Mid-Term Review
NAFRI	National Agriculture and Forestry Research Institute
NAFES	National Agriculture and Forestry Extension Service
NASC	National Assembly Standing Committee
NBCAs	National Biodiversity Conservation Areas
NLMA	National Land Management Agency
NPAs	National Protection Areas
NTFPs	Non-Timber Forest Products
PAFO	Provincial Agriculture and Forestry Office
PES	Payments for Environmental Services
PM	Prime Minister

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PMO	Prime Minister Office
R-PIN	REDD Project Identification Note
R-PP	REDD Readiness Plan Project Proposal
REDD	Reduced Emissions from Degradation and Forest Degradation
SDC	Swiss Development and Cooperation Agency
SEK	Swedish Kroner
SIDA	Swedish International Development Cooperation Agency
STEA	Science Technology and Environment Agency
SUFORD	Sustainable Forest Management for Rural Development (Project)
TFT	Tropical Forest Trust
TSC	Tripartite Steering Committee
URDP	Upland Research and Development Project
USD	United States Dollar
UXO	Unexploded ordinance
WFP	World Food Programme
WREA	Water Resources and Environment Administration
WWF	World Wide Fund for Nature

Terminal Evaluation of FSIP Project

# Executive Summary

## Summary of Terminal Evaluation<sup>1</sup>

<b>I. Outline of the Project:</b>					
<b>Country :</b> Lao PDR		<b>Project title :</b> Forestry Strategy Implementation Promotion Project (FSIP)			
<b>Issue/Sector :</b> Forestry		<b>Cooperation scheme :</b> Technical Cooperation			
<b>Division in charge :</b> JICA Laos Office <b>Dept. Division</b>		<b>Total cost :</b> Local costs, which excludes costs for JICA experts and training of Lao counterparts in Japan, are:			
<b>Note:</b> This project has been co-funded by the Swedish International Development Agency (Sida).			Japanese Yen	Swedish Kroner	Percent
		JICA	60,400,000		35.4%
		Sida	110,439,000	9,000,000	64.5%
		Total	170,839,000		
<b>Period of Cooperation</b>	<b>(R/D):</b> DD/MM/YY~DD/MM/YY	<b>Partner Country's Implementing Organization :</b> Ministry of Agriculture and Forestry (MAF), Department of Forestry (DOF)			
	<b>(Extension):</b> <b>(F/U) :</b>				
<b>Related Cooperation Project :</b> None		<b>Supporting Organization in Japan :</b> none			
<b>1 Background of the Project</b>					
<p>In July 2005, the Prime Minister of Lao PDR approved the Forestry Strategy to the Year 2020 (FS 2020). The Japan International Cooperation Agency (JICA) and the Swedish International Development Cooperation Agency (Sida) had both provided financial and technical assistance to the development of this strategy. To assist the Government of Lao PDR, through the Ministry of Agriculture and Forestry (MAF), with promoting the implementation of this Forestry Strategy 2020, MAF, JICA, and Sida agreed to formulate and implement the Forestry Strategy Implementation Promotion (FSIP) Project. A formal meeting among all three parties finalized this arrangement on 12 May 2006. The project is being implemented by the Department of Forestry (DOF) and collaborators.</p>					
<b>2 Project Overview</b>					
<p>The FSIP Project is supporting forest sector management and planning with respect to the implementation of the Forestry Strategy 2020 (FS 2020), and also supporting some key strategic priority actions for FSIP implementation. The FSIP Project also serves as the secretariat for the Government-development partner Forestry Sub-Working Group (FSWG). The project design matrix (logical framework) for the project was revised officially in 2008, following the Mid-Term Review (Evaluation), such that the original outputs were combined and reduced to two major outputs to better focus the project implementation. The Project has also been flexible, in responding to new priorities in the forest sector, including support to forest carbon trading and Reduced Emissions from Deforestation and Degradation (REDD).</p>					
<b>(0) Super Goal</b>					
<p>Forestry sector's contribution to socio-economic development, especially poverty eradication, and environmental conservation in Lao PDR is promoted on a long term basis through facilitating FS 2020 implementation, and sound and efficient management of the Lao forestry sector</p>					
<b>(1) Overall Goal</b>					
<p>Sustainable and productive forest use in Lao PDR through appropriate sector planning and management is promoted.</p>					

<sup>1</sup> This Summary of the Terminal Evaluation will be publicly disclosed, by being posted on JICA's website: [http://www.jica.go.jp/english/operations/evaluation/tech\\_and\\_grant/project/term/asia/](http://www.jica.go.jp/english/operations/evaluation/tech_and_grant/project/term/asia/)

## Terminal Evaluation of FSIP Project

### ( 2 ) Project Purpose

Capacity of forestry sector on planning and management is developed through formulation and monitoring of implementation plans, dialogues with stakeholders and addressing policy related priority actions for the initial five year period of FS 2020 implementation.

### ( 3 ) Outputs (as revised in 2008):

1. Improved capacity of FS Secretariat and Div. of Planning, DOF to plan, manage, monitor and evaluate forest sector development and implementation of the Forestry Strategy.
2. Key selected strategic priorities in the FS 2020 are supported, which further strengthen overall Forestry Strategy implementation and sector management.

### ( 4 ) Inputs

#### Japanese side:

**Long-term Experts:** 3 people for a total of 108 person-months (PM)

**Short-term Experts:** 1 person, 1.5 PM

**Training for Counterparts in Japan:** 6 people

**Equipment:** 7,400,000 Yen (as of 31 Mar 2010)

**Local costs:** 53,000,000 Yen (includes training, consultants, etc.)

#### Swedish side:

9,000,000 SEK (of which 8,560,000 SEK for local costs, i.e., training, consultants, equipment, etc. and 440,000 SEK for evaluation, auditing, and other costs),

#### Lao side: in-kind contributions (economic value not estimated)

**Counterparts:** 10 people (Project Director, Project Manager, and 8 other Forestry Strategy Secretariat members)

**Facilities:** Two rooms at DOF compound are provided to serve as project offices

**Local Costs:** for electricity and water supply costs for office

## II. Evaluation Team

<b>Members of Evaluation Team</b>	Dr. Paula J. Williams, Consultant	
<b>Period of Evaluation</b>	17/ 4 / 2010 ~ 21/ 5 / 2010	<b>Type of Evaluation :</b> Terminal

### 1 . Project Performance

#### -Inputs

The project has provided a range of important inputs, including technical advice, equipment, training, study tours, workshops, and funds for travel within and outside of the country.

#### -Outputs

For the first output, strengthening sector planning and development, the indicator regarding increased financial support for the forest sector by 2010 has been achieved. The other five indicators have only been partially achieved. There has been considerable stakeholder dialogue, and training related to improving sector management and strategic actions supported. Some of the originally planned forms of stakeholder dialogue and information sharing, however, have not been totally achieved and/or have been replaced with other support.

For the second output, key selected strategic priorities for the forest sector supported, efforts have been conducted that contribute to all five indicators. The project has provided important support to policy formulation, information and dissemination, conducted awareness-raising (related to biodiversity conservation), and provided information on key sector issues through the mass media. It has developed and piloted a number of key methods. Regarding the final indicator, considerable work has been ongoing to develop the FCPF Readiness Plan for Lao PDR and other REDD related initiatives. Due to delays in securing the World Bank grant for preparation of the Readiness Plan, however, this plan is still under preparation, and is expected to be completed by mid-August 2010. Thus, the Readiness Plan is not yet been implemented.

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### **-Project Purpose**

The project purpose has three indicators regarding establishment of an effective institutional framework to promote stakeholder involvements in FS 2020 implementation. While certainly the indicator regarding mobilisation of more financial resources to support forest sector development has been achieved, the other two indicators -- regarding collaborative relationships among stakeholders and providing more comprehensive information and monitoring of forest sector collaboration, issues, and developments -- have only partially been achieved. Of the four indicators pertaining to Forestry Strategy implementation, three have clearly been achieved. For one indicator, broad public understanding and support [of the Forestry Strategy], is difficult to assess whether or not it has been achieved.

### **-Implementation Process**

The project has been implemented by the Department of Forestry, primarily through the Planning Division, but also working in collaboration with others throughout the DOF, in other government agencies and provinces, and working with other development partners and collaborators. A committee, the Forestry Strategy Secretariat, has been involved in discussion of the annual work plans and priority setting, but has not been involved in monitoring implementation of the Forestry Strategy, which had originally been envisaged. The government and two donors have provided oversight and guidance through semi-annual meetings of the Tripartite Steering Committee, and enabled flexible implementation.

## **2 Summary of Evaluation Results**

### **(1) Relevance**

The project is relevant, i.e., in line with the priorities of the Government of Lao PDR, and the donors, JICA and Sida, in terms of contributing towards establishment of a more conducive policy environment and building sector capacity for more sustainable forest management. Some activities focused on reaching rural people, such as the village-level legal manual, participatory land use planning manual, support to smallholder teak plantations and non-timber forest projects, are relevant to rural people who rely upon forests in their daily lives. Some activities can help rural people improve their incomes and thus address rural poverty.

### **(2) Effectiveness**

The project as a whole has been effective, as it has been administered in a flexible and process-oriented way, to meet evolving needs in forest sector planning and management. Many activities have been effectively implemented, but not all planned activities have been carried out or completed. Among the most effective activities have been support to forest policy and legislation, and preparation of a number of approaches, models, and manuals, such as work on the village level legal guidebook, participatory land use planning manual, identification of forest land for rehabilitation, and other plantation-related efforts, including support to smallholder teak farmers. The long-term effectiveness will depend upon not only whether such policies or methods are adopted, but how they are implemented and scaled up.

### **(3) Efficiency**

The efficiency of activities has been somewhat variable. Many activities have taken much longer than originally planned to be implemented. Various reasons for delays exist, including limited staff capacity and delays in processing paperwork and funding (especially for the funds through the government system).

### **(4) Impact**

The project has made some positive contributions towards improving the institutional framework for sector planning and management, and mobilizing and coordinating stakeholder inputs to support the sector development and implementation of some elements of the Forestry Strategy 2020. Much work, however, remains to be done to fully support the FS 2020, to support comprehensive sector development, and to implement many activities on a broader scale.

### **(5) Sustainability**

The sustainability of many activities supported by the project, or benefits derived from those activities, is promising, but remains fragile. The forest sector now has a good policy and legal framework in place, but awareness, implementation, funding, and monitoring to enforce this framework will be challenging. The capacity of some staff members in addressing key new sector challenges, such as climate change issues

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and REDD, has been built, but a broader capacity development is needed, particularly among younger staff. Further efforts are needed to ensure the sustainability of various forms of stakeholder dialogue and information sharing.

### **3. Factors promoting better sustainability and impact**

#### **(1) Factors concerning Planning**

The project was designed with the idea of providing flexible support, to be decided on an annual basis, to support key strategic priorities in the sector. This process-oriented and flexible approach enabled the project management team to adapt the project to meet the needs of the sector as they evolved over time.

#### **(2) Factors concerning the Implementation Process**

Flexibility in implementation, and good collaboration among the Department of Forestry and two donors, has supported the sense of “ownership” of the Department of Forestry and collaborators of many key activities, and will help to ensure sustainability. The leaders of the Department of Forestry consider that the project has been very successful at providing core support to DOF, and would like such support continued.

### **4. Factors inhibiting better sustainability and impact**

#### **(1) Factors concerning Planning**

The project was designed to support improved sector planning, development, coordination, and monitoring on the basis of support to the implementation of the Forestry Strategy 2020. The project did not, however, consider fully how the strategy fit within the normal government planning process. It was planned that the project would be implemented through major involvement of a government committee, the Forestry Strategy Secretariat, but this committee did not have much time to devote to this work.

#### **(2) Factors concerning the Implementation Process**

Although efforts were made to refocus the project design following the Mid-term Review in 2008, many recommendations of the MTR mission were not adequately followed up. Capacity for sector planning, and knowledge to deal with new emerging issues has been built, especially among a few key senior staff, but this accomplishment is quite fragile – and thus it is essential to broaden capacity development among the staff, particularly among younger staff members.

### **5. Conclusion**

The project has made some significant contributions to the development of forest sector planning, coordination, and collaboration, and undertaken some important sector activities, but some activities clearly need further support. On this basis, in July 2009 the Department of Forestry prepared a very initial concept note for a follow-on project, with a tentative name of forestry Sector Capacity Development Project. This Terminal Evaluation agrees with the concept note proposal of the need for continuation of support to some key FSIP activities, such as support to human resource development, forest policy formulation and dissemination, REDD, FSWG and other stakeholder coordination, work related to financing for the sector (such as proposal preparation for the Forest Development Fund, appraisal of forestry investment proposals, and additional funding sources, such as payment for environmental services), and further support to smallholder teak and non-timber forest products pilots. It is important, however, to decide whether such support for each of these key initiatives should be provided by a follow-on project, or can be provided by other development partners.

### **6. Recommendations**

Recommendations for Project Completion

1. Efforts should be made to bring as many project activities as possible to completion, and not to assume that they will automatically be continued in any follow-on project. Some activities, however, clearly require long-term support, which may be available from other sources, or may be supported by a follow-on project.
2. The project completion report should endeavor to clearly document all the project accomplishments, and aim to obtain data for adequately assessing the indicators.



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### Recommendations for Future Support

1. October to December 2010, to prepare a more detailed plan for the project.
2. The initial ideas for the project need more clarification, consideration, analysis, and planning, with agreement upon a well-thought out project aiming to reach specific objectives.
3. Support for a future project could be designed in several different ways, such as:
  - JICA could provide the entire donor support for the project;
  - a second donor could be identified as a partner in the project; or
  - two or more additional donors could be sought as partners, to contribute to a small basket fund to provide project funding in parallel with JICA funding.
4. Given that no donor(s) has (have) been yet been secured to replace Sida in co-funding support, a future follow-on project will need to be designed in a flexible manner. It is proposed that such support could be designed on a modular basis, with core activities that could be funded by JICA, and then additional activities (one or more additional modules, or components, of support) that could be supported by one or more donors, if they should choose to join the project.

### 7 . Lessons Learned

While long-term strategies can provide useful guidance and visions for a sector or cross-cutting issues, they can quickly become outdated, with new emerging issues, institutional changes, and so forth. Support to sector planning and management, thus, needs to be based upon a wider vision of how sector planning, management, coordination, and monitoring are conducted and can best be supported.

The intention of the project to work with a committee, the Forestry Strategy Secretariat, to plan and monitor implementation of the FS 2020 was unrealistic, given the other responsibilities that these senior staff hold. The project ended up being implemented primarily through the DOF Planning Division, and future support should focus on building the capacity of this unit to undertake such efforts, but in a collaborative manner with working with other development partners and key stakeholders.

### 8 . Follow-up Situation

The JICA planning mission, to discuss support for a follow-on project, plans to visit Lao PDR in early June 2010, for further discussions with the Department of Forestry. An initial concept note for such a project, tentatively named "Forestry Sector Capacity Development Project," was prepared in July 2009, but needs to be critically reviewed and adjusted, giving the evolving situation since that time. DOF is interested in getting one or more other donors to join the project. It has already held discussions with one development partner, who is interested, but unable to make a commitment at this time. This potential partner will be able to make decisions only later in 2010, and thus could most probably not begin new support until mid-2011 or 2012. Therefore, it would be important to design the new project in a flexible manner, to allow for others to join later. Furthermore, additional important work is ongoing, such as preparation of the REDD Readiness Preparation Proposal (R-PP), which will propose future support needs for REDD initiatives. The draft of the R-PP should be completed by 16 August, and then submitted to the World Bank's Forest Carbon Partnership Facility for consideration at its meeting in October 2010. Work is also ongoing to prepare a new Forestry Investment Program (FIP), under the auspices of the World Bank and Asian Development Bank, which could conceivably provide major support for Lao PDR.

# 1. Introduction

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### Overview of the Project

In July 2005, the Prime Minister of Lao PDR approved the *Forestry Strategy to the Year 2020* (FS 2020). The Japan International Development Agency (JICA) and the Swedish International Development Cooperation Agency (Sida) had supported preparation of this strategy. It was then agreed that the two donors would provide support to the Department of Forestry (DOF) under the Ministry of Agriculture and Forestry (MAF) through the Forestry Strategy Implementation Promotion (FSIP) Project, to build capacity in forest sector planning and management and to implement some key FS 2020 priorities. The FSIP Project was agreed to run for the period from 1 April 2006 until 30 September 2010.

FSIP is being implemented by the Department of Forestry, through its Division of Planning. It was intended that the project would work with a committee, the Forestry Strategy Secretariat, to monitor implementation of the FS 2020. The government and two donors have met twice a year, in the project's Tripartite Steering Committee (TSC), to review and discuss means of improving implementation, and to approve annual work plans and budgets.

The FSIP Project implementation is supported by two Japanese advisors. JICA also has provided cash support for the project, and training for Lao counterparts in Japan. Sida has been providing financial support for the project through the Lao government financial system. At design, the project costs were assumed to be approximately USD 1.5 million, plus support for the two advisors and training in Japan.

A mid-term review (evaluation) of the project was conducted from 17 April to 7 May 2008, and the project logical framework was revised in August 2008 and formally adopted in November 2008. DOF has requested support for a follow-on project, and an initial concept note for such a project was prepared in July 2009. JICA has agreed to consider such support. As the Swedish Government has decided to phase out its development assistance to Lao PDR, Sida will not be able to provide support for a future project. DOF has been searching for additional future donor support for these key initiatives.

A terminal (final) project evaluation has been conducted between 19 April and 21 May, to assess project performance and lessons learned, and to provide recommendations for possible follow-on support. The international consultant undertaking the final evaluation had also conducted the earlier mid-term review two years earlier, and had facilitated the redesign of the project logical framework in August 2008. The project management plans to draft a project completion report by late July 2010. Audits of use of Sida funds are currently ongoing, and Sida is undertaking an overall review of Sida support to Lao PDR. It is anticipated the FSIP Tripartite Steering Committee will meet in early June 2010, to consider the findings of this Terminal Evaluation Study, and again in August 2010, for a meeting on project completion.

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### Context for the Project

Forests have been an integral part of Lao history and daily life. Although forests were once assumed to cover an estimated 70 percent of the landscape, major deforestation has occurred over the years, due to logging and conversion of forest land to alternate uses. The most recent (2002) official government estimates are that 41.5 percent of land is covered with forest. The government's official goal, as expressed in the Forestry Strategy, is to reforest and rehabilitate forest lands to achieve 70 percent forest cover by 2020, with intermediate goals of 53% by 2010 and 65% by 2015. While the next major forest cover assessment has not been planned until 2012, a "rapid" forest cover survey was underway in early 2010 to provide information for evaluation of the achievements of the MAF and DOF five-year plans (2006-2010) and for planning for the next five-year period (2011-2015). MAF is also in the process of preparing a new overall agriculture and rural development strategy, to encompass strategies for sub-sectors, such as forestry. Other strategies, such as the national *Strategy on Climate Change for Lao PDR*, approved by the Prime Minister on 12 March 2010, also touch on the forest sector (vis-à-vis climate change and REDD issues).

In recent years, Lao PDR has been developing rapidly, with increasing pressure on land and resources. The national and provincial governments are under pressure to provide land for agricultural concessions and out-grower schemes, for agricultural crops, rubber, biofuel crops such as *Jatropha*, hydropower developments, mining operations, and other land uses. Although forestry has been a major element in the Lao economy over the years, its relative contribution to the Gross Domestic Product (GDP) has been declining.

Nonetheless, the government and people of Lao PDR increasingly recognize the importance of sustainable management of Lao's forests for numerous environmental and socio-economic benefits derived from these forests. In the past few years, awareness has grown of the importance and potential of these forests in terms of mitigation of, and adaptation, to climate change. As a result, the Government of Lao PDR, and especially the DOF, are working to develop a national program on Reduced Emissions from Deforestation and Degradation (REDD), with the hope of future financial support through forest carbon trading initiatives. These recent developments – in terms of competing land uses and growing interest in forestry vis-à-vis climate change and REDD initiatives – have emerged since the preparation and approval of the Forestry Strategy 2020.

The FSIP Project has been managed in a flexible manner, and it has endeavored to assist DOF to respond to these new forest sector challenges. At the time that FSIP began, it was the only major donor-assisted project supporting the DOF. Subsequently, however, the Sustainable Forest Management and Rural Development (SUFORD) Project, supported by the World Bank and Government of Finland (GOF), has been moved from NAFES to DOF. A new project, the Lao-German Program on Climate Protection through Avoided Deforestation (CLiPAD), is getting underway, with support to be provided by German technical assistance (GTZ) and the German investment bank, KfW. In addition to anticipated support from the Forest Carbon Partnership Facility, of \$3.4 million (\$2-5 million), considerable additional support will be forthcoming from the Forestry Investment Program of the World Bank (and Asian Development Bank).

Japan is also providing considerable assistance, through support to the Forest Resource Management Information Center, and a field demonstration project, the Participatory Land and Forest Management Project for Reducing Deforestation (PAREDD), operating in Luang

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Prabang Province. Research cooperation is ongoing between NAFRI and the Forest and Forest Products Research Institute of Japan with regard to a study on changes in forest cover and biomass, with grant funding from the Japanese Ministry of Environment. The Asia Air Survey of Japan has also collaborated with DOF on a pilot REDD study to analyse deforestation and degradation in Bolikhamxay and Luang Prabang Provinces.

Many other development partners are undertaking a range of REDD related initiatives, such as international NGOs operating in Lao PDR, such as the Wildlife Conservation Society (WCS), IUCN, and the Worldwide Fund for Nature (WWF). Lao PDR is collaborating with neighboring Mekong countries, particularly Cambodia and Viet Nam, to develop some collaborative actions. Some regional efforts aim to develop stakeholder capacities related to REDD, such as recent REDD workshops organized by the Woods Hole Oceanographic Institute, Winrock (with USAID support) in Hanoi, and by RECOFTC in Bangkok.

### Current Development Challenges Facing Lao PDR

As noted in the Mid-Term Review, the overall context for forestry development has changed significantly since the Forestry Strategy was developed and approved in mid-2005.

In the past, the forestry sector in Lao PDR was often seen as the responsibility of the Government, especially the Department of Forestry at the central level, and then the provincial and district forestry officers. Over time, however, it has become increasingly recognized that a wider range of stakeholders are engaged in using, managing, and shaping the forests, forest land, and forest resources of the country for diverse purposes. The roles, rights and responsibilities of villagers for managing their land has become increasingly recognized, and the role of the private sector investors is becoming more important. These changes have been recognized in the FS2020 and in the 2007 revision of the Forestry Law.

Today there is intense and increasing competition for use of forest land. The country has been opening up to international investors, as well as encouraging the domestic private sector, both companies and farmers, or smallholders, to develop land. Forest land is being used for timber plantations, rubber tree plantations (both by companies and farmers), and other commercial crops including agricultural crops and biofuels (crops grown for energy). Significant activities in mining on forest land are now underway. Furthermore, a persistent problem, however, is the fact that large areas of land in Lao PDR remain unavailable for development as they contain significant amounts of unexploded ordinance (UXO), or bombs, especially in Savannekhet, Xieng Khuang and Houaphan Provinces, the work of clearing land of the UXO is an expensive and time-consuming process, so much work remains to be done.

The provinces are especially keen to promote investments into use of these forest lands that will generate revenue, for general socio-economic development, improvement of local livelihoods, and increased tax revenues. As a result, provincial authorities have been issuing concessions for land to a wide range of investors. The situation of development, however, had become increasingly uncontrolled, with major problems of concessions being granted without adequate consideration of land use planning, competing uses, and especially existing local usage and villager rights. As a result, in May 2007 the Prime Minister adopted a moratorium of issuance of new concessions larger than 100 ha, while a review of the situation is ongoing. The actual,

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on-the-ground situation in the provinces, however, suggests differing interpretations and enforcement of this moratorium.

Given Lao's mountainous topography, ambitious plans are underway to develop more hydropower dams, so that Lao PDR can sell electricity to neighboring countries and thus operate as the "battery of south-east Asia." The importance of protection of the watershed forests in the dam catchment areas is well recognized. This issue, however, poses an enormous challenge, given not only the current dams and those under construction, but the huge number of additional dams that have been proposed. One source has mentioned that up to 42 different potential dam projects have been identified, of which 18 have been further studied.

Both within Lao PDR and on the international level, increasing attention is being paid to the challenges posed by climate change. In recent years, work has been ongoing to develop Clean Development Mechanisms (CDM) and Payments for Environmental Services (PES). At the Bali Conference in late 2007, attention on the role of sustainable forest management in mitigating and adapting to climate change was highlighted. One initiative to focus on the role of forestry in mitigating climate change has been termed Reduced Emissions from Deforestation and Forest Degradation (REDD). ...

The Mid-Term Review had also highlighted a number of important institutional changes that had taken place since the Forestry Strategy 2020 was adopted.

On the government institutional level, many changes have been made in recent years. In January 2005, Prime Minister Bounnyang Vorachit approved the establishment of the Forestry and Forestry Resource Development Fund (FDF) and then in August, the *Forestry Strategy 2020*. In 2006, Mr. Bouason Buphavanh became Prime Minister and the Sixth 5-year Socio-economic Development Plan (2006-2010) was approved for implementation. MAF and DOF also prepared 5-year plans. During the period 2006-08, the Government has been undergoing a major period of reorganization of ministries and departments, as well as the issuance of many important new laws, policies, and regulations.

The National Land Management Agency (NLMA), under the Prime Minister's Office, was created in 2007. It now has the overall responsibility for land use planning and land allocation, thus combining responsibilities formerly under the Ministry of Finance and the Ministry of Agriculture and Forestry.

The Water Resources and Environment Administration (WREA) was also established under the PM's Office in 2007. It now has the responsibility for environmental protection, sustainable natural resource management, biodiversity conservation, and community development in Lao PDR. Thus, the former Science, Technology, and Environmental Agency (STEA) was reorganized and split into two – WREA and the Science and Technology Agency, the latter of which is focusing on the development of a Lao satellite and IT technology. Another important ministerial reorganization in 2007 involved the combination of the former Ministry of Industry and Handicrafts and the former Ministry of Commerce into a new Ministry of Industry and Commerce (MOIC).

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In 2007, the Ministry of Agriculture and Forestry was reorganized, as was the Department of Forestry. The National Assembly passed a revision of the Forestry Law and a new Wildlife and Aquatic Resources Law. To support stronger management of the forests and related law enforcement, a new Department of Forestry Inspection (DOFI) was created within MAF.

The revised Forestry Law clarified that the responsibility for forest industries would be the recently created Ministry of Industries and Commerce (MOIC), and no longer MAF. Now MAF is responsible for timber harvesting (logging) up to the second landing, and then MOIC is responsible thereafter.

The Department of Forestry was also reorganized in 2007, to consist of six key divisions: three divisions are responsible, respectively, for production, protection and conservation forests, and three divisions are responsible for cross-cutting support, i.e., administration and personnel, planning and cooperation, and forest inventory and [forest management] planning.

Given all these important changes, some of the institutional responsibilities originally assumed when the FS 2020 and the FSIP Project were formulated and approved have been subsequently shifted. Furthermore, it is now increasingly important to recognize and adapt to the growing importance of the private sector and the civil society at large, and seek improved ways of engagement with them to ensure sustainable management of Lao's forests, forest land, and forest resources.

Private sector investment, both domestic and foreign, is also increasing in the sector. The total value of such investment, however, is difficult to assess.

The Forestry Strategy 2020 had assumed that total sector investments needed for the period 2006 to 2020 would be at least USD 120 million. Based upon all the activities envisaged, however, this estimate is probably very low compared with the true needs to support the development and management of the sector.

The increasing activity in the forestry sector, in terms of the government's own programs, official development assistance, and private sector investment, both foreign and domestic, underscores the need for improved planning and coordination in the sector. This project was designed to address that need.