

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Forestry Strategy Implementation Promotion (FSIP) Project: Mid-Term Review Study Report

Study Covering the Period of
April 2006 to April 2008

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Abbreviations and Acronyms

ADB	: Asian Development Bank
CB	: Capacity Building
CDM	: Clean Development Mechanism
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
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
PMO	: Prime Minister Office
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

Forestry Strategy Implementation Promotion (FSIP) Project: Mid-Term Review Study Report

1. Introduction

Today Lao PDR is at a real crossroads in its development. It faces enormous challenges – how to manage its natural resources sustainably and develop its economy and the well-being of its peoples. Its natural resources – the land, forests, water, flora and fauna, topography, and social and cultural diversity present opportunities for development, yet also pose challenges in how to develop in a sustainable manner.

The 2007 revision of the Forestry Law sets out the Government's intentions that forests are to be managed sustainably. According to the *Forestry Strategy 2020*, the Government aims to increase forest cover to 70% by 2020, or 53% by 2010. The current official estimates of forest cover is 41.5 % (official figures from 2002/03), although some observers believe that the forest cover currently is only 35% (unofficial estimates).

Of the national territory of Lao PDR, a total of 17.0 mil. ha (71.6%) are defined as forest land, although some of this land is currently fallow or without forest cover. The current plans are for 3.5 mil. ha to be production forest, 4.5 mil. ha for (watershed) protection forest and 3.2 mil. ha to be conservation forest. Thus, the final area that is planned to be gazetted, or officially defined and demarcated according to the three types of forest, is 11.2 mil. ha. The Government also plans to increase the amount of forest plantations up to 0.5 mil. ha.

Forestry is a key economic sector in Lao PDR. Although the relative importance of the sector has declined in recent years, due to the growth in other sectors, it is still considered to be among the most important sectors, which also include hydropower and mining. The harvesting, sale, and export of timber and non-timber forest products (NTFPs) generates a significant contribution to employment, national Gross Domestic Product, and government tax revenues. For example, according to the Ministry of Industry and Commerce (MOIC), the official value of wood and wood products exported was USD 97 million in 2006/07. Since 2002, the annual GDP contribution of timber, cardamom and rattan harvests has amounted to approximately 3%, but the current methods of GDP calculation are assumed to under-represent the true contributions of the forest sector to GDP.

In recognition of the importance of forests and forest resources to Lao PDR's development, from 2002 to 2005, the Government of Lao (GOL) prepared a fifteen-year -term Forestry Strategy, covering the period from 2006 to 2020. The Swedish International Development Cooperation Agency (Sida) and the Japan International Cooperation Agency (JICA) provided support for strategy preparation. This *Forestry Strategy 2020* was approved by the Prime Minister (PM) in August 2005. In January 2006, the Minister of Agriculture and Forestry (MAF) instructed the Department of Forestry (DOF) to establish a Forest Strategy (FS) Secretariat, to oversee implementation of the strategy.

Overview of the Project

The Department of Forestry requested support from Sida and JICA for a Forest Strategy Implementation Promotion (FSIP) Project. This project was agreed to run for a 4-1/2 year period, from 1 April 2006 to 30 September 2010. The project was designed with two major elements – support to capacity building for forest sector planning and management, i.e.,

implementation of the *Forestry Strategy 2020*, and support to some key strategic actions for initial FS implementation.

The project is designed to work with the FS Secretariat and its staff, i.e., the DOF Division of Planning. FSIP also supports consultation with other stakeholders, such as through the Forestry Sub-Working Group (FSWG), and supports others to undertake specific FS implementation actions.

The Government of Japan agreed to provide two long-term advisors for FSIP and some short-term training for Lao staff in Japan. Both JICA and Sida are providing financial support to the project. The Swedish contribution agreed contribution was 9 million Swedish kroner (SEK), of which 8.56 mil. SEK was to be managed by DOF and 0.44 mil SEK by Sida for project review, audit, and evaluation. The Japanese cash contribution (in addition to advisors and training) was to be determined on an annual basis. The original combined financial support was estimated to be approximately USD 1.6 million. The JICA budget is managed by the advisors, whereas the Sida contributions are managed through the government systems by the Department of Forestry. Oversight of the project management is provided by a project steering committee, which holds semi-annual Tripartite Meetings.

Purpose of the Mid-Term Review Study

After 2 years of operation, it has been agreed to undertake the Mid-Term Review (MTR) of the FSIP Project. Two independent consultants, one international and one national, were contracted to undertake a three-week MTR Study. Subsequently, JICA may undertake additional analysis of the project performance to date. Sida is currently organizing the first audit of usage of Sida funds, taking place the week of 5 to 9 May 2008. The project may also soon be audited by the Government of Lao PDR. Once these results are all available, then the project steering committee will convene a Mid-Term Review Tripartite Meeting, to discuss the progress to date, and any changes needed for the remaining half of the project.

Key Questions to be Addressed

The MTR Study Team has been asked to assess the project performance to date, and to make recommendations to improve project performance for the remainder of the project period. Furthermore, the team was asked to focus its work on addressing four key issues:

1. Are the expected [project] results still valid in the current rapidly changing institutional context and outlook for the future?
2. Is it still likely that the approach, project design and work plan will lead to the expected results, or recommended changes or modifications to the expected results?
3. Are the activities or topics being implemented or supported by FSIP under the Result Area 5 appropriate and significant in terms of FS 2020 implementation?
4. Is it likely that there will be a need for donor support to capacity building in DOF and other concerned Departments of MAF after the completion of the FSIP Project in September 2010?

Methodology of the Mid-Term Review Study

The MTR Study has been undertaken by two consultants, during a period of three weeks (17 April to 7 May 2008). The international consultant, who served as Team Leader, has considerable project design and evaluation experience, prior experience in Lao PDR and familiarity with the forest sector there (several short-term missions from 1998 to 2002), and more recent experience with a similar program for sector support in Vietnam, where she served as Chief Technical Advisor to the Forestry Sector Support Partnership Coordination

Office from September 2003 through January 2008. The national consultant knows the forestry sector in Lao PDR very well, as he has been on the Faculty of Forestry at the National University of Lao PDR for the past 30 years.

The consultants undertook the MTR Study through a review of the project literature, and extensive consultation with a wide range of stakeholders (see Annexes for details). The MTR Study Team held a progress meeting with DOF, JICA, and Sida on 28 April, and then a meeting with the proposed new enlarged Forestry Strategy Secretariat on 30 April. A presentation and discussion of the key elements of the work were presented at a Debriefing Meeting held on 5 May, to which all the resource persons contacted during the Mission were invited.

2. The Forestry Strategy Implementation Promotion (FSIP) Project

FSIP Project Design and the Logical Framework Matrix

The FSIP Project design is presented in the Project Document, which was the basis for the bilateral agreements between GOL and JICA, and GOL and Sida, as well as the Tripartite Agreement signed by all three parities. The Project Document follows a results-based approach to project design, and includes a project design, or logical framework, matrix.

The FSIP Project Design has focused on two key elements. As expressed in Project Document, the project purpose, or objective, of the FSIP Project was defined to be:

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.

To reach this objective, it was agreed that the project would need to reach five key outputs (results):

1. MAF FS 2020 Implementation Plans and Reports are prepared in a timely manner.
2. FS 2020 implementation status and forestry sector performance are monitored in a proper way.
3. An institutional framework to promote effective inputs to FS 2020 implementation by stakeholders is established.
4. Proper institutional framework of sector planning and management after the initial 5 year period is in place.
- 5-1. A set of urgent policy related Actions planned in the Plan of Operation are addressed with clear conclusions and institutionalized as policy or program.
- 5-2. Appropriate activities for field implementation/law enforcement are carried out.

The logical framework also presents the larger, long-term Super Goal and Overall Goal / Development Objective, to which the project is designed to contribute. The logical framework proposes objectively verifiable indicators, means of verification, important assumptions, key activities, and inputs.

The logical framework is, thus, a two-page summary of the overall project design. The Project Document further specifies that the Project Activities would be organized into six Components, one for each of the five Outputs, or Results, and a sixth Component for Project Management.

Project Strategy, or Approach

As expressed in the Project Document, the strategy for FSIP to achieve its objectives is to focus on four approaches: institutional and human resource capacity-building, engagement with stakeholders, linkages with research and education, and developing implementation in two phases, an initial six-month inception phase and a four-year full-implementation phase.

Project Organisation and Implementation Arrangements

Project Personnel. In the original Project Document, project personnel include the National Project Director (the Director-General of Forestry, who also serves as the Director of the FS Secretariat¹), the National Project Manager (from FS 2020 Secretariat), other members of the FS 2020 Secretariat (key GOL “counterparts”), two focal points (from NAFRI and NAFES), the Chief Technical Advisor, and the Forest Plantations Advisor. Various activities were to be supported by short-term consultants and/or contracts with implementing agencies.

Other Key Stakeholders. The Project Document recognizes that a wide range of stakeholders have an interest in the forest sector and the Forestry Strategy 2020. Nonetheless, it specifies that FSIP will focus on working with representatives of these various stakeholders, through existing networks, associations and groups.

Work Plans. The project was intended to develop an Inception Work Plan for the first 6 months, and then a 4-year Plan of Operation, to be based on the MAF 5-year Implementation Plan for FS 2020. For each planning period, corresponding budgets were to be prepared.

Tripartite Steering Committee (TSC). As specified in the tripartite agreement among MAF, Sida, and JICA, dated 12 May 2006, a Tripartite Steering Committee (TSC) for the project has been established, which conducts semi-annual Tripartite Review Meetings. At these meetings, the annual project progress reports, work plans and budgets are reviewed and approved, and mid-year modifications considered.

Project Budget. The donor financing for the project is provided through a variety of mechanisms. The JICA contributions to the project consist of cash contributions to support project management and other project activities, most notably FS actions related to tree plantations, as well as the provision of two long-term advisors and short-term training for Lao staff in Japan. The value of the cash contributions is to be determined each year through negotiations. The original estimate of the JICA cash contributions, in the Project Document, was equivalent to USD 510,000. According to JICA procedures and the bilateral agreement between MAF and JICA, these funds are managed by the JICA advisors. Reporting and requests for disbursements are to be on a quarterly basis.

Different arrangements have been put in place for the Sida support. The bilateral agreement between GOL and Sida specifies that of the total support of up to 9 mil. SEK, Sida would retain 440,000 SEK for project review, audit, and evaluation purposes. The remaining 8.56 mil. SEK were to be provided by the Government of Sweden to a bank account managed by MAF, based upon disbursement quarterly requests from DOF to the Embassy of Sweden. When the project document was prepared, the value of the 8.56mil. SEK was equivalent to

¹ The Project Document specified that the Project Director would be the Deputy Director General of the Permanent Secretary’s Office in MAF. When the project started, however, MAF leadership gave this responsibility to the DG of Forestry.

USD 1,069,360. The bilateral agreement between the Governments of Lao PDR and Sweden specifies an annual audit of Sida funds for the project.

Thus, the original total value of the donor support to the project was estimated at USD 1,579,960 – plus two advisors, short-term training in Japan, and support for review, audit, and evaluation.

3. Findings

Current Development Challenges Facing Lao PDR

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, 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). At this Bali meeting the creation of the World Bank's Forest Carbon Partnership (FCP) was announced, to consist of a Readiness Mechanism and a Carbon Finance Mechanism. Lao PDR has already indicated its interest to participate in the Readiness Mechanism, which seeks to assist some pilot countries to develop their national readiness for carbon financing, especially in the post-Kyoto period, commencing in 2012. Several donors and international organizations, among them the World Bank, Germany, Finland, the European Space Agency and the Forest Research Institute of Japan, have expressed willingness to support Lao PDR on these efforts. The amount of donor funding that may quickly become available to Lao for these forestry efforts has been estimated by one source to be in the order of USD 30 million.

Very recently, more international and Lao attention has also focused on the global issues of food security and energy. As the price of oil has climbed above USD 120 per barrel, the prices of all commodities have been climbing world-wide, especially the prices of food. In many countries, the prices of staple foods, such as rice, have increased dramatically, leading in some areas to food shortages and social unrest. In addition to energy prices, other factors are contributing to international problems with the availability of and access to food, such as the development of agricultural production not keeping pace with growing populations and consumer demands, as well as the conversion of agricultural land to alternate land uses.

Recent Changes in the Institutional Setting

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 Seventh 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).

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.

Changes in Support to the Forestry Sector and Forestry Department

In the late 1980s and 1990s, Lao PDR was receiving considerable donor support to the forestry sector and specifically to the Department of Forestry. With assistance from FAO, a Tropical Forestry Action Plan (TFAP) for Lao PDR was prepared between September 1989 and May 1990, which identified priorities for the forestry sector for 15 years. In the 1990s, sizeable projects and programs were being supported by Sida, the World Bank and Government of Finland, the Asian Development Bank, the German technical assistance agency (GTZ), the Danish International Development Agency (DANIDA), and international non-governmental organizations (INGOs), such as the World Conservation Union (IUCN), the World Wide Fund for Nature (WWF), and others. JICA also provided an individual forestry advisor to DOF, from April 1998 until March 2006. Sida, through a small cooperation project with FAO, provided an advisor from April 2002 to February 2004. Support was being provided for projects dealing with participatory management of production forests, forest plantations, forest seed sources, and management of the 20 National Biodiversity Conservation Areas (NBCAs, subsequently renamed National Protection Areas, NPAs, or Conservation Forests). Much of this support, however, ended 8-10 years ago.

Recently, a Sustainable Forest Management for Rural Development (SUFORD) project has been funded by the World Bank and Government of Finland. It has been managed by the National Agriculture and Forestry Extension Service (NAFES). The project runs through the end of 2008, but the GOL and two donors have agreed to prepare a three-year extension, to begin in January 2009. There is a proposal that during the extension phase, the project management would be moved from NAFES to the Department of Forestry.

On 31 March 2001, Sida ended its long-running support to the Forestry Department through four different phases of the Lao-Swedish Forestry Programme (LSFP), which had run for more than 20 years. Recently Sida has, however, been providing support to the MAF through

its Upland Research and Capacity Development Project (URDP), which is managed by the National Agriculture and Forestry Research Institute (NAFRI).

Due to changes in the Government of Sweden, and thus changes in development policies, the Government of Sweden has decided to drastically reduce its number of partner countries. It has announced, therefore, that it will be phasing out support to projects in Lao PDR by 2011. Thus, Sida would be unable to provide any support for a continuation, or second phase, of the FSIP Project, even if it were deemed desirable. At the time that FSIP was originally agreed, however, Sida had hoped that it could follow up with support to a larger programme.

Thus, at the current time, the FSIP project is the only sizeable international cooperation project being directly implemented by the Department of Forestry. Although it is implemented by NAFES, however, the SUFORD Project is providing support to DOF in a number of important ways, including efforts to build computer and information systems, i.e., the Forestry Management of Information Systems (FOMIS). Some other forms of more modest cooperation are ongoing with DOF, such as a USD 300,000 grant from the FAO National Forestry Programme (NFP) Facility, or some collaboration with research organizations and INGOs. The GOL has limited means to support the DOF. Much of the infrastructure, vehicles, and other equipment has been provided to DOF by past donor projects and thus is ten years old, or older.

Since 2005, the Forestry and Forestry Resource Development Fund (FDF) has provided funding from the national budget for forestry activities. The amount of funds provided was 10 bil. Kip in 2005/06, 10 bil. Kip in 2006/07, and another 12 bil. Kip in 2007/08 (allocated, but not yet received). The Fund is supporting a number of important activities, including some implemented by DOF.

As mentioned elsewhere in this report, a number of donors have expressed their willingness to collaborate with the GOL on projects related to climate change and REDD, or other natural resource issues. The ADB is currently preparing a project for integrated agriculture and natural resource management. The World Food Programme (WFP) is willing to support a small "Trees for Food" project, which is under preparation.

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.

Project Implementation and Performance to Date

The FSIP Project has now been operating for two years – a six-month inception phase, and the first 1-1/2 years of the 4-year full-implementation phase. Implementation to date has been slower than initially planned, as many MAF and DOF staff members were otherwise occupied during the recent reorganization, and a large number of staff members have been reassigned to other positions, including staff members working with the project. The MAF and DOF staff has also been extremely busy in the past two years, with work to prepare the revision of the Forestry Law, which the National Assembly approved in late 2007.

The original project design included 6 components, one for each result area and one for project management. Subsequently, 3 additional project components have been identified, for human resource development (the new Component 6), institutional development (the new Component 7), and the FSIP Project serving as the Secretariat to the Forestry Sub-Working Group (new Component 8). Project management, originally called Component 6, is now called Component 9.

Capacity Building for Sector Planning and Management (Project Outputs, or Results, 1 – 4)

FS Secretariat. The FSIP Project was designed to support capacity building for sector planning and management, with a particular focus on building the capacity of the FS Secretariat to plan, oversee, and monitor implementation of the Forestry Strategy 2020. According to instructions of the MAF Minister, dated 18 January 2006, the initial FS Secretariat was comprised of the Director of Forestry, who would serve as the Head of the Secretariat, and 5 DOF Division Directors. The Director of the Division of Planning and Cooperation was to be the Deputy Head of the FS Secretariat, and his Division's staff was to comprise the staff for the FS Secretariat. The Project Document assumed that the Secretariat would be key personnel of the Project, and would have monthly meetings. In addition, it was foreseen that both the National Agriculture and Forestry Extension Service (NAFES) and the National Agriculture and Forestry Research Institute (NAFRI) would provide "focal points" for the Secretariat.

Over the past two years, however, the Secretariat only had two formal meetings. Much of the work has been done by the Director of Forestry and the Director of the Planning and Cooperation Division, with major support from the Chief Technical Advisor. Other Secretariat members have been consulted from time to time, through phone calls, emails, or other informal means.

The original idea of the FS Secretariat never really became operational. The members were all very busy with other management responsibilities. The Division of Planning and Cooperation devoted inadequate staff time to this work, due to their other commitments. Of the original six members in the Secretariat, only one remains. The previous Director of the DOF Technical Division, a Secretariat member, has become the Director of the DOF Division of Planning and Cooperation, and thus he has become the Deputy Head of the FS Secretariat and the FSIP Project Manager. Thus, to date, the original project idea of building capacity of this Secretariat could not be realized.

Agreement was reached in 2007 to provide additional support to the FS 2020 implementation through use of FSIP Project funds to contract an assistant to support activities. A junior staff member, recently graduated from university, was contracted in March 2008.

In November 2007, agreement was reached on a proposal to expand the membership in the FS Secretariat to include not only the DOF Director General and 5 DOF Division Directors, but also representatives from NAFES, NAFRI, WREA, NLMA, and the Faculty of Forestry (FoF) at the National University of Lao PDR (NUoL). Although this new Secretariat has not yet been named by the MAF Minister, it held a first, informal meeting on 30 April 2008, which the MTR Study Team attended.

At this meeting, discussions were held regarding the need to reconsider the responsibilities of the FS Secretariat, and thus the members will need to consider changes to be included in a new MAF Instruction. It is the opinion of this MTR Study Team that a distinction needs to be made between the Secretariat members, who can function as a higher-level technical committee, and staff members to support their work. Among the proposals discussed at this meeting were the need to have the DOF Division of Planning and Cooperation handle much of the work, i.e., drafting reports and plans, compiling data for monitoring, etc., which the Secretariat (or committee) could then consider and discuss. They also agreed that it might be more reasonable to have quarterly, rather than monthly, meetings.

As a model for how such a revised Secretariat might function, it is worthwhile to consider the structure established for the Forestry and Forestry Resources Development Fund (FDF). This Fund has a Board of Directors (a committee with seven members), which makes decisions on fund allocation and other policy issues, and reviews the implementation progress. Then it has a full-time Secretariat (staff), originally housed by the NAFES, but now by DOF. The Head of the Fund Secretariat devotes a large portion of his time to this activity, although he also has other duties.² The Fund Secretariat has a total of 7 staff members. The Fund is currently managing an annual budget of 10-12 bil.kip (approximately USD 1.15 – 1.38 mil.).

The DOF Division of Planning and Cooperation currently has 10 staff members, plus a junior staff member recently contracted to help support FS implementation. To date, however, it seems that primarily the Division Director, recently with some assistance from the new contracted staff member, who has worked on the FS implementation issues.

The amount of funding for the FSIP project is, of course, more modest than that for the FDF – with only approximately USD 1 mil. originally budgeted for FS implementation actions over 4.5 years. If, however, one considers that the FSIP also aims to support improved sector planning, management, coordination, and monitoring, then such activities could help to mobilize additional support in the forest sector. In that respect, then, additional staff support seems warranted. This issue will become especially important if additional donor support soon materializes to support work on climate change and Reduced Emissions from Deforestation and Forest Degradation (REDD), or other forest sector projects³ for which donor funding is being sought. The *Forestry Strategy 2020* envisages total support needs (from all sources) of at least USD 120 million over 15 years, or an average of USD 8 million per year.

From another perspective, however, one can also ask how much additional work is required to plan, carry out, monitor and report upon the FS implementation, in addition to the normal routine planning, implementation reporting, and monitoring of activities within the government system, such as within the context of five-year National Socio-economic Development Plan, the related 5-years plans by the individual Ministries, Departments, etc., and the associated annual work plans and budgets. To the extent possible, support to the FS implementation should be mainstreamed into the normal work plans of MAF, DOF, and other concerned agencies, and coordinated with other partners.

² He also serves as the national focal point for cooperation with the FAO National Forestry Programme (NFP) Facility, which has agreed to provide a grant of up to USD 300,000 over 3 years to Lao PDR.

³ In March 2008, for example, DOF has developed five initial concepts for future donor support.

Key Activities for Sector Planning and Management

According to the project design, key activities were to include:

- Drafting 5 year and annual FS implementation plans and annual reports for MAF approval (under Component / Output / Result 1);
- Establishing, operating and improving systems for monitoring FS implementation and for monitoring sector performance (under Component / Output / Result 2); and
- Analyzing coordination of stakeholders and proposing improvements, as well as organizing an annual dialogue with stakeholders, including donors, on FS implementation plans, status, and sector performance (under Component / Output / Result 3).

Before the end of the FSIP Project, i.e., in 2010, activities would also include:

- Evaluating FS implementation, impacts on performance, and proposing an institutional framework for sector planning and management (under Component / Output / Result 4).

Sector Monitoring and Information Systems. During the Project Inception Phase, work began on development of a set of sector indicators, which was issued as a report in November 2006. The work was undertaken by a FSIP consultant, working in collaboration with an officer of the DOF Planning and Cooperation Division. This report, *Indicators for Monitoring of Forestry Sector Performance*, was updated in 2007, with a revised report issued in September 2007. Currently work is ongoing to update it again, and add this year's data. Although the same consultant is still engaged in the work, the Planning Division staff member previously involved has since been transferred to another position. This report provided valuable information for the preparation of the annual report, *Forestry Sector Development Report for 2006/07*.

No work has yet been done to develop a monitoring system for FS implementation. It was decided that such work could not be done until there was a FS Implementation Plan approved by MAF, and then a monitoring system could be designed to monitor implementation of that plan.

Meanwhile, the SUFORD Project is assisting DOF to develop a Forestry Management Information System (FOMIS), which aims to be a computerized monitoring and reporting system, development of a website, and other information technology systems. Some collaboration between SUFORD and FSIP has been under discussion, particularly with respect to supporting institutional development, i.e., the DOF library. Therefore, FSIP has added a Component 7, Institutional Development, which includes provision of computer equipment for the DOF library, as well as future support to development of a database for sector planning and coordination, and support for GOL staff to participate in regional and international meetings.

Stakeholder Engagement. The project has supported, and served as the Secretariat for, the Forestry Sub-Working Group (FSWG). This group is one of four sub-groups of a thematic working group, on Agriculture, Natural Resources and Rural Development, established between MAF and the donor community. In 2007, the Forestry Sub-Working Group, however, has opened up its membership to other interested stakeholders, such as non-governmental organizations, researchers, project personnel, and private sector representatives.

The FSWG was intended to focus on two main tasks. First, it aims to provide an opportunity for stakeholders to review, and comment upon sector and FS implementation plans and

reports. Such engagement will hopefully support improved coordination, and increased levels, of support by various partners to implementation of the Forestry Strategy 2020. It is furthermore proposed that the FSWG would actually serve as a “forum for monitoring and evaluation of the implementation of the FS Implementation Plan.” Second, the FSWG discusses thematic issues, on which possible collaboration could be forthcoming. To date, over the past two years, the FSWG has held five formal meetings, one informal meeting, and one email consultation. According to the DG of Forestry, MAF would like to review and improve all the Terms of Reference (TOR) for the sub-working groups, to look at how to improve their effectiveness.

It was agreed that the FSIP Project would act as a Secretariat to the FSWG. As a result, subsequently this work has been identified as Component 8 of the Project.

In November 2007, the FSIP Project management and advisors organized the first Annual Stakeholder Consultation on FS implementation. These issues were discussed, but to date a report of the meeting (Dialogue Report) has not been prepared. This meeting involved not only members of the FSWG and FS Secretariat, but also other stakeholders.

Some stakeholders have noted that the meetings are a useful means of information exchange. The first Annual Stakeholder Consultation on FS implementation was considered to be especially well-prepared. Nonetheless, some have expressed the wish to see these meetings go beyond just information sharing, for example to lead to changed policies, or collaboration on concrete actions.

FS Implementation Plans and Reports. At this two-day Annual FS Stakeholder Consultation meeting, held 14 and 15 November 2007, the first report on FS implementation, i.e., the *Forestry Sector Development Report for 2006/07*, was presented for discussion, as well as a draft *Forestry Strategy 2020 Implementation Plan*. Various stakeholders consulted noted that the meeting documents had been well-prepared and was very useful for an exchange of information on the sector. It was proposed, however, that in the future stakeholders could be directly consulted on their activities in advance of the meeting, so that the implementation plan would be more complete.

An original idea of FSIP was that a five-year FS Implementation Plan should be “approved” by MAF. Since November 2007, no action has been taken on the draft FS Implementation Plan discussed at the Annual Stakeholder Consultation Meeting, although some participants there offered suggestions for improvement. Some stakeholders have noted, however, that if the matrix presents information on who is doing what currently to support to the strategy – and it includes the activities of organizations outside of MAF, including private sector, then it would be difficult for MAF to “approve” this plan. It is rather a “Matrix of Implementation,” for which different stakeholders can update their activities periodically. It has been proposed that it could be made available on the DOF website -- perhaps in a format that could be updated by stakeholders themselves.

Human Resource Development. The original Project Document specifies that Japan would provide short-term training in Japan. Such training has been provided twice. Late in 2006 two junior staff members went to Japan for a custom-made course on sector planning. Late in 2007, two other young staff members attended another short-term course in Japan. The Government of Japan has covered these costs in addition to the project budget. In 2007, such costs amounted to USD 23,000. The FSIP 2007/08 work plan now indicates Human

Resource Development as Component 6 of the project, with a planned support for some short-term in-country training of PAFO staff on data collection and reporting, and training of DOF staff on information technology (IT).

Institutional Framework for Sector Planning and Management. The Project Document proposed that towards the end of the FSIP Project, a proposal will be prepared for an institutional framework for sector planning and management. The framework, however, is being put into place by the activities undertaken to address Outputs / Results # 1-3, i.e., the activities under Components #1-3, as well as the new Components #6-8. Thus, Output / Result #4 should be achieved from these other ongoing activities, and not require a separate action towards the end of the project.

Strategic Actions for Implementation of the Strategy (Project Output, or Result, 5)

The original project design, in the logical framework and budget, had proposed two different, but interrelated, sets of priority actions for implementation of the Forestry Strategy to be supported by FSIP:

- 5-1. A set of urgent policy related Actions planned in the Plan of Operation are addressed with clear conclusions and institutionalized as policy or program.
- 5-2. Appropriate activities for field implementation/law enforcement are carried out.

The Project Document had proposed a list of 38 priority actions – out of the total list of 146 actions in the Forestry Strategy – to be considered for support. The Project Document also proposed that perhaps 12 policy-related actions (5-1) would be supported (estimated average cost of USD 48,000 each). An additional USD 138,000 was budgeted to support preparation of a National Tree Plantation Development Plan. For the second set of actions, it was estimated that perhaps 4 training courses for implementation (estimated at USD 60,000 each) and 9 seminars for implementation and enforcement (estimated at USD 12,000 each). Thus, the total original budget provided for over USD 1 million for these actions, or roughly two-thirds of the project budget.

Selection Process and Criteria. As the project has evolved, however, the actions have been grouped together as one group, and it has been specified that the project will support either “policy-related actions” or “method development.” The actions to be supported during the project implementation period and the first full year of implementation, 2006/07, were developed by the Project Manager and CTA, in consultation with the Director-General of Forestry (Project Director) and were reviewed and discussed by the FS Secretariat. For preparation of the 2007/08 work plan, however, other institutions were invited to propose “policy-related” or “methods development” actions in line with the original 38 project priorities. As a result, some additional actions were added (actions 1-1, 9-6-3, and 10-2). Some proposals were rejected as not fitting the criteria, or requiring additional support beyond the project period, i.e., longer-term research. For the 2007/08 work plan, however, it was not possible to organize a meeting of the FS Secretariat to discuss the actions to be included. The proposed work plan was discussed, however, by the Tripartite Steering Committee meeting.

FS Implementation Actions being supported by FSIP. The current list of supported actions contains 23 actions, grouped into 11 categories (see Box 1). Each action then is comprised of one or more discrete activities. Some of the actions are to be implemented by DOF,

Box 1. FSIP Component 5 : strategic actions for Forestry Strategy implementation

- Action 1: Formulation and dissemination of laws, regulations, PM/MAF orders and so on
- Action 1-1: Formulation and dissemination
- Action 1-2: Public awareness-raising about forestry sector development and forestry legislation
- Action 2: Establishment and participatory management of Protection Forests
- Action 3: Development of models for participatory forest regeneration
- Action 4: Development and dissemination of village-level legal guidebook
- Action 5: new Land and Forest Use Planning and Allocation
- Action 5-1: Development and dissemination of new Land Use Planning and Land/Forest Allocation
- Action 5-2: Preparation for Implementation of new Participatory Land Use Planning and Land/Forest Allocation (PALFUPA)
- Action 6: Preparation for next Land Use and Forest Cover Survey
- Action 7: Review and revision of NBCA system
- Action 8: Awareness-raising about biodiversity conservation
- Action 9: Tree Plantation
- Action 9-1: Development of survey method for identification of potential forest land for conversion
- Action 9-2: Formulation of vision and priorities for plantation forestry development in Lao PDR
- Action 9-3: Legal framework for investments
- Action 9-3-1: Formulation of MAF Reg. on Promotion and Management of Investment in Tree Plantations (tentative title)
- Action 9-3-2: Formulation of the regulation to promote appropriate tree plantation investment with 2+3 model
- Action 9-4: MAF Technical Guidelines on Tree Plantation Establishment and Management (Code of Practice; tentative title) → *now to be supported by FAO NFP Facility*
- Action 9-5: Formulation of National Tree Plantation Development Plan (NTPDP)
→ *Originally proposed, but now no longer to be supported by FSIP*
- Action 9-6: Support to small-holder plantations
- Action 9-6-1: Support to teak plantation owners through certification
- Action 9-6-2: Improvement of teak plantation management
- Action 9-6-3: Support to teak sector development through establishment of Teak Forum
- Action 9-7: Indigenous seed source management for use of high-quality seeds and saplings
- Action 10: Non-timber forest products (NTFPs)
- Action 10-1: Study and improvement of NTFP quota and marketing system towards village-based management
- Action 10-2: Pilot of village level quota system based on resource assessment and management
- Action 11: Support to and coordination of Forest Carbon Trading related activities

whereas others will be implemented by or in cooperation with other partners, such as NAFES, NAFRI, NLMA, the National Geographical Department (NGD), MOIC, Souphanouvong University in Luang Prabang, some provinces, and some international NGOs, such as the World Conservation Union (IUCN), Tropical Forest Trust (TFT), World Wide Fund for Nature (WWF), and Netherlands Development Organisation (SNV). Some (partial) listing of complementary support from donors is also provided such as from German technical assistance (GTZ) and possibly also the Swiss Development and Cooperation Agency (SDC).

In the FSIP 2007/08 work plan, efforts were made to show how the actions being supported by FSIP will be complemented with other support such as the Forestry and Forestry Resources Development Fund (FDF) and the Food and Agriculture Organization of the United Nations (FAO). It is unclear, however, how the FSIP Project will be able to monitor progress on the activities to be funded by other sources.

The Mid-Term Review Study Team did spend a considerable amount of time discussing individual actions under Output (Result) 5 with various stakeholders, as well as project management. Some key points of these discussions, item by item, are provided in Annex 4.

While the project semi-annual reports do provide commentary on the implementation progress of these actions, one by one, a more comprehensive overview is really needed. Such an overview should be prepared and discussed by the Project management team and FS Secretariat. Such an analysis could build upon the past progress reports, as well as the partial analysis provided in Annex 4.

Nonetheless, the MTR Study Team does have some overall comments on these actions. The number of actions makes it quite difficult for implementation to be well monitored. Some of the actions have been progressing on schedule, whereas others have experience significant delays. In a few cases, however, it seems that actions may have been rushed, and perhaps not completed as well as would be desired, in order to make payments prior to the end of the fiscal year. Some of the actions are relatively modest ones, in terms of funding or other resources, whereas others are require much more support. The importance of these actions also varies widely – some seem to be very relevant, high-priority for implementation of the strategy, and likely to have significant impact, whereas others are less important. For selected actions, the output, i.e., manual, method, process, etc., is likely to be usable for a considerable period of time, and thus could be said to be “sustainable,” whereas other actions provide a short-term input (in some cases an essential step in a longer-term process).

It should be noted, however, that the amount of funding is not directly correlated to the importance of the action, as some actions are quite significant and urgent, even though they may not require large amounts of financing. It is also vital to consider how some of these actions are linked to each other, whereas others are more independent. Then, too, some FSIP actions or activities within these actions are designed to complement other ongoing FS actions or activities being supported by other sources.

The capacity of the implementers of these various actions is also quite variable. A number of agencies have some capable staff, but they have limited time – given many other responsibilities – and their staff may not all have the training or experience required for the work. This situation is one of the factors that has led to implementation delays for certain activities. Some activities clearly need additional support, such as through the provision of short-term international technical assistance. For the Action 5-1, the capacity constraints

have been addressed through collaboration among relevant agencies, projects and donors, which has been supported by an explicit Memorandum of Understanding signed amongst the concerned parties. Similarly, a number of organizations are cooperating on the implementation of Action 9-6-1, providing support to smallholder teak plantation owners in Luang Prabang Province. In this case, the cooperating partners are developing a joint three-year work plan for the period from 2007/08 through 2009/10.

This overall situation on the status and results to date with the FS implementation actions supported by FSIP suggests that a number of steps should be taken to improve this situation. First, given that only a little more than two years remains in the project period, the remaining period should focus on consolidation of the actions and activities already started. A thorough review needs to be done of the status and significance of all actions on the list. If any actions are not being well implemented, or are not leading to any significant impact, then it should be considered to phase out further support to such actions.

A few of the actions on the list have, in fact, been completed by now. For example, Action 9-1 was completed in March 2008, and parts of the methodology developed have been used in Action 5-1. Action 10-1 had been started earlier, so the final activity – a workshop – was in this year's work plan. This workshop was held in February 2008, so this action has also been finished. It is thus serving an input into Action 10-2, which is just getting underway.

It should also be noted that a few actions originally proposed for support from FSIP have been subsequently dropped from the list. The action to formulate a National Tree Plantation Development Plan (NTPDP) was proposed in the original project document and again in the 2006/07 work plan, but then it was later decided not to proceed with this action, as it would require much more substantial support. As one observer commented, "to do it properly, it would require its own stand-alone project." The funds originally intended for this purpose were used instead to support Action 9-1.

Similarly, Action 9-4, preparation of MAF Technical Guidelines on Tree Plantation establishment and management, or a Code of Practice, is no longer on the list for FSIP support. This action will be carried out, however: it will now be supported by a three-year grant of up to USD 300,000 from FAO's National Forestry Programme (NFP) Facility. It is anticipated, however, that FSIP will collaborate in this activity, i.e., FSIP's Tree Plantations Advisor would participate in the working group to be established for this action.

The easiest way to consolidate and reduce the total number of actions on the list would be to put concerted effort into timely completion of certain actions that were originally proposed to be completed by the end of this fiscal year, i.e., 30 September 2008, so that they would not be "carried forward" or "rolled over" into the next year's work plan. These actions include, for example, support to printing and dissemination of the new laws (Action 1-1), finalization and printing of the village-level legal guidebook (Action 4), completion of the manual for the new approach to participatory land use planning and land/forest allocation (Action 5-1), preparation of the next land use and forest cover survey (Action 6), review of the NBCA (now National Protection Areas, NPAs) system (Action 7), awareness-raising on biodiversity conservation (Action 8), or preparation of a map and regulation for management of tree seed sources throughout the country (Action 9-7).

It is clear that some other actions, also intended to be completed by the end of this fiscal year, are significantly delayed. Thus completion in accordance with the original schedule is highly unlikely.

In order to focus management attention on timely completion of activities, it would be useful if the progress of all actions and activities in the FSIP Project's annual work plan were reviewed by the FS Secretariat and others in the Project management team on a quarterly basis. Then if any action were falling behind schedule, then steps could be taken promptly to remedy whatever obstacles were causing the delay.

Then, in preparing a work plan for the remainder of the project (as well as the 2008/09 annual work plan), rather than adding more actions to the list, the efforts should be to complete actions, or build upon steps already taken. In this regard, the DG of Forestry has mentioned his concern that support be provided for follow-up on some of the actions that have focused on method development. The aim should be not only to develop methods, but also see how support can be mobilized to scale up their implementation. To do so may require various types of capacity-building, such as training, and provision of needed equipment. An example in this regard is the application of methods developed under Action 9-1, Development of a survey method for identification of potential forest land for conversion.

It could, furthermore, be considered to give FSIP priority to actions that are interrelated with one another, or link to other important priorities in the *Forestry Strategy 2020* or new emerging issues, such as climate change and emerging initiatives to work on Reduced Emissions from Deforestation and Forest Degradation (REDD). Actions that may provide useful inputs into forthcoming REDD efforts include, for example, Actions 6 and 9-1. The actions relating to public-awareness raising (Action 1-2), developing village-level awareness of forestry-related laws and policies (Action 4), awareness-raising on biodiversity conservation (Action 8) and pilots on NTFP village-level quotas (Action 10-2) could perhaps be linked, in support of greater stakeholder – especially villager – participation in sustainable forest management, key priorities in both the FS2020 and the national poverty reduction policies.

Any future FSIP support to actions to implement the *Forestry Strategy 2020* needs to really focus on actions that are clearly strategic with high urgency and high potential impact. It may not be warranted to provide support for activities that are clearly of a recurrent nature, and thus need a more sustainable long-term (rather than project) source of funding, such as annual data collection on the growth of teak plantations (Action 9-6-2) or publicity in connection with National Wildlife Day, which occurs every year on 13 July (an activity under Action 8).

A few of the actions provide support for preparation of a project proposal to be funded (hopefully) by other donors, such as the work in Action 2, Activity 4, input into proposal for a World Food Programme project on "Trees for Food," or Action 5-2, preparation of a proposal for a project to scale up the results of Action 5-1, on participatory approaches to land use planning and allocation, for which the Government of Finland has been asked to provide support. Such efforts will need to be carefully coordinated with the potential donors to achieve the desired results.

Project Management

Project Office and Equipment. The FSIP Project has two office rooms within the DOF premises, in close proximity to the Division of Planning and Cooperation. These offices provide space for the two project advisors, secretary, and consultants to work. The project is well-equipped with computer equipment, vehicles, and other facilities needed to undertake its work.

Project Work Planning, Monitoring, and Reporting. As the FSIP Project was designed, it was intended that the Project would support the work, and strengthen the capacities, of the FS Secretariat. The FS Secretariat was envisaged to be key personnel of the project. As already discussed, however, that idea never became truly functional in the first two years of the project. Therefore, most of the work done to prepare the project annual and semi-annual work plans, budgets, and progress reports has been carried out by the Project Manager (Director of the Division of Planning and Cooperation), in consultation with the Project Director (DG of Forestry) and with major support from the Chief Technical Advisor. Additional support has been provided by the other FSIP project advisor and others.

To date, the team has prepared an Inception Work Plan, Inception Progress Report, an Annual Work Plan for 2006/07, mid-year and final progress reports for 2006/07, and an Annual Work Plan for 2007/08. These work plans and progress reports have been accompanied by budgets and reports on financial expenditures.

These FSIP Project plans and reports have been discussed at the semi-annual Tripartite Steering Committee meetings, which have been held on 13 July 2006, 29 November 2006, 29 May 2007, and 11 December 2007. The discussions of these TSC meetings have been documented in minutes.

The project management team has endeavored to provide the most up-to-date information on the project progress and financial expenditures before each TSC meeting. As a result, however, the reports do not cover standard reporting periods. For example, although the Inception Period was 6 months (1 April through 30 September 2006), information was provided on activities and expenditures through November 2006. The following year, the progress report on the first full year of implementation, through 30 September 2007, provided data on financial disbursements through 19 November. Furthermore, as will be noted from the dates of the TSC, the meetings to consider and approve the Annual Work Plans and budgets have occurred well after the start of the Lao fiscal year, which is 1 October.

To clarify reporting on the implementation progress and financial expenditures, it would be clearer if the reporting were done by standard semi-annual periods, i.e., 1 October through 31 March and 1 April through 30 September, or else on a quarterly basis. (It is understood, however, that the advisors do report to JICA on the expenditures of the JICA budget on a standard quarterly basis.) If an activity is not completed during the fiscal year, then rather than “carry over” the previous year’s work plan for a month or two, it would be preferable just to add that activity to the next year’s work plan. It would also be desirable if the TSC meetings could be scheduled much closer to, i.e., within a few weeks of, the start of the Lao fiscal year.

Project Financial Management. The FSIP Project is being co-financed by two donors, JICA and Sida, which have very different policies and procedures for management of development

cooperation funds. This situation has led to some difficulties in project implementation that have had to be resolved. The project budgets for each time period are agreed amongst the parties, concerning which budget lines are to be financed with JICA funds and which ones with Sida funds. The parties have agreed, however, to treat this matter flexibly, so there may be some adjustment, as need may arise.

The JICA contributions to the Project are managed by the two advisors, who are provided by JICA. The JICA contribution is determined each year on the basis of negotiations between the GOL and JICA. The Government of Japan follows a different fiscal year than the Government of Lao PDR, in that the Japanese fiscal year runs from 1 April through 31 March, whereas the Lao fiscal year runs from 1 October through 30 September. According to procedures of the Government of Japan, the JICA budget must be 100% disbursed by 31 March of each year. As a result, some activities that were originally planned to be supported by Sida funds have been transferred to JICA support, so that JICA funds would be used by the end of the year. In a few other cases, activities have been rushed, in order to be completed – and paid -- by the end of the Japanese fiscal year. The Department of Forestry would, however, prefer not to finalise payment on any activity until it has been entirely completed to their satisfaction.

Sida contributions to the Project are provided to the Government of Lao PDR. Funds are transferred to a bank account managed by the Ministry of Finance, which in turn provides them to a specific account in the Department of Forestry. DOF's Administration and Personnel Department manages this account for project activities. Although the Government of Sweden follows a different fiscal year, from 1 January through 31 December, the Sida funds are managed in accordance with the Lao fiscal year. The Sida requirements, however, specify that any funds not spent by the end of the project will be returned to Sweden, unless otherwise agreed. Therefore, if Sida funds that have been disbursed by Sida to the GOL are not spent by DOF before the end of the Lao fiscal year, they can just be carried forward for future spending against approved work plans and budgets.

Several difficulties have arisen with the Sida fund flow with respect to three issues. First, as the project was beginning, some initial expenses were paid directly by the Embassy of Sweden, while awaiting the procedural requirements for the first tranche of Sida funding to be disbursed to the GOL for the project. The first tranche of funding, for 1,280,089 Swedish kroner (SEK), was disbursed by the Government of Sweden in 2006. The second tranche of funding for \$173,000 (SEK 1,331,789) was not requested by the Department of Forestry until 9 November 2007, when they had \$38,200 remaining in Sida funds from the first tranche. The Government of Sweden disbursed the second tranche of funding on 27 November to the GOL in US dollars, and the bank transfer should have been received in the Lao bank by 29 or 30 November. Apparently there was confusion in finding the funds, as DOF was enquiring at the bank and Ministry of Finance for funds in SEK, not USD. The "missing funds" were not found and transferred to the DOF account until early April 2008. The DOF, however, ran out of money for certain project activities, and thus had "to borrow" funds, delay implementation of some activities, or delay payment of some invoices.

The management of the Sida funds has been discussed several times. The Sida representatives have recommended that DOF get advice from their colleagues in NAFRI, also supported by Sida, regarding how best to facilitate the management of these funds. It has also been agreed to undertake an audit of the Sida funds. Although normally such audits are conducted on an annual basis, the first audit of Sida funds for this project is being undertaken

the week of 5 to 9 May 2008. The Government of Lao will be undertaking an audit of DOF funds, including the Sida funds for this project, in mid-May 2008.

The MTR Study Team has not attempted to undertake a thorough review of all the financial management issues. Such issues will be addressed by the ongoing and upcoming audit missions for the Project.

Financial Disbursements.

With data provided by the project, the MTR Study Team calculated the expenditures to date by the project. A summary of the expenditures, according to the two main elements of the project and project management, is provided in Figure 1. A more detailed breakdown is provided in Annex 5.

Figure 1. FSIP Expenditures during the first two years of operation.

	Original Budget	Expenditures 1 Apr 06 – 31 Mar 08	Disbursement
Capacity-Building for Sector Planning and Management	\$203,600	\$52,451	26%
Supporting FS Priority Actions	\$1,062,000	\$307,197	29%
Project management (including translation costs, equipment, etc.)	\$187,800	\$84,637	45%
Contingency	\$126,560	\$0	0%
Total	\$1,579,960	\$444,015	28%

The estimates on disbursement need to be considered very carefully, as the original project budget was only indicative. As already mentioned, the JICA contribution is determined each year. Although the project document had estimated that the JICA contribution might be equivalent to USD 510,600, the actual bilateral agreement between the two countries did not specify a total amount, but rather annual agreements. With respect to the Swedish commitment, the Government of Sweden committed to provide SEK 9 mil. for the project, of which the Embassy would retain SEK 440,000 for project review, audit, and evaluation purposes, and up to SEK 8.56 mil. could be provided. At the time of the project document agreement, SEK 8.56 mil. was equivalent to USD 1,069,360. In the past two years, however, the USD has been devalued significantly as compared with many currencies, including the SEK. (The SEK now buys 35% more USD in April 2008 than it did in April 2006.)

To date, thus, the Swedish Government has only disbursed a total of 2,611,878 SEK to the project, out of the commitment of SEK 8.56 mil., or less than one-third of the total. According to the calculations of the MTR Study Team, however, only 19.6 % of the original USD value of the SEK 8.56 mil. has been disbursed by DOF after the first two years of the project, i.e., by 31 March 2008 (see details in Annex 5). If the Sida disbursements to GOL are spent by DOF by the end of this fiscal year, i.e., 30 September 2008, then the remaining commitment will amount to almost SEK 6 mil. (more than USD 1 mil.) for the final two years of the project.

This situation can be understood to be the result of several factors – delays in implementation and spending, delays in getting funds, the transfer of certain activities originally intended for Sida support to JICA support (or in a few cases, to other donors), and the change in currency exchange rates for the US dollar.

A question has been raised as to whether or not it would be desirable – or even possible -- to consider a “no-cost extension” of the project, i.e., to extend the time available to spend these Sida funds for one additional year, through 30 September 2011. It seems that such an extension may be possible, given that the Government of Sweden’s development cooperation with Lao PDR is planned to continue through 2011. The MTR Study Team feels that it is premature, however, to consider such a “no-cost extension” option, given the relatively low disbursement of Sida funds to date. If the disbursement improves significantly within the next year, i.e., by 30 September 2009, then this issue could be reconsidered.

It is clear, however, to the MTR Study Team, and also to DOF, that further donor support to improving sector planning and management, as well as implementation of the *Forestry Strategy 2020*, will be needed beyond 2010. DOF has already prepared a one-page concept note, estimating that € 2 mil. may be needed for such support for the period 2010/11 – 2014/15. To date, possible support for this project concept has been discussed with consultants undertaking a mission for the Government of Finland.

4. Conclusions: Key Issues for the Evaluation

Responding to Change – are the results still valid?

Given all the recent macro changes in the Lao society and the government institutional structure, one could ask whether or not the *Forestry Strategy 2020* is still valid and relevant. Quite a number of major changes have occurred within the past three years, and some important new issues, challenges and opportunities have emerged for the forestry sector in Lao PDR. Nonetheless, many key stakeholders in the sector believe, and the MTR Study Team concurs, that the *Forestry Strategy 2020* is still valid as a guiding document and vision for the forestry sector. What is important to recognize, however, is that while the overall vision – to promote sustainable forest management to contribute to Lao’s overall development – remains valid, some of the details within the FS 2020 document need to be periodically reviewed and updated, through monitoring and planning of implementation.

In accepting that the FS 2020 remains essentially valid, one can then agree that the FSIP Project results, or outputs, remain valid and relevant. They do, however, need to be reformulated to focus more specifically on the two key elements of the project – building overall sector planning, management, coordination, implementation, monitoring, and information capacities, and then supporting selected priority and strategic actions for FS implementation.

Project Design (Logical Framework)

The MTR Study Team concludes that the key elements of the project design, as summarized in the project design, or logical framework, matrix need to be revised. Several key revisions are needed, including the following:

- The outputs (results) could be revised into two major outputs, to express the two key elements of the project⁴: the first revised output should focus on strengthened capacity for sector management, and more specifically, oversight of FS implementation, i.e., combining outputs (results) #1 to 3, and understanding that the current output #4 should be an outcome of the first three. Then the second output would be the one currently labeled output #5;
- Some of the objectively verifiable indicators need major revision, to have indicators that can, indeed, be easily measured and provide reliable indication of project performance and impacts, or in other words, project success. In revising the indicators, it may be useful to try to develop SMART indicators – indicators that are Specific, Measurable, Achievable, Realistic, and Time-Bound.
- The project management team needs to ensure that information that will be used to assess the indicators will, in fact, be available. For example, to date the project has not developed a Project Implementation (or Operational) Plan, nor has a Dialogue Report for the first annual Stakeholder Consultation been prepared.

The process of revising the logical framework is also very important. The MTR Study Team believes that a broadly participatory process, properly facilitated, is essential to build understanding of the overall vision, purpose, and working modalities of the project. The logical framework is a tool – not only for project management, but can also be used to monitor and improve project implementation. To do so, however, the key participants and stakeholders need to understand what the project aims to achieve.

Currently it seems that some stakeholders have only a partial understanding of the project objectives, i.e., some believe that the project is only about providing funds to implement some key actions of the *Forestry Strategy 2020*, and fail to understand its intended roles in promoting improved sector planning, coordination, monitoring, and stakeholder engagement. Other stakeholders see the project's primary objective as being capacity building for sector coordination, and argue that the project should focus on coordination, and not implementation. The project, is, however, trying to achieve both of these elements. Thus, a workshop to refocus the project could be most useful to clarify such understandings and improve collaboration to achieve the project objectives.

Building Capacity for Sector Planning and Management

The FSIP Project has been contributing to the building of sector planning and management capacities – not only among the most relevant government staff, but also among other key stakeholder representatives, such as member of the Forestry Sub-working Group, including private sector representatives and NGOs. The focus on this element of the project, however, needs more attention in the remainder of the project period to achieve the intended objectives. This issue is especially important, giving the growing involvement of various stakeholders in the use of forests, forest lands, and forest resources. There is a clear need to strengthen sector planning, management and monitoring, and stakeholder engagement – especially in light of forthcoming major increases in donor support for climate change and REDD initiatives, as well as other support for the sector. The stakeholder meetings (FSWG, Stakeholder Consultations, etc.) should not be just for information exchange, but also lead to concrete action, policy changes, etc. In building the capacities of all concerned stakeholders, greater

⁴ If the project design is revised to have two outputs, then it should also be revised to have three components – one for each output, plus one for project management.

dissemination of information and use of information systems, such as websites, should be encouraged. A major principle of improving capacity should be building upon existing systems, including looking at what elements of sector management and FS 2020 implementation are already ongoing through normal, routine work, such as through incorporation into the 5-year and annual work plans of MAF, its relevant departments and institutes, and related institutions.

Focusing on Strategic Interventions (Actions under Result #5)

Along with other partners, the FSIP Project has been supporting a number of key actions for implementation of the Forestry Strategy 2020. It is clear that a number of these actions have potentially significant impacts, if they are well utilized, replicated, or scaled up in the future. The FSIP Project management team, including the FS Secretariat, need, however, to focus and consolidate such actions for the remainder of the project period. As possible, actions should be brought to a satisfactory conclusion, and the total number of actions and activities reduced, to have a more focused, manageable and interrelated set of results. The implementation of such actions also needs much closer monitoring, or tracking, to ensure that activities can be done in a timely manner, in accordance with the proposed work plan, and any delays in implementation are minimized.

It is important, furthermore, to clearly differentiate between the overall set of actions for implementation of the *Forestry Strategy 2020*, such as articulated in the draft FS Implementation Plan (a matrix of key actions, and who is supporting what) and the FSIP work plans. In the 2007/08 work plan for FSIP, selected complementary actions of other partners has been indicated. While such information is valuable for placing the FSIP efforts in a broader context, and noting areas of collaboration, FSIP may not be in a position to monitor, or report upon, the progress of activities to be undertaken by such partners.

Managing for Improved, More Sustainable Results

The project management has been good in most respects, such as work planning, reporting, and conducting of regular meetings, such as the semi-annual meetings of the Tripartite Steering Committee. It would be useful if the reports could not only show the progress and financial disbursement of the project for the reporting period, but also present a cumulative picture of the total achievements and disbursements from the start of the project.

Nonetheless, improvements could be made in the management and standardized reporting on finances, and timing of the TSC such that the annual work plans and budgets could be considered and approved very close to the actual start of the Lao fiscal year. The relatively low disbursement to date of Sida funding for the Project requires serious reflection, in terms of what it indicates regarding the ability of the DOF and its partners to manage these funds and to implement the agreed project activities in a timely manner. Steps to improve this situation need to be taken as soon as possible.

Project Impacts, Effectiveness, Efficiency, and Sustainability

In assessing the factors for project success, it is also important to consider the criteria of impacts, effectiveness, efficiency, and sustainability. In terms of impacts, some of the FS actions implemented with FSIP support have potentially important impacts on sustainable forest management and poverty reduction, once they are applied, and especially if they can be

scaled up. More focus is needed, however, to increase impact of sector planning, coordination and management capacity building efforts.

The effectiveness and efficiency of FSIP efforts to promote implementation of the *Forestry Strategy 2020* would be enhanced if focus is placed first and foremost on building sustainable long-term capacity for overall sector planning, coordination, implementation, monitoring, and mobilizing resources. Then one can look at where a wide range of resources and partners, including FSIP, can support top strategic priority actions.

In terms of sustainability, it is important to emphasize the institutionalization of support to implementation of the *Forestry Strategy 2020*, including long-term financing. The building of capacity should not just focus on training of individuals, especially given the likelihood of staff turn-over, but also on long-term institutional and organizational development, so that systems are developed that can continue even when key personnel change. As an example, it may be useful to consider the experience of recent work in NAFRI to assess and promote its human resource, institutional and organizational development.

In terms of the specific actions supported by FSIP for implementation of the *Forestry Strategy 2020*, some products or processes developed can be used, or useful, for a considerable time after the project ends. The issues of impact, effectiveness and efficiency, and sustainability are important criteria to bear in mind when considering the priority of various FS actions to be supported.

5. Lessons Learned

Based upon the experience to date with this project, a number of important lessons have been learned. Among others, key lessons include:

1. Multi-stakeholder support to a national strategy needs careful planning and coordination. Such support cannot be provided by one project alone, even if it has support from more than one donor. Therefore, it is crucial to develop means whereby the support from a wide range of sources, including not only sector donor-assisted projects and programs, elements of broader rural development projects, and private sector support, such as associations, can be mobilized.
2. Both a project or program supporting implementation of a national strategy – as well as the strategy itself -- need a flexible design, so that the project (and strategy) can adapt to changing conditions and emerging issues.
3. A secretariat to oversee implementation of a national strategy cannot function just as a part-time committee of representatives of different concerned agencies. It also needs both leadership and staff support. Furthermore, in designing such a body, decision-makers also need to consider how much of the work proposed for such a Secretariat is routine and how much is additional, or incremental, and whether or not it is realistic that existing staff can handle the additional work load.

6. Recommendations

The MTR Study Team proposes the following recommendations for improvement of the implementation of the FSIP Project,

1. **A participatory workshop should be conducted for the FSIP Project team, including the Secretariat, to revise project design matrix (logical framework),** to focus on 2 project elements, and to improve the indicators. It is recommended that the Project contract an outside facilitator, familiar with results-based project cycle management and logical framework methodology, to facilitate such a workshop. The aim of such a workshop would be not only to improve the project design, but more importantly also to improve the understanding of the project design, how it could be implemented and monitored among the key members of the project team and Secretariat. Such a workshop should be scheduled at the earliest possible opportunity, i.e., no later than July 2008, but well before agreeing upon any work plans for the remainder of the project period or for the next fiscal year (2008/09).
2. Efforts are needed to **strengthen the membership and role of the Forestry Strategy Secretariat, and staff support that it will receive from the DOF Division of Planning and Cooperation.** The proposed enlarged Secretariat membership needs to carefully consider the roles and responsibilities, in suggesting to the Minister a revised instruction for the Secretariat. In this regard, it is important to analyze the normal government planning, implementation, monitoring and reporting undertaken by relevant government organizations, such as for the five-year and annual work plans and budgets. Insofar as is possible, the aim should be to institutionalize support to the *Forestry Strategy 2020* as regular and routine, rather than extra, work for the departments and individuals concerned.
3. **Greater collaboration should be promoted on the development and use of information systems.** Currently DOF is developing its computer systems for information management, including management of documents, development of reporting and monitoring systems, and the DOF website. SUFORD is providing substantial support to this effort. FSIP should seek ways and means of maximizing collaboration with such efforts, and making use of the systems so developed. For example, information on the implementation of the *Forestry Strategy 2020* can be shared and updated via the website.
4. For more effective implementation of the *Forestry Strategy 2020*, it is vital to see how the **roles and responsibilities of key stakeholder group can be strengthened.** The Ministry of Agriculture and Forestry already recognizes the need to revise the Terms of Reference for the Forestry Sub-Working Group. If this group is to play a role in coordination and oversight of the implementation of the FS 2020, then its role needs to be carefully distinguished from that of the FS Secretariat. It is also essential to consider whether the Annual FS Stakeholder Consultation Meeting is a key meeting of the FSWG, or a meeting for a broader group of stakeholders.
5. For FSIP support to implementation of the *Forestry Strategy 2020*, it is vital to **prioritize and focus support to on strategic actions** for FS implementation. The FSIP Project management team, including the FS Secretariat, should prepare an overall implementation plan for the remainder of the project period, through September 2010. In doing so, it is essential to look at what ongoing actions can be completed in the current fiscal year, i.e., by 30 September 2008. The enlarged FS Secretariat needs to be engaged in a review of overall priorities, to select fewer actions for future support, but to aim for higher impacts. They need to look at how

actions can link with each other and with other important issues, i.e. REDD. Furthermore, to implement these strategic actions well, the Secretariat needs to monitor their progress on a quarterly basis, and take timely actions to correct any problems with implementation, to minimize any significant delays.

6. The Ministry of Agriculture and Forestry needs to work with various partners to **identify possible sources of support for future capacity-building** in the forestry sector (after FSIP ends). It is clear that additional capacity-building, in terms of human resource, institutional and organizational development, as well as provision of some essential equipment and facilities will be needed. More training will be needed in sector planning and management, including use of information technology and information systems currently under development. Similarly, for some of the approaches and methods developed with FSIP support will require training and other support for their application and replication. While it is important to consider various sources of donor support, such as possible future REDD projects, the extension of SUFORD, other proposed forestry projects, it is also essential that support from other sources, such as the GOL, the Forestry and Forestry Resources Development Fund (FDF), and private sector be developed.
7. **DOF should strengthen project management for FSIP.** Such improvements should include efforts to: (a) standardize reporting periods, and clearly differentiate FSIP project plans and reports from overall forest sector and *Forest Strategy 2020* implementation plans and reports; (b) improve management and audits of project funds; and (c) improve monitoring of implementation, such as through monitoring at quarterly Secretariat meetings, so activities do not fall seriously behind schedule.

**ANNEX 1. TERMS OF REFERENCE FOR STUDY TO SUPPORT THE MID-TERM REVIEW
OF THE FORESTRY STRATEGY IMPLEMENTATION PROMOTION PROJECT (FSIP)
THE MINISTRY OF AGRICULTURE AND FORESTRY**

KEY DATA	
Title of Project	Forestry Strategy Implementation Promotion Project
Country	Lao PDR
Sector	Forestry
Responsible Organization on partner side	The Ministry of Agriculture and Forestry, Lao PDR
Responsible Representation	Embassy of Sweden, Vientiane, Lao PDR
Co-Supporter	JICA Laos Office, Vientiane, Lao PDR
Implementation Period	1 Apr 2006 – 30 Sept 2010
Sida Contribution	SEK 8,560,000
JICA Contribution	1) US\$ 510,600 (initial estimate) 2) Two long term advisers 3) Short term training in Japan

1. BACKGROUND

After a few year of preparation and drafting the Government of Lao PDR (GOL) adopted the Forestry Strategy to the Year 2020 (FS 2020) in August 2005. A cross-Ministerial Steering Committee was established to direct and give guidance to formulation of FS 2020 with the Ministry of Agriculture and Forestry (MAF) playing secretariat roles. Several consultations with both national and international stakeholders were held and some studies with technical assistance were made including the assessment of forest cover and land use during 1992 and 2002. The Swedish International Development Cooperation Agency (Sida) and the Japan International Cooperation Agency (JICA) provided financial and technical assistance.

In order to assist GOL through MAF in implementing FS 2020, MAF, Sida and JICA started formulation of a project. The three parties officially agreed to implement the Forestry Strategy Implementation Promotion Project (FSIP) on 12 May 2006. The project is being implemented by the Department of Forestry (DOF) and is based on a Specific Agreement between MAF and Sida, and a Record of Discussions between MAF and JICA and a Minutes of Meeting between the three parties all signed on 12 May 2006.

The Goals of FSIP are set in the project document as follows;
Super Goal

Forestry sector's sustainable contributions to socio-economic development, especially poverty alleviation, 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.

Development objective/Overall goal

Sustainable and productive forest use in Lao PDR through appropriate sector planning and management is promoted.

Project purpose/Project objective

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.

The project aims to fulfill these goals/purposes by achieving 5 results or outputs as follows:

- 1) Preparation of MAF 5 year and annual FS 2020 Implementation Plans and Reports
- 2) Monitoring of FS 2020 implementation status and forestry sector performance
- 3) Establishment of institutional framework to promote effective inputs of stakeholders to FS 2020 implementation
- 4) Establishment of proper institutional framework of sector planning and management for the following period after project termination
- 5) Addressing policy related Actions and policy implementation/law enforcement

One unique aspect of FSIP is its institutional set-up that it doesn't have fulltime Lao counterpart officers and instead the Secretariat for Implementation of FS 2020, which was established according to a MAF instruction and consists of Deputy DG, directors of DOF Divisions and focal point at the National Agriculture and Forestry Research Institute (NAFRI) and the National Agriculture and Forestry Extension Service (NAFES), is the counterpart. This FS 2020 Implementation Secretariat has recently been expanded to include a senior representative from the National Land Management Authority (NLMA) and NAFRI and NAFES also send senior level members. This unique set-up of FSIP reflects its purpose, which is to assist GOL in implementing FS 2020 prepared, adopted and owned by GOL.

Another unique aspect is its wide range of direct stakeholders from government agencies to private sector and to NGOs. Given the broadness of the forestry sector and coverage in FS 2020, this is not a surprise but it gives a particular nature to formulation and implementation of FSIP activities.

In 2007, the Swedish Government revised its development cooperation policy and decided to focus the support to a fewer number of countries. This policy revision has meant that the Sida support to Laos will be phased out over to coming years, but ongoing projects including FSIP will not be affected and will be carried out and supported as planned. However, there will be no Sida support to extension or phase II of FSIP, even if deemed necessary.

2. OBJECTIVE

This Terms of Reference is prepared in accordance with the Specific Agreement for the FSIP Project, which requires that a third party mid term review study is carried out in 2008. This TOR is also agreed upon by the three parties.

The objective of the Mid Term Review Study is:

- To provide recommendations as to the need for changes or adjustments in the direction, design and focus of the project for the remaining period up to Sep 2010 taking into account socio-economic and institutional changes taken place since the start of project. This shall include recommendations on how the desired focus can be strengthened;

- To provide recommendations as to the need for additional support during the remaining period as well as for extension of the project;

3. SCOPE OF WORK

The Study Team shall study and review each main element of the project design, log frame, work plans and achievements so far and answer the following questions, which are specified below.

The first question concerns a review of the original log frame of the project and an evaluation of whether the expected results are still valid and achievable given changes in the institutional setting of GOL and MAF or whether they should be changed or modified to better reflect the current situation and outlook for the future.

The Study Team shall analyze the current and expected future functions, mandates and organization of MAF esp. DOF, Department of Forestry Inspection (DOFI), NAFRI and NAFES in relation to other concerned organizations inter alia NLMA, the Water Resources and Environment Administration (WREA) and the Ministry of Industry and Commerce (MOIC). In question 1 the Study Team shall develop specific recommendations to changes in the expected results and incorporate recommendations as to how the expected results of the project can best support MAF and its Departments in terms of functions and mandates including coordination with the three GOL organizations for implementation of FS 2020.

In question 2 the Study Team is asked to review the project approach, design and work plan formulation and implementation, and organizational set-up to achieve the expected results and provide recommendations to changes or modifications. The Study Team shall include recommendations on how MAF and its concerned Departments can be strengthened in terms functions including coordination with the three GOL organizations, mandate and organization and how the Project can support this process. Question 2 also includes recommendations as to the need for additional financial and technical support to the project for the remaining period.

In question 3 the Study Team shall look into the Result Area 5 “Addressing policy related Actions and policy implementation/law enforcement”. The Study Team shall pay attention to appropriateness of activities under this Result Area in terms of integration or coordination with other activities of GOL and other stakeholders, selection process, significance, timing, support mechanism, counterpart capacity and so on and provide recommendations on topic selection process or criteria, support mechanism and so on.

In Question 4 the Study Team is asked to assess the need for support after the FSIP project is completed. The Study Team shall justify the recommendations and indicate the scope of the needed capacity building and in what areas it would be required.

The questions are summarized bellow;

- 1) Are the expected results still valid in the current rapidly changing in institutional context and outlook for the future?
 - What - if any, changes or modifications to the expected results are recommended in order to match them with the current and expected future institutional context?
- 2) Is it still likely that the approach, project design and work plan will lead to the expected results/recommended changes or modifications to the expected results?
 - What - if any, changes or modifications to the project approach, log frame and work plan are recommended in order to enhance the likelihood of achieving the expected results or the recommended changes/modifications to the expected results?

- What – if any, changes or modifications to the organizational set-up of the project are recommended in order to enhance the likelihood of achieving the expected results or the recommended changes/modifications to the expected results?
 - What – if any, changes to the financial and technical support to the project are recommended in order to enhance the likelihood of achieving the expected results or the recommended changes/modifications to the expected results?
- 3) Are the activities or topics being implemented or supported by FSIP under the Result Area 5 appropriate and significant in terms of FS 2020 implementation?
- What – if any, changes or modifications to the selection process or criteria are recommended in order to enhance coordination with activities of other stakeholders?
 - What – if any, changes or modifications to the supporting mechanism both financial and technical are recommended in order to enhance the likelihood of achieving the expected results of the activities under this result area?
- 4) Is it likely that there will be a need for donor support to capacity building in DOF and other concerned Departments of MAF the completion of the FSIP Project in September 2010?

The main focus points of the project, which the Study Team shall review, are listed hereunder:

- Existing institutional set-ups for implementation of FS 2020 including the FS 2020 Implementation Secretariat, Annual Stakeholder Consultation on FS 2020 Implementation and GOL-Donor Sub-working Group on Forestry
- Existing plans and tools for implementation of FS 2020 including 5-Year MAF Implementation plans/reports, MAF 5 Year Development Plan (2006-2010), Sector Development Report and Indicators for monitoring of forestry sector performance
- Integration with GOL activities esp. with the Forest and Forest Resource Development Fund
- Annual work plans and Agreed Minutes signed by the three parties
- Achievements or results of the policy related activities under the result area 5
- ?

4. DURATION, INPUT AND DUTY STATION

The duration of the assignment is 3 weeks. The estimated total input of one international consultant of the Study Team is 15 person days and one national consultant 13 person days.

The duty station is at DOF Office, Vientiane, Lao PDR.

5. OUTPUTS, TASKS AND TIMESCHEDULE

The assignment and all tasks and outputs shall be carried out and completed in Lao PDR.

The tasks and outputs, which the Study Team is expected to undertake and deliver, are presented in Table 1 below.

Table 1; Tasks and Outputs

Tasks	Outputs	Timing of outputs
<p>1. Familiarize him/herself with the following:</p> <p>a. The FSIP Project Document and Log Frame;</p> <p>b. The FSIP Work Plans, Progress Reports and Agreed Minutes;</p> <p>2. Start-up meeting with MAF and Sida/JICA;</p> <p>3. Prepare detailed work plan for the assignment;</p>	<p>Minutes of start-up meeting</p> <p>Detailed Work Plan for the assignment</p>	<p>To be completed immediately after start-up meeting</p>
<p>4. Peruse and review relevant project documents including but not limited to:</p> <p>c. The FSIP Project Document and Log Frame;</p> <p>d. The FSIP Work Plans and Progress Reports;</p> <p>e. Project outputs;</p> <p>f. Minutes of annual and semi annual review meetings;</p> <p>5. Meetings/interviews with project management, Sida, JICA and advisers;</p> <p>6. Conduct interviews with important partners as follows;</p> <p>GOL; MAF (DOP, DOFI, NAFRI and NAFES), NLMA, WREA Donors; SDC Projects; SUFORD, URDP, Land Policy Development Project (NLMA/GTZ) NGOs; IUCN, WWF, VFI Private sector; Lao Wood Processing Association, Lao Small Tree Plantation Association</p> <p>7. Progress meeting where the Study Team, Project Management, Sida, JICA and advisers shall discuss the progress and changes in study schedule and so on, if any.</p>	<p>Minutes of meetings/workshops</p>	<p>To be completed immediately after the meetings/workshops</p>
<p>8. Prepare draft Review Study Report</p> <p>9. Present the draft Review Study Report</p>	<p>Draft final Review Report</p>	<p>To be completed 2.5 weeks after start of assignment</p>
<p>10. Revise the final report based on comments from Sida, JICA, the Project Management and the project advisers;</p> <p>11. Present the Final Review Study Report</p>	<p>Final Review Report</p>	<p>To be completed 3 weeks after start of assignment</p>

Table 2 below indicates the time schedule for the assignment.

Table 2 Indicative time schedule

Activity	Week														
	1					2					3				
1. Familiarize	■														
2. Start-up meeting		■													
3. Prepare work plan			■												
4. Peruse and review project documents	■	■	■	■	■	■	■	■	■	■					
5. Consultations/interviews			■	■	■	■	■	■	■	■	■	■			
6. Progress meetings								■							
7. Prepare draft report								■	■	■	■	■			
8. Present draft report													■		
9. Revise the draft report													■	■	
10. Present final report															■

As shown in Table 1, the main output of the assignment is a Review Study Report, which shall be delivered in final version at the end of the assignment. It should be emphasized that whilst the Review Study Report with its analysis and recommendations is important as an output, this assignment is in itself part of the FSIP Project's institutional development process, and the Study Team is therefore required to work closely with the FSIP managers and implementers and present and discuss tasks, methods and findings throughout the assignment.

The FSIP Management will assist with

- Arranging office space for the Study Team;
- Arranging meetings;
- Provide the Study Team with copies of project related documents;

6. COMPETENCIES OF THE STUDY TEAM

The Study Team will be composed the following members:

- Team leader (International consultant) of the Study Team with competence in project management of sector wide approach in developing countries preferably in Lao PDR or neighboring countries, experience in development of forest policy, planning and institutions and forestry related work experience in Lao PDR. Experience as Team Leader of similar review missions is preferable;
- Lao national consultant with high degree of knowledge and understanding of forest and forestry in Lao PDR, working experience with concerned GOL organizations including MAF, NLMA, WREA and MOIC and experience as member of similar review missions.

The Team leader and the national consultant shall **as a team** fulfill the following competencies:

1. Competence and long term experience as senior forestry project manager and head of office/department or similar leadership role;

2. Competence and hands on experience with guiding or leading institutional development in a government forestry sector;
3. Excellent communication skills;
4. Solid experience and competence in conducting review missions;
5. Competence and long term experience as senior adviser/professional working for government forestry sector in developing countries;
6. Proficiency in English (all team members);

The Team leader and the national consultant will be recruited by Sida (Embassy of Sweden in Vientiane, Lao PDR).

Annex 2. Documents Reviewed

Department of Forestry, (2007). Minutes of Meeting of the 4th Meeting of Donor_GOL Sub-Working Group on Forestry, Vientiane, Lao PDR.

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Department of Forestry (2006). Semi-Annual Report for Implementation of FSIP Annual Work Plan 2006/07 and Proposed Activities for Remaining Period. Vientiane, Lao PDR.

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Ministry of Agriculture and Forestry (2007). Indicators for monitoring of forestry sector performance (Draft), Vientiane, Lao PDR.

Ministry of Agriculture and Forestry (2006). Project documents: Forestry Strategy 2020 Implementation Promotion Project (FSIP), Vientiane, Lao PDR.

Ministry of Agriculture and Forestry (2007), Organization Structure of Ministry of Agriculture and Forestry, Vientiane City, Lao PDR.

National Assembly (2003), Land Law, Vientiane, Lao PDR.

National Assembly (1999), Industry Law, Vientiane, Lao PDR.

PMO (2006). Order of Prime Minister No 31/PM, dated 23.08.2006 about Increasing the Strictness in Forest Management, Conservation, Wood Business and Wood Processing Industry Promotion as Finished Products, Vientiane, Lao PDR.

Prime Minister's Office (2005). Decree on Endorsement and Declaration of the Forestry Strategy to the year 2020 of Lao PDR, No 229/PM dated 9 August 2005. Vientiane , Lao PDR.

Prime Minister's Office (2005), Decree on the Environment Protection Fund, Vientiane, Lao PDR.

Prime Minister's Office (2006), Decree on the Forestry and Forest Resource Development Fund, No 38/PM dated 21 February 2005. Vientiane, Lao PDR.

Prime Minister's Office (2006). Notification: Arrangement for Investor for Land Concession and Lease for Commercial Tree Plantation, Agricultural Activities, Tourism, and Mining Survey. Vientiane, Lao PDR.

Science Technology and Environment Agency (2006). National Policy: Environment and Social Sustainability of the Hydropower Sector in Lao PDR, Vientiane, Lao PDR.

Stephen Midgley (2006). Position Paper on Tree Plantation Sector Development in Lao PDR, Department of Forestry, Vientiane, Lao PDR.

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Tripartite Steering Committee (2007). Agreed Minutes of Annual Review Meeting of the Tripartite Steering Committee on Dec 11, 2007, Vientiane, Lao PDR.

**Annex 3. Resource Persons and Stakeholders met or interviewed during
Mid-Term Review Study Mission for FSIP Project
(17 April to 7 May 2008)**

Name and family name	Institution	Position	Address/contact
Dr. Paula J. WILLIAMS	[Independent Forestry Consultant]	International Consultant Team Leader / International Consultant, FSIP MTR Study Team	Tel. & Fax.: 1-410-757-4235 Mob.: 1-410-610-4708 Email: pjwilliams@att.net
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Annex 4. Initial Assessment of FS 2020 Strategic Actions supported by FSIP

2008

Action	Progress On schedule, or delayed?	Impact, effectiveness, efficiency, sustainability	Relevance? Priority for the strategy?	Implementers? Capacity of implementers	Follow-up needed? Other funding sources?
Action 1-1: Formulation and dissemination of laws and regulations	FSIP support to revision of Forestry Law, approved in 12/07 (6-month delay), such as 2 FSWG mtgs and email comments, drafts translated for comment; printing of revised Forestry and new Wildlife Law ongoing, with add'l. support of \$10,000 from SUFORD; training starting mid-May 08	Good impact – stakeholder consultations on draft law -> first time done by MAF Strengthened relationships among govt., donors, NGOs Revision of law aimed, among other issues, to control logging and make concessions more transparent, which should lead to sustainable impacts Good effectiveness, efficiency, and sustainability	Highly relevant High priority	DOF, Law Committee of the National Assembly Staff capable, but limited staff time available	Both revised Forestry Law and new law on Wildlife and Aquatic Resources require Implementing Decrees to be prepared Unofficial translation of revised Forestry Law prepared by FSIP have been shared with government and FSWG members, for forthcoming preparation of “official” translation

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2008

Action	Progress On schedule, or delayed?	Impact, effectiveness, efficiency, sustainability	Relevance? Priority for the strategy?	Implementers? Capacity of implementers	Follow-up needed? Other funding sources?
<p>Action 1-2: Public awareness-raising about forestry sector development and forestry legislation</p>	<p>Discussions held with Lao TV Delayed – not likely that this action will be completed by Sept. 08</p>	<p>Hope for impact, as TV (Lao Star Channel) is watched a lot in urban areas and radio is important in rural areas Too early to assess</p>	<p>Very relevant, as it could help to reduce lots of confusion regarding land concessions High priority, almost as important as the law itself</p>	<p>DOF Planning Division, Lao TV, radio and press Lao TV (Star Channel) has good staff, experienced in making documentaries, such as on model farmers</p>	<p>Too early to tell if follow-up will be needed Small-scale radio programmes via satellite might be considered More financial support will be needed to continue these efforts</p>
<p>Action 2: Establishment and participatory management of Protection Forests</p>	<p>Not yet started FSIP to support Action 2, activities #4 and #6, others to be supported by FDF</p>	<p>Too early to assess Activity #4 to support preparation of World Food Programme “Trees for Food” project of perhaps \$400,000 Potentially greater impacts may come from Activity #6, which aims to consider hydropower contributions to protection forests</p>	<p>Activity #6 is more relevant, higher priority, more important than activity #4</p>		<p>In terms of “payment for environmental services (PES),” i.e., using a portion of hydropower fees for management of protection forests, need to see what is being collected already for Environmental Protection Fund, managed by WREA</p>

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2008

Action	Progress On schedule, or delayed?	Impact, effectiveness, efficiency, sustainability	Relevance? Priority for the strategy?	Implementers? Capacity of implementers	Follow-up needed? Other funding sources?
Action 3: Development of models for participatory forest regeneration	Feb. 2008 proposal (rough decision) to pilot with Vientiane PAFO approved Local consultant to help, but not yet started May be possible to complete by Sept. 08	Too early to assess	Relevance and priority will depend upon how the work is done	Div. of Protection Forests, PAFO Not familiar with participatory approaches	Too early to assess
Action 4: Development and dissemination of village-level legal guidebook	This activity has been ongoing for a long time, in a sense "seriously delayed" Now draft manual needs revision to respond to changes in Forestry Law and consultation with higher authorities "Have to" complete this work by Sept. 08	This manual could have a big impact if it is published Great interest in NGO community to use this manual Manual will be useful (sustainable) for a while	Very high relevance and priority	DOF, NLMA will need to finalise	No further FSIP support planned If manual published, then organizations wanting to use it will need to develop extension materials and approaches – which will require support from other donors

Annex 4. Initial Assessment of FS 2020 Strategic Actions supported by FSIP

2008

Action	Progress On schedule, or delayed?	Impact, effectiveness, efficiency, sustainability	Relevance? Priority for the strategy?	Implementers? Capacity of implementers	Follow-up needed? Other funding sources?
Action 5-1: Development and dissemination of new Land Use Planning and Land/Forest Allocation	Took a few months to prepare & sign MOU Progressing well: not likely to be much delay, so it should be done by Sept. 08	Impact will be important if used, such as in REDD Manual will be useful for a while (sustainable) With Int'l TA support, effective and efficient	Relevant Very important priority	NAFES team Working group Int'l TA Support needed from other int'l TA (action 9-1)	Further support envisaged: printing of manual, equipment, training at central and provincial levels
Action 5-2: Preparation for Implementation of new Participatory Land Use Planning and Land/Forest Allocation (PALFUPA)	Not yet started Not likely to be completed by Sept. 08	Too early to assess, but Govt. Finland being asked to consider financing (up to \$8 mil.), important for REDD and regeneration work	Very relevant High priority	Working group and consultant May need add'l consultant (to work on satellite imagery, GIS, etc.)	FSIP support is just for project proposal development Other donor follow-up to agree on and implement project
Action 6: Preparation for next Land Use and Forest Cover Survey [2012]	Need to start as soon as possible (planned for Q3) and to be a part of REDD establishment Consultant (or SUFORD TA?) to design survey using higher-resolution images	Should have high impact, should be effective and efficient The survey itself will be Sustainable – results will be used for years	High relevance High priority	Working group comprised of 4 govt. agencies, TA Need int'l TA support	For survey, donor support will be needed Some donor projects (SUFORD, URDP, ADB) already started discussion on sharing images, training and equipment as much as possible

Annex 4. Initial Assessment of FS 2020 Strategic Actions supported by FSIP

2008

Action	Progress On schedule, or delayed?	Impact, effectiveness, efficiency, sustainability	Relevance? Priority for the strategy?	Implementers? Capacity of implementers	Follow-up needed? Other funding sources?
Action 7: Review and Revision of NBCA system	Activity already ongoing for a while Unlikely to finish by Sept. New MOU proposed between DOF & IUCN	Impact will depend upon results		DOF/Div. Forest Conservation & IUCN DOF wants to see gradually less and less reliance upon IUCN	Need more information Unclear if FSIP will provide any follow-up
Action 8: Awareness-raising about biodiversity conservation	Activities to develop mass media capacity, outreach programmes, prepare new biodiversity awareness - raising materials delayed Preparation for national wildlife day (13 July) on schedule	No clear impact yet, i.e., reprinting some old poster (not new materials)	Relevant May not be a high priority for FS implementation	DOF/Div. Forest Conservation & IUCN Help needed with first two activities	Too early to tell If good materials developed, FSIP could support dissemination
9-1: Development of survey method for identification of potential forest land for conversion	Completed March 2008 (delayed) [Funding originally planned for 9-5 was transferred to this activity]	Good impact, i.e., being used for Action 5-1 (LUP) Tree volume estimates important for REDD Effective approach Cost-effective Sustainable, i.e., can use basic approach, for a while	Yes, relevant Yes, priority	FIPD Lao staff able to implement some parts of work; needed int'l consultant support for other parts	Document is more than 100 pages, needs to be translated to Lao (but no budget now to do so) Submitted to DOF and accepted Capacity building, i.e., training team, equipment

Annex 4. Initial Assessment of FS 2020 Strategic Actions supported by FSIP

2008

Action	Progress On schedule, or delayed?	Impact, effectiveness, efficiency, sustainability	Relevance? Priority for the strategy?	Implementers? Capacity of implementers	Follow-up needed? Other funding sources?
9-2: Formulation of vision and priorities for plantation forestry development in Lao PDR	No specific follow-up to consultant report finished in Oct 2006, although some principles were incorporated into revision of Forestry Law	2006 consultant work had good impact, i.e., presented in plantation conference in Vientiane, many interested Effective & efficient Sustainable, i.e., still useful view of what has been done in the sector (despite changes)	Yes, relevant Yes, priority – cannot do anything without a vision	Consultant (Stephen Midgeley) – very competent and capable	Planned follow-up to consultant report was to revise 2003 Prime Ministerial Order on Plantation Development (Now some follow-up in 9-3-1 and 9-3-2)
9-3: Legal framework for investments					
9-3-1: Formulation of MAF Reg. on Promotion and Management of Investment in Tree Plantations	Field work done in 2006, drafts prepared Ongoing, delayed awaiting approval of Forestry Law May be possible to complete by Sept. 08	Should have a big impact Sustainability – too early to tell	Yes, relevant Yes, priority	Planning Division: Able to do work, but limited time ?? Production Forestry Division	No specific follow-up planned, but training & dissemination needed at local level Will need to monitor if implementation is effective or not
9-3-2: Formulation of the regulation to promote appropriate tree plantation investment with 2+3 model	No action taken yet, although planned for Q2 Unlikely to be finished by Sept. 08	Too early to assess impact, effectiveness, efficiency, or sustainability	Yes, relevant Yes, priority	?? Planning Division & new Production Forestry Division (do they have	No specific follow-up planned at this time Will need to monitor if implementation is effective or not

Annex 4. Initial Assessment of FS 2020 Strategic Actions supported by FSIP

2008

Action	Progress On schedule, or delayed?	Impact, effectiveness, efficiency, sustainability	Relevance? Priority for the strategy?	the capacity?) Implementers? Capacity of implementers	Follow-up needed? Other funding sources?
9-4: MAF Technical Guidelines on Tree Plantation Establishment and Management (Code of Practice)	FAO National Forest Programme (NFP) Facility will support NFP Workshop last year, several meetings to discuss outline of activity progress since that time	??? Too early to assess impact, effectiveness, efficiency, or sustainability ???		Dr. Inthavy is the focal point for this activity (focal point mtg held in Hanoi late Apr 08)	No information (this activity is closely linked with 9-3-1 and 9-3-2) FSIP Plantation Advisor to be part of the working group
9-5: Formulation of National Tree Plantation Development Plan (NTPDP) in 06/07	Decision made to drop this proposed activity from FSIP support (not in 07/08 work plan)				To create such a plan might require its own project, lots of funding Some feel that the consultant report (2006) was enough (see Action 9-2)
9-6: Support to small-holder plantations					
9-6-1: Support to teak plantation owners through certification	Progressing well Farmer group not yet formed 3-yr work plan with partners (07/08 on) Land use plan and teak inventory to start next month (will finish by Sept 08)	Will have a big impact in that region of country if get certification But costly in terms of time and funds, i.e., 3 years to get certification, so unlikely to expand quickly	Yes, relevant Yes, priority – will help poor farmers (but not poorest of the poor)	DOF, MOIC, smallholders, TFT, LPB Prov., University, WWF Farmers capacity very low, so need help, i.e., marketing teak	Follow-up planned, as there is a 3-year work plan (2007/08 until 2009/10) Will need more financial support for activities, donor support needed for certification Provincial policies need revision to support sound development of smallholder teak plantations

Annex 4. Initial Assessment of FS 2020 Strategic Actions supported by FSIP

2008

Action	Progress On schedule, or delayed?	Impact, effectiveness, efficiency, sustainability	Relevance? Priority for the strategy?	Implementers? Capacity of implementers	Follow-up needed? Other funding sources?
9-6-2: Improvement of teak plantation management	Data collection every year, between Oct and March This year done Jan.	Not very big impact Not very expensive, cost-effective Staff changes in FRC, loss of data – not very effectively managed Difficult to do without a project ???	Yes, relevant Maybe not a priority	FRC – capacity to do by themselves PAFO in two provinces (field sites)	Yearly activity for which budget is needed
9-6-3: Support to teak sector development through establishment of Teak Forum	Not started yet: Teak Forum not yet agreed upon in Luang Prabang Province	Too early to assess impact, effectiveness, efficiency, or sustainability This action aims to consolidate certification, mgt improvements, etc. and spread impacts	May not be high relevance or priority	DOF LPB Province University	FSIP may support 1 workshop Planned to be an ongoing activity in the future, but future FSIP support will depend upon outcome of this effort
9-7: Indigenous seed source management for use of high-quality seeds and saplings	Prepared 1st draft of Regulation and map Work still ongoing FRC staff responsible have changed If they are rushed, they could finish by Sept. 08	Yes, this activity has impact, effectiveness, efficiency, and sustainability – but not very big	Yes, relevant Maybe not a priority ??? (But not very costly for FSIP in terms of time or money to support)	FRC	Not sure what Regulation will contain, so difficult to know now what follow-up may be needed

Annex 4. Initial Assessment of FS 2020 Strategic Actions supported by FSIP

2008

Action	Progress On schedule, or delayed?	Impact, effectiveness, efficiency, sustainability	Relevance? Priority for the strategy?	Implementers? Capacity of implementers	Follow-up needed? Other funding sources?
Action 10-1: Study and improvement of NTFP quota and marketing system towards village-based management	Activity completed Workshop held in Q2/2008	Impact – preparation for Action 10-2	Relevant High priority (see 10-2)	Forest Research Center (FRC)	Being followed up by Action 10-2
Action 10-2: Pilot of village level quota system based on resource assessment and management	Detailed work plan submitted by FRC Delayed by at least 6 months from FRC proposal, which was to start Q1 (not yet started) → will not be finished by Sept. 08	Too early to assess If they come up with simple system that villagers can manage, then could have important impact, be good for both villagers & improved NTFP mgt. Potentially sustainable, but will not expand quickly	Village-based natural resource management is a key direction in the FS, so this action is: Relevant High priority	FRC, WWF FRC seems to have capacity (but do the staff members have adequate time to devote to this action?)	If successful with pilot and technical guidelines, then may have to revise NTFP quota system and MAF regulation on village forestry to include NTFPs in village forest mgt plans
Action 11: Support to and coordination of Forest Carbon Trading related activities	Draft proposal (R-PIN) discussed with FSWG; revised according to new template, to be formally submitted to WB in May 08, for expert panel consideration in June Discussions starting on int'l support to monitoring and field demonstrations	If REDD s institutionalized and Lao PDR establishes a successful system, lots of money might be available → potentially big impact (BUT amount of money unsure)	High relevance High priority 1 article in Forestry Law refers to this issue	DOF has a R-PIN working group	Need a higher-level cross-ministerial coordination committee, perhaps with a secretariat or technical working group Will need senior TA to support (especially if many other donors come) Possible support: European Space Agency , Japanese Forestry Institute, GTZ, Finland, World Bank

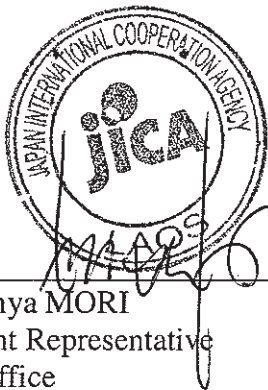
Annex 5. FSIP Original Budget and Accumulated Expenditures through 31 Mar 2008

Project	Component	Action	Original Budget				Expenditures (1 Apr 06 - 31 Mar 08)		Disbursement rate (% planned)		
			Sida	JICA	Total	Sida	JICA	Total	Sida	JICA	Total
	1		\$29,500	\$0	\$29,500	\$0	\$0	\$0	0.0%		0.0%
	2		\$107,600	\$0	\$107,600	\$13,800	\$10,000	\$23,800	12.8%	unplanned	22.1%
	3		\$32,000	\$0	\$32,000	\$8,663	\$0	\$8,663	27.1%		27.1%
	4		\$34,500	\$0	\$34,500	\$0	\$0	\$0	0.0%		0.0%
	5	Action 1				\$43,365	\$43,850	\$87,215		unplanned	
		Action 2				\$0	\$0	\$0			
		Action 3				\$0	\$0	\$0			
		Action 4				\$7,500	\$15,700	\$23,200		unplanned	
		Action 5				\$41,247	\$8,475	\$49,722		unplanned	
		Action 6				\$0	\$0	\$0			
		Action 7				\$20,288	\$0	\$20,288			
		Action 8				\$18,195	\$0	\$18,195			
		Action 9				\$22,400	\$83,180	\$105,580			
		Action 10				\$2,997	\$0	\$2,997			
		Action 11									
		Sub-total	\$744,000	\$318,000	\$1,062,000	\$155,992	\$151,205	\$307,197	21.0%	47.5%	28.9%
	6		\$0	\$0	\$0	\$0		\$0			
	7		\$0	\$0	\$0	\$19,788		\$19,788	unplanned		
	8		\$0	\$0	\$0	\$200	\$0	\$200			
	9		\$27,000	\$160,800	\$187,800	\$10,677	\$120,200	\$84,367	39.5%	74.8%	44.9%
	Contingency		\$94,760	\$31,800	\$126,560						
	Total		\$1,069,360	\$510,600	\$1,579,960	\$209,120	\$281,405	\$444,015	19.6%	55.1%	28.1%

RECORD OF DISCUSSIONS BETWEEN JAPAN
INTERNATIONAL COOPERATION AGENCY AND
AUTHORITIES CONCERNED OF THE GOVERNMENT OF
THE LAO PEOPLE'S DEMOCRATIC REPUBLIC
ON JAPANESE TECHNICAL COOPERATION
FOR FORESTRY STRATEGY 2020 IMPLEMENTATION PROMOTION PROJECT

With regard to the Minutes of Meeting of the Japanese Preparatory Study Team dated February 20th, 2006, Japan International Cooperation Agency (hereinafter referred to as "JICA") had a series of discussions through the Resident Representative of JICA Laos Office with the Ministry of Agriculture and Forestry (hereinafter referred to as "MAF") and Swedish International Development Cooperation Agency (hereinafter referred to as "Sida") and other authorities concerned on desirable measures to be taken by the three Governments for the successful implementation of the Forestry Strategy 2020 Implementation Promotion Project in the Lao People's Democratic Republic.

As a result of the discussions, and in accordance with the provisions of the Agreement on Technical Cooperation between the Government of Japan and the Government of Lao People's Democratic Republic (hereinafter referred to as "GOL"), signed in Tokyo on December 12th, 2003 (hereinafter referred to as "the Agreement"), the JICA and Lao authorities concerned agreed on the matters referred to in the document attached hereto.



Mr. Senya MORI
Resident Representative
Laos Office
Japan International Cooperation Agency



Vientiane, April 1st, 2006

Dr. Ty PHOMMASACK
Vice-Minister
Ministry of Agriculture and Forestry
Lao People's Democratic Republic

THE ATTACHED DOCUMENT

I. COOPERATION BETWEEN GOVERNMENT of LAO PDR, JICA and Sida

1. The Government of the Lao People's Democratic Republic will implement the Forestry Strategy 2020 Implementation Promotion Project (hereinafter referred to as "the Project") in cooperation with JICA and Sida.
2. The Project will be implemented in accordance with the Master Plan which is given in Annex I.
3. Minutes of Meeting on Implementation of the Forestry Strategy 2020 Implementation Promotion Project will be prepared and agreed between the three parties for smooth implementation of the Project.

II. MEASURES TO BE TAKEN BY JICA

In accordance with the laws and regulations in force in Japan, JICA will take, at its own expense, the following measures according to the normal procedures under the Colombo Plan Technical Cooperation Scheme.

1. DISPATCH OF JAPANESE EXPERTS

JICA will provide the services of the Japanese experts as listed in Annex II.

2. PROVISION OF MACHINERY AND EQUIPMENT

JICA will provide such machinery, equipment and other materials (hereinafter referred to as "the Equipment") necessary for the implementation of the Project as listed in Annex III. The Equipment will become the property of the Government of the Lao People's Democratic Republic upon being delivered C.I.F. (cost, insurance and freight) to the Lao authorities concerned at the ports and/or airports of disembarkation.

3. TRAINING OF LAO PERSONNEL IN JAPAN

JICA will receive the Lao personnel connected with the Project for technical training in Japan.

III. MEASURES TO BE TAKEN BY THE GOVERNMENT OF THE LAO PEOPLE'S DEMOCRATIC REPUBLIC

1. The Government of the Lao People's Democratic Republic will take necessary measures to ensure that the self-reliant operation of the Project will be sustained during and after the period of Japanese technical cooperation, through full and active involvement in the Project by all related authorities, beneficiary groups and institutions.
2. The Government of the Lao People's Democratic Republic will ensure that the technologies and knowledge acquired by the Lao nationals as a result of Japanese technical cooperation will contribute to the economic and social development of the Lao People's Democratic Republic.
3. In accordance with the provisions of Article V of the Agreement, the Government of Lao People's Democratic Republic will grant in the Lao People's Democratic Republic privileges, exemptions and benefits to the Japanese experts referred to in II-1 above and their families.
4. In accordance with the provisions of Article VII of the Agreement, the Government of Lao People's Democratic Republic will take the measures necessary to receive and use the Equipment provided by JICA under II-2 above and equipment, machinery and materials carried in by the Japanese experts referred to in II-1 above.
5. The Government of the Lao People's Democratic Republic will take necessary

measures to ensure that the knowledge and experience acquired by the Lao Personnel from technical training in Japan will be utilized effectively in the implementation of the Project.

6. In accordance with the provision of Article V of the Agreement, the Government of Lao People's Democratic Republic will provide the services of Lao People's Democratic Republic counterpart personnel and administrative personnel as listed in Annex IV.
7. In accordance with the provision of Article V of the Agreement, the Government of Lao People's Democratic Republic will provide the offices and facilities as listed in Annex V.
8. In accordance with the laws and regulations in force in Lao People's Democratic Republic, the Government of Lao People's Democratic Republic will take necessary measures to supply or replace at its own expense machinery, equipment, instruments, vehicles, tools, spare parts and any other materials necessary for the implementation of the Project other than the Equipment provided by JICA under II-2 above.
9. In accordance with the laws and regulations in force in Lao People's Democratic Republic, the Government of Lao People's Democratic Republic will take necessary measures to meet the running expenses necessary for the implementation of the Project.

IV. ADMINISTRATION OF THE PROJECT

1. Deputy Director General, Permanent Secretary Office MAF as the Project Director, will bear overall responsibility for the administration and implementation of the Project.

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2. Representative from Forestry Strategy 2020 Secretariat, as the Project Manager, will be responsible for the managerial and technical matters of the Project.
3. The Japanese Chief Adviser will provide necessary recommendations and advice to the Project Director and the Project Manager on any matters pertaining to the implementation of the Project.
4. The Japanese experts will give necessary technical guidance and advice to the Lao People's Democratic Republic counterpart personnel on technical matters pertaining to the implementation of the Project.

V. JOINT EVALUATION

Evaluation of the Project will be conducted jointly by JICA, Sida and the Lao People's Democratic Republic authorities concerned, at the middle and during the last six months of the cooperation term in order to examine the level of achievement.

VI. CLAIMS AGAINST JAPANESE EXPERTS

In accordance with the provision of Article VI of the Agreement, the Government of Lao People's Democratic Republic undertakes to bear claims, if any arises, against the Japanese experts engaged in technical cooperation for the Project resulting from, occurring in the course of, or otherwise connected with the discharge of their official functions in Lao People's Democratic Republic except for those arising from the willful misconduct or gross negligence of the Japanese experts.

VII. MUTUAL CONSULTATION

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There will be mutual consultation between JICA, Sida and Lao People's Democratic Republic on any major issues arising from, or in connection with this Attached Document.

VIII. MEASURES TO PROMOTE UNDERSTANDING OF AND SUPPORT FOR THE PROJECT

For the purpose of promoting support for the Project among the people of the Lao People's Democratic Republic, the Government of the Lao People's Democratic Republic will take appropriate measures to make the Project widely known to the people of the Lao People's Democratic Republic.

IX. TERM OF COOPERATION

The duration of the technical cooperation for the Project under this Attached Document will be four (4) and half years from April 1st, 2006.

ANNEX I	MASTER PLAN
ANNEX II	LIST OF JAPANESE EXPERTS
ANNEX III	LIST OF MACHINERY AND EQUIPMENT
ANNEX IV	LIST OF LAO COUNTERPART AND ADMINISTRATIVE PERSONNEL
ANNEX V	LIST OF LAND, BUILDINGS AND FACILITIES

ANNEX I MASTER PLAN

1. Project Title

Forestry Strategy 2020 Implementation Promotion Project

2. Objectives of the Project

(1) Super Goal

Forestry sector's sustainable contribution to socio-economic development, especially poverty eradication, and environmental conservation in Lao People's Democratic Republic is promoted on a long term basis through facilitating Forestry Strategy 2020 (hereinafter referred to as FS2020) implementation, and sound and efficient management of the Lao forestry sector.

(2) Overall Goal

Sustainable and productive forest use in Lao People's Democratic Republic through appropriate sector planning and management is promoted.

(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 of the Project

(1) MAF FS 2020 Implementation Plans and Reports are prepared in a timely manner.

(2) FS 2020 implementation status and forestry sector performance are monitored in a proper way.

(3) An institutional framework to promote effective inputs to FS 2020 implementation by stakeholders is established.

(4) Proper institutional framework of sector planning and management after the initial 5 year period is in place.

(5-1) A set of urgent policy related actions planned in the Plan of Operation are addressed with clear conclusions and institutionalized as policy or program.

(5-2) Appropriate activities for field implementation/law enforcement are carried out.

4. Activities of the Project

1-1 To draft 5 year and annual FS 2020 Implementation Plans for MAF approval

1-2 To draft annual Reports on FS 2020 implementation for MAF approval

2-1 To establish a monitoring system of FS implementation

2-2 To conduct monitoring and analysis of monitoring results including recommendations

for better implementation

- 2-3 To improve monitoring system for better implementation monitoring
- 2-4 To develop a set of indicators of sector performance
- 2-5 To conduct monitoring of sector performance and analysis of monitoring results including recommendations for better sector management
- 2-6 To improve indicators for better sector performance monitoring
- 3-1 To study and analyze coordination situation among Lao stakeholders concerning inputs to FS 2020 implementation.
- 3-2 To study and propose a better way of coordination to ensure FS 2020 implementation
- 3-3 To organize annual dialogue on FS implementation plans, implementation status and sector performance with stakeholders including donors
- 4-1 To evaluate FS 2020 implementation and its impacts on sector performance
- 4-2 To propose an institutional framework of sector planning and management based on analysis of FS 2020 and its implementation framework.
- 5-1-1 To provide necessary studies, study tour, resource persons, workshops, technical advice and so on with organizations or agencies responsible for addressing policy related Actions to come up with clear conclusions.
- 5-1-2 To assist GOL/MAF in institutionalizing the conclusions as policy or program.
- 5-2-1 To assist GOL/MAF in preparing and carrying out necessary activities including dissemination, training and seminars for field implementation/enforcement of policy or program.
- 5-2-2 To evaluate status of field implementation/law enforcement and its impacts on resource use and/or villagers' livelihoods.

5. Project Sites

(1) Target Areas

Lao People's Democratic Republic

(2) Project Offices

The premise of Department of Forestry (hereinafter referred to DOF), MAF

Note: In case in which the Master Plan should be changed due to the situation of the Project, both Governments will agree to and confirm the changes by exchanging a Minutes of Meeting.



ANNEX II LIST OF JAPANESE EXPERTS

The project experts, who will be in charge of the following fields, will be dispatched:

- (1) Chief Advisor
- (2) Tree Plantation Policy and Planning

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ANNEX III LIST OF MACHINERY AND EQUIPMENT

Machinery and equipment necessary for the effective implementation of the Project will be provided by the Japanese side within the budget allocated for technical cooperation.

Main items of machinery and equipment to be provided are as follows:

1. Vehicles
2. Equipment and stationeries for the project office
3. Other necessary equipment for the implementation of the Project

NOTE:

- 1) The use of the above-mentioned equipment is limited to the transfer of technology by the Japanese experts.
- 2) Contents, specification and quantity of the above-mentioned equipment will be decided through mutual consultations within the allocated budget of the Japanese fiscal year.

ANNEX IV LIST OF LAO PEOPLE'S DEMOCRATIC REPUBLIC COUNTERPART AND ADMINISTRATIVE PERSONNEL

1. Lao Counterpart

- (1) Project Director is to be Deputy Director General, Permanent Secretary Office, MAF
- (2) Project Manager is to be Representative from Forestry Strategy Secretariat.
- (3) Project Counterparts is to be Executive members, Forestry Strategy Secretariat.
- (4) Focal Points are to be Senior Staff **, National Agriculture and Forestry Extension Service (NAFES)
and Senior Staff **, National Agriculture and Forestry Research Institute (NAFRI)

**Minimum divisional director level

2. Administrative personnel

- (1) Administrative staff
- (2) Secretaries / Typists
- (3) Clerks
- (4) Drivers
- (5) Other supporting staff necessary for the project implementation

ANNEX V LIST OF BUILDING AND FACILITIES

The following will be provided by the Government of Lao People's Democratic Republic for the project implementation.

1. Buildings and rooms, facilities, equipment and materials

- (1) Project office at DOF in Vientiane city
- (2) Electricity, air conditioning, water supply and necessary telecommunication facilities including telephone, facsimile and e-mail services.

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Sida Contribution No:
44000066

**SPECIFIC AGREEMENT BETWEEN THE GOVERNMENT OF SWEDEN
AND THE GOVERNMENT OF LAO PDR**

The Government of Sweden (hereinafter referred to as Sweden) and the Government of Lao PDR (hereinafter referred to as Lao PDR) have agreed as follows:

The Swedish International Development Cooperation Agency, Sida, and the competent authority Ministry of Agriculture and Forestry (MAF) in Lao PDR shall be empowered to represent their respective Governments in matters concerning the implementation of this Agreement.

ARTICLE 1 SCOPE AND OBJECTIVES OF THE AGREEMENT

Lao PDR has decided to carry out a project called **Forestry Strategy 2020 Implementation Promotion Project (FSIP)** with support of Sida and Japan International Cooperation Agency (JICA).

A “*Super Goal*” of the FSIP is set as follows:

Forestry sector’s sustainable contribution to socio-economic development, especially poverty eradication, and environmental conservation in Lao PDR is promoted on a long term basis through facilitating FS2020 implementation, and sound and efficient management of the Lao forestry sector.

Development objective/Overall goal is: Sustainable and productive forest use in Lao PDR through appropriate sector planning and management is promoted.

More specific purpose/objective of the FSIP, which is to be achieved by the end of project, is:

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

The project shall be carried out in accordance with project document titled Forestry Strategy 2020 Implementation Promotion Project (FSIP) dated May 2, 2006 as amended from time to time.

ARTICLE 2 THE SWEDISH CONTRIBUTION

Sweden shall support the implementation and monitoring of the project as specified in this Agreement within an amount of nine million Swedish kronor (SEK 9 000 000). Out of this amount SEK 440 000 will be used by Sweden for Sida follow up and evaluation of the project.

The contribution shall be financed from the amount kept available by Sweden to Lao PDR in Agreements on Development Cooperation.

ARTICLE 3 UNDERTAKINGS BY LAO PDR

Lao PDR undertakes:

1. to implement the project and to provide resources as specified in this Agreement, particularly provide resources in kind as specified in the project document,
2. the responsibility for the Swedish contribution being used efficiently for agreed purposes only,
3. to ensure that administration and internal control of project resources are adequately carried out.
4. to establish a monitoring system before the end of the inception period.

ARTICLE 4 CONDITIONS FOR AND UTILISATION OF THE SWEDISH CONTRIBUTION

1. Only costs for activities carried out during the period from 1 April 2006- to 30 September 2010 may be financed by the Swedish contribution. After a period of six months from that latter date, the contribution in this Agreement shall not be available for payment.
2. It is a prerequisite for the disbursement of Swedish funds that all resources for the project not provided by Sweden and JICA are allocated by Lao PDR. Such an allocation as envisaged in the project document shall be made by a formal decision of the appropriate authority of Lao PDR. If the project document does not specify when the allocation shall be made, the allocation shall be made sufficiently in advance of the provision of the Swedish resources to allow implementation to proceed according to agreed plans.
3. Sweden may, at any time, withhold disbursements if deviations from agreed plans and budgets occur; if misuse of funds or other resources takes place; if the resources to be allocated by Lao PDR are not provided as planned; if the objectives of the project are endangered; if reports are not delivered as agreed; if a monitoring system is not established according to plans; if the financial management of the project is not satisfactory; if Lao PDR's obligations under previous

agreements between Lao PDR and Sweden on support to the project are not fulfilled; or if the project develops unfavourably in terms of the objectives, particularly the sector's contribution to poverty reduction, evident lack of political commitment or in any other important respect. It is agreed that the following are of special importance: that transparent information on FS2020 implementation is disseminated to the stakeholders on a regular basis; that policy related actions have a clear pro-poor profile.

4. Funds transferred to Lao PDR under this Agreement and not utilised before 31 March 2011 for the financing of activities shall be repaid to Sweden within three months of that date.
5. Sida may, if substantial deviation from the project document titled "Forestry Strategy 2020 Implementation Promotion Project (FSIP)" dated May 2, 2006 has occurred, or if other conditions set out in this Article are not fulfilled or fully respected, reclaim the disbursed amount, wholly or in part, from Lao PDR.

ARTICLE 5 PROCUREMENT

Procurement of goods, works and services shall be performed in accordance with internationally accepted principles and good procurement practices.

No offer, gift, payment, consideration or benefit of any kind, which would or could be construed as an illegal or corrupt practice, shall be accepted, either directly or indirectly, as an inducement or reward for the award or execution of contracts financed within this project.

Sweden may perform examinations of procurements. The examination can be made in the form of a procurement audit. Lao PDR shall provide Sweden with all the necessary documentation.

For procurement of goods, works and services, carried out by Lao PDR or by an agency/consultant appointed by Lao PDR, the following procurement rules shall apply: Decree No 03 of the Prime Minister on Government Procurement of Goods, Construction, Maintenance and Services, dated 9 January 2004; and implementing Rules and Regulations on Government Procurement of Goods, Construction, Repairs and Services, Regulation No 0063/MoF, dated 12 March 2004, or any decree/regulation that may replace this.

Tender documentation, including all published procurement notices, shall be prepared in English language.

Sida Procurement Guidelunes, chapter 6, set out the parts of the procurement process that require Sida "no objection".

Lao PDR shall notify procurement in accordance with what is stipulated in the DAC-Recommendation on Untying Official Development Assistance to the Least Developed Countries. A copy of each notification shall immediately be given to Sweden.

At the request of either of the Parties, consultations shall be held on any matter pertaining to procurement under this Agreement.

The Parties may agree that Sweden, as a part of the Swedish contribution, shall provide a procurement expert to support Lao PDR in the procurement.

Goods procured by Sweden under this Agreement, shall become the property of Lao PDR upon termination of the project, unless otherwise agreed.

ARTICLE 6 ENVIRONMENTAL IMPACT

The project shall include an environmental impact assessment, EIA, according to Sida's Guidelines for the Review of Environmental Impact Assessment (www.sida.se/partnerpoint). If an EIA has not been undertaken MAF shall clarify in the first annual review meeting how and when it shall be carried out. Lao PDR undertakes to implement the recommendations from the EIA. The implementation shall be followed up in the monitoring and evaluation activities of the project.

ARTICLE 7 PLANNING, REVIEW, REPORTING AND EVALUATION

1. The Parties shall meet **quarterly** in order to plan and follow up on the progress of the project, including financial follow-up.
2. An **Annual Review Meeting** shall be held no later than 1 December every year. The Parties shall agree on forms and frequency of Intermediate Reporting and intermediate Review Meetings. **Agreed Minutes** shall be prepared and signed before a Review Meeting is closed.
3. A draft **Annual Progress Report** shall be presented to Sweden before the Annual Review Meeting and no later than 30 days before the Annual Review Meeting. The Annual Review Meeting may decide that this report shall be revised, in which case a date for the provision of the final report shall be stated in the Agreed Minutes.
4. An **Annual Work Plan** with budget for the forthcoming year shall be presented to Sweden as a draft for analysis and subsequent discussion at the Annual Review Meeting no later than 30 days before the Annual Review Meeting. The final Annual Work Plan based on the

- agreements reached at the Annual Review Meeting shall be submitted to Sweden for approval at a date stated in the Agreed Minutes.
5. One of the quartely meetings shall constitute a **Semi-Annual Review Meeting**, to be held no later than 1 June every year. Agreed Minutes shall be prepared and signed before the Meeting is closed.
 6. A draft **Semi-Annual Progress Report** shall be presented to Sweden no later than 20 days before the Semi-Annual Review Meeting.
 7. An **Annual Financial Report** shall be submitted to Sweden no later than 45 days after closure of the financial year. The report shall be based on the statement of accounts and cover revenue and expenditure for the entire operation including all sources of financing. Intermediate financial reporting routines shall be agreed between the Parties taking into account, that an approved financial report is a prerequisite for disbursements dealt with in Article 8.
 8. Sweden shall report to Lao PDR on all relevant **transactions made by Sweden** for the project. This information shall be submitted not less than 14 days before the report from Lao PDR is due.
 9. An external Mid-Term Review Study shall be carried out in 2008. The Parties shall agree on the ToR during the preceding Annual review Meeting or Semi-Annual Review Meeting. The Mid-Term Review (MTR) shall focus on project performance and on structural problems during implementation. A **Mid-Term Review Meeting** shall take place in 2008 following the external Mid-Term Review Study. The parties shall discuss and agree upon changes in relation to operational procedures, organisational set-up and the overall budget. Sweden may propose a discontinuation of its project support if this would be considered justified based upon the results of the MTR-Study and the MTR-Meeting.
 10. A **Completion Report** shall be submitted to Sweden as a draft no later than 45 days before the Final Review Meeting. After joint consideration of the draft, the report shall be amended and finalised and submitted to Sweden within 45 days of the meeting. If the Final Review Meeting for some reason will not be held, the Draft Completion Report shall be submitted to Sweden no later than 1 June 2010 and the Final Completion Report within 45 days of receiving comments.
 11. An **Evaluation** shall be made during 2010. The Parties shall agree on the terms of reference and the procedures for its implementation during the preceding annual review meeting.

Further information on contents and format is provided in Sida's Guidelines for Planning, Reporting and Audit, which shall be distributed to

Lao PDR by Sweden. The Guidelines are also available at www.sida.se/partnerpoint.

Lao PDR shall promptly inform Sweden if reports and plans cannot be submitted as agreed. Annual reviews will not be held and new funds will not be disbursed until the required documents have been received. Irrespective of agreed reporting routines, the parties shall promptly inform each other if a situation arises that makes it likely that the project will not be carried out as agreed.

Lao PDR shall provide Sweden with any other information regarding the project that Sweden may reasonably request and enable Swedish representatives to visit project locations and inspect property, goods, records and documents. Lao PDR shall co-operate with and assist Sweden in the performance of follow-ups and evaluations of the impact of the project. The obligations of Lao PDR in this respect shall apply also to previously agreed support provided by Sweden to the project.

ARTICLE 8 DISBURSEMENT

Disbursement of the Swedish contribution shall be made as follows,

a) Disbursement to Lao PDR.

Disbursement will be made quarterly against written requests addressed to the Embassy of Sweden in Vientiane.

A prerequisite for disbursement is that the requirements in Article 4 are fulfilled and that progress and financial reporting as stipulated in Article 7 is submitted by Lao PDR and approved by Sweden. Each disbursement request needs to include or refer to a progress and financial report, as stipulated in Article 7. No disbursement can be made until Sweden has approved the request.

Disbursements of Swedish contributions shall only be made against a disbursement request in original from Lao PDR. Authorized to sign the disbursement request on behalf of Ministry of Agriculture and Forestry is the Deputy Permanent Secretary or his designated representative. Lao PDR shall inform Sweden of any new designation.

The disbursement request shall contain the following information and the disbursement be made accordingly:

- the words "disbursement request" shall be included in the heading
- the Sida Contribution ID
- the name of the project
- the requested amount in SEK

- the recipient's bank, bank address, account number/IBAN No, account holder, clearing number/sort code, SWIFT-code and currency of the account
- financial report on use of previous disbursements or reference to such report.

The disbursement request shall be signed and addressed to Embassy of Sweden in Vientiane..

b) Payments made by Sweden.

Payment shall be made by Sweden directly to suppliers, consultants and personnel contracted by Sweden.

Payment shall be made directly to the consultant in accordance with the contract between the consultant and Lao PDR and an undertaking to pay issued by Sweden.

ARTICLE 9 AUDIT

The project shall be audited annually. The audit shall be carried out by an external, independent and qualified auditor. The audit shall be carried out in accordance with international standards issued by International Organisation of Supreme Audit Institutions (INTOSAI) or International Federation of Accounts (IFAC). The terms of reference for the audit and the selection of auditor shall be approved by Sweden.

The Audit Report shall express an opinion whether the submitted Annual Financial Report is correct and gives a true and fair view of the activities of the project and whether the execution has complied with the rules and conditions governing the use of funds as expressed or referred to in this Agreement.

The auditor shall submit a Management Letter, which reviews the management and the internal control system of the project. The letter shall state which measures have been taken as a result of previous audit reports/management letters and whether measures taken have been adequate to deal with reported shortcomings.

If requested by Sweden the audit shall also cover the progress report of the project.

Lao PDR shall present the Audit Report and the Management Letter to Sweden as soon as it has been received from the auditor. A management response shall be produced by the implementing agency and submitted to the auditor and to Sweden within three weeks.

Lao PDR shall co-operate with and assist Sweden in the performance of any additional audits, follow-ups and financial studies that Sweden may request.

ARTICLE 10 REFERENCE TO OTHER AGREEMENTS

Cooperation between the Parties under this Agreement is also governed by:

- the Agreement on General Terms and Conditions for Development Cooperation between the Government of Sweden and the Government of Lao PDR for the period state period,
- the Agreement on Development Cooperation for the period 1 July 2004 to 31 December 2006; and
- the Minutes of Meeting on Implementation of the Forestry Strategy 2020 Implementation Promotion Project between MAF, Embassy of Sweden in Vientiane and JICA Laos Office
- any agreement that may replace or amend the said agreements.

ARTICLE 11 DISTRIBUTION OF THIS AGREEMENT

The Parties undertake to distribute copies of this Agreement to all their ministries, authorities and other institutions involved in the project of cooperation or otherwise in need of information of its content.

ARTICLE 12 TERMINATION

This Agreement shall remain valid until 31 March 2011, unless terminated earlier by six months' written notice by either Party. In cases of termination by Sweden the termination shall not apply to funds irrevocably committed in good faith by Lao PDR to third parties before the date of the notice of termination, provided that the commitments were made in accordance with this Agreement.

In case of serious breach of the Agreement, Sweden may terminate the Agreement with immediate effect.

In case of termination by Lao PDR, no funds shall be made available for activities after the expiry of the Agreement.

ARTICLE 13 ENTRY INTO FORCE

This Agreement shall enter into force on 1 April 2006.

Two originals of the text of this Agreement, written in the English language, have been signed, of which the parties have taken one each.

Vientiane, 12 May 2006

Place and date

For the Government of Sweden



Signature

AnnLis Åberg, Chargé d'Affaires

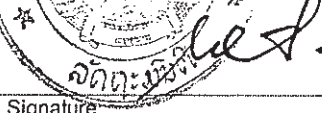
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Vientiane, 12 May 2006

Place and date

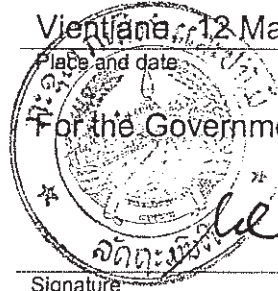
For the Government of Lao PDR



Signature

H.E. Dr. Ty PHOMMASACK, Vice
Minister of MAF

Name and title in block letters



MINUTES OF MEETING

On

Implementation of the Forestry Strategy 2020 Implementation Promotion Project

- With regard to the Record of Discussions between JICA and Authorities Concerned of the Government of Lao PDR on Japanese Technical Cooperation for Forestry Strategy 2020 Implementation Promotion Project signed on April 1st, 2006
- With regard to the Specific Agreement between the Government of Sweden and The Government of Lao PDR on Support to Forestry Strategy 2020 Implementation Promotion Project signed on May 12, 2006

The Ministry of Agriculture and Forestry of the Lao PDR (MAF) represented by Dr. Ty PHOMMASACK, Vice-Minister, the Japan International Cooperation Agency (JICA) of Japan represented by Mr. Senya MORI, Resident Representative, JICA Laos Office and the Swedish International Development Cooperation Agency (Sida) of Sweden, represented by Ms. AnnLis Aberg, Charge d'Affaires, Embassy of Sweden in Lao PDR have agreed for smooth implementation of the Forestry Strategy 2020 Implementation Promotion Project as follows:

1. Close cooperation between the three parties

- 1) The three parties will closely cooperate for smooth and effective implementation of the project, which will be carried out in accordance with the project document titled "Forestry Strategy 2020 Implementation Promotion Project (FSIP)" dated May 2, 2006 as amended from time to time based on agreement between the three parties.
- 2) Any issue related to the project will be discussed by the three parties and information should be shared among the three parties whenever possible. In case two parties of the three hold a bi-lateral talk, the parties will inform the other of its outline both before and after the talk.
- 3) Notwithstanding the demarcation of activities for support from JICA and Sida, the two parties will cooperate financially in case necessity arises.
- 4) Mid-term and final evaluations of the project will be conducted jointly by the three parties.

2. Tripartite Steering Committee

For effective and successful implementation of technical cooperation for the Project, a Tripartite Steering Committee will be established whose functions and composition are described in Annex I.

3. Financial arrangement

- 1) Financial contributions of JICA and Sida will be managed, used and audited according to the respective laws and rules of the two countries and agencies.
- 2) MAF will open a bank account specific to Sida fund for the project implementation at BCEL and inform Sida of its name and date of account opening.
- 3) As for JICA fund, a specific bank account will be opened at BCEL by JICA and the account will be controlled by JICA advisers.
- 4) Detailed draft budget plans will be attached to the draft annual and semi-annual project work plans, which will be proposed by MAF, for discussion and acceptance by the three parties.
- 5) Department of Forestry will send a letter of request for disbursement of Sida fund to the Embassy of Sweden on a quarterly basis based on the annual and semi-annual budget plans accepted by the three parties.
- 6) JICA will inform the other parties of its budget available for the project implementation on an annual basis from April to March next year based on the accepted annual budget plan in the previous year. Disbursement will be made on a quarterly basis based on request of JICA advisers.
- 7) Actual disburseable budget of JICA and Sida may be different from the amounts stated in the accepted annual and semi-annual plans due to financial situation of the governments of the two countries.
- 8) Reports on the use of budget will be attached to the annual and semi-annual progress reports of project activities, which will be proposed by MAF, for discussion and acceptance by the three parties. In these budget reports, Statements of Account for the Sida fund account for the concerned period issued by BCEL will be attached.

4. Recruitment of Chief Adviser

The Chief Adviser will be recruited by JICA in case that there is “no objection” from the other parties.

5. TOR and recruitment of short term consultants

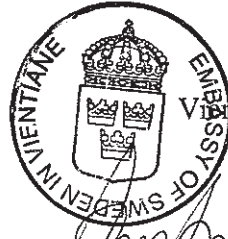
- 1) Terms of reference including qualification and remuneration for short term consultants both international and national will be proposed in the draft annual and semi-annual project work plans for discussion and acceptance by the three parties.
- 2) Short term consultants with agreed TOR will be recruited by MAF in case that there is “no objection” from the other parties.



[Signature]
Dr. Ty PHOMMASACK
Vice-Minister
Ministry of Agriculture and Forestry



[Signature]
Mr. Senya MCRI
Resident Representative
JICA Laos Office



Vientiane, May 12, 2006
[Signature]
Ms. AnnLis Aberg
Charge d' Affaires
Embassy of Sweden in Lao PDR

Tripartite Steering Committee

1. Functions

The Tripartite Steering Committee (TSC) will be convened for annual and semiannual planning/review of the project implementation and whenever necessity arises and work:

- 1) To monitor and evaluate the progress of the implementation and output of the Project for the period with reference to Annual Progress Report and Semi-annual Progress Report, which will be prepared by MAF and submitted to JICA and Sida prior to a TSC meeting.
- 2) To decide whether Annual and/or Semi-annual Progress Report be revised, in which case a date for the provision of the final report shall be stated in the Agreed Minutes.
- 3) To discuss and agree on an Annual Work Plan including budget with possible revisions, which will be prepared by MAF based on the Plan of Operation and submitted to JICA and Sida prior to TSC meeting.
- 4) To discuss and agree on major issues that arise in the course of the Project implementation.
- 5) To review and agree on revision of the project document when necessity arises.

The Minutes of Meeting will be prepared, agreed and signed by the three parties before the TSC Meeting is closed.

2. Composition

TSC will be composed of the delegates of the three parties as follows and chaired by the head of MAF delegate. The head of each delegate can be delegated to another member with prior consent of the other parties.

MAF

- a. Vice Minister; MAF
- b. Permanent Secretary, Permanent Secretary Office, MAF
- c. Project Director; Deputy Director General, Permanent Secretary Office, MAF
- d. Project Manager; Representative, FS Secretariat
- e. Project Staff; Executive Members, FS Secretariat
- f. Senior Staff **, NAFES, MAF
- g. Senior Staff **, NAFRI, MAF
- h. Representative, Department of International Cooperation, MOFA
- i. Other officials designated by MAF

** Divisional director level or higher

Sida

- a. Head of Mission, Embassy of Sweden/Sida
- b. First Secretary, Embassy of Sweden/Sida
- c. Other relevant personnel designated by the Head of Mission

JICA

- a. Resident Representative, JICA Laos Office
- b. Deputy Resident Representative, JICA Laos Office
- c. Other relevant personnel designated by Resident Representative of JICA Laos Office

Note

- (1) The JICA Advisers will attend all the TSC meetings as observers.
- (2) Official(s) of Embassy of Japan may attend TSC meeting as observer(s).