

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA2619

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Project Name	Protected Area and Wildlife Project (Regional APL) (P128393)
Region	EAST ASIA AND PACIFIC
Country	Lao People's Democratic Republic
GEF Focal Area	Biodiversity
Sector(s)	Forestry (60%), Public administration- Agriculture, fishing and forestry (40%)
Theme(s)	Biodiversity (60%), Environmental policies and institutions (35%), Climate change (5%)
Lending Instrument	Investment Project Financing
Project ID	P128393
Borrower(s)	Ministry of Finance
Implementing Agency	Environment Protection Fund
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	18-Jan-2014
Date PID Approved/Disclosed	21-Jan-2014
Estimated Date of Appraisal Completion	22-Jan-2014
Estimated Date of Board Approval	27-Mar-2014
Decision	

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I. Project Context
Country Context

Together, Southeast Asia and South Asia represent 31% of the global population and yet only 5% of the gross world product. Though these two regions have traded with one another for millennia, economic integration has been modest. The near future could be very different. The ASEAN-India Free Trade Agreement has already started to enhance economic connections. Located within Southeast Asia, Lao People Democratic Republic (PDR)(237,000 km², 6.64 million people) is a landlocked country sharing borders with China, Myanmar, Vietnam, Thailand and Cambodia. Since 2003, the Government of Lao PDR (GoL) has capitalized on East Asia's rising demand for electricity and natural resources (hydropower and mining) through trade liberalization and infrastructure. As a result, the pace of growth accelerated to an average Gross Domestic Product (GDP) growth rate of 6.7% and the natural resource sector expanded 21% annually, tripling its contribution to the GDP from 6 % (1998) to 16% (2011). The subsequent reduction in poverty is impressive, with the percentage of citizens below the poverty line decreasing from 39.1% (1998) to 27.6% (2008).

Despite progress in poverty reduction, many Lao citizens remain poor and dependent on natural resources. This is especially relevant for the ethnic and rural communities where the overwhelming majority of the population is reliant on natural resources for food security and income opportunities. For example, villagers within Nam Et-Phou Louey National Protected Area (NEPL NPA) acquired 67% of their animal protein from wild sources. In rural areas, non-timber forest products (NTFPs) contribute between 30-70% of income for forest-dependent households. Nationwide, domestic consumption of wood and NTFPs is valued at around US\$31.4 million annually. With diminishing wildlife and forests and population expected to further increase from 6.6 million (2012) to 7.6 million (2020), consequences are dire.

Sectoral and institutional Context

Context: South Asia and Southeast Asia each contains approximately 13 and 15% of global biodiversity. As a result, virtually all of Southeast Asia is included in one of the world's twenty-five biodiversity hotspots, with the Indo-Burma Biodiversity Hotspot shared between Lao PDR, Nepal, Bhutan, Bangladesh, India, and others. Within Southeast Asia, Lao PDR is distinguished by its habitat integrity and species uniqueness. The country has the highest percentage of natural forest cover in the region with approximately 40% (9.8 million hectares). The nation has 24 protected areas (PA or conservation forests) nominally protecting approximately 15% of the total land area (3.8 million hectares). Around 50% of the PAs line an international border, making transboundary management a necessity. Two of Lao PDR's most distinctive ecological regions are included in the Project: the Northern Indochina Sub-Tropical Moist Forests (represented by NEPL NPA) and the Annamite Range Moist Forests (represented by Nakai Nam Theun National Protected Area (NNT NPA)).

Policy and legislation: The Laos PA management policy is based on integrated conservation and development with a focus on collaboration and benefits for local people. All PAs have under multiple-use areas corresponding with the International Union for the Conservation of Nature (IUCN) PA Category VI. The Forestry Law (2007) categorizes PAs as either (a) conservation forest or (b) protection forest. PAs can be national (NPAs), provincial or district. Wildlife management is governed by the Forestry Law (2007), Wildlife Law (2007) and the Ministry of Agriculture and Forestry (MAF) Regulation No. 0360 (2003).

Institutions: In 2011, the Ministry of Natural Resources and Environment (MONRE) was created. The MONRE Department of Forest Resource Management (DFRM) oversees PAs. Only a few PAs have a PA Management Unit. Instead, the majority of PAs are loosely managed by staff from the District Offices for Natural Resource and Environment (DONRE). MAF, through its Department of Forest Inspection (DOFI), created in 2008, has retained responsibility for law enforcement on wildlife and forestry. In 2012, the Sam Sang (devolution) Directive delegated responsibilities to provinces, districts, and villages. The GoL signed the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in 2003. Lao PDR is a member of the ASEAN Wildlife Enforcement Network (ASEAN WEN) launched in 2005, and established its own Lao-WEN network in May 2011. In 2012, DOFI adopted its national strategy, which includes wildlife law and international trade control in partnership with Lao-WEN institutions.

Key Challenges: Southeast Asia's annual deforestation rate (1.4% during the past decade) is the highest among all tropical regions and increasing. Broad regional projections (2003) predict that 13 to 42% of all Southeast Asian species could be extinct by 2100 due to a 72 to 90% loss of natural

habitat. Lao PDR also is rapidly losing its remaining 9.5 million ha of forest: during the 1990s the annual loss of forest cover was around 1.4% or 134,000 ha per year. Wildlife populations are declining as well, though only anecdotal data is available. Lao PDR is considered an important country in the illegal wildlife international trade, as both a transit and source country. Rural communities have hunted for thousands of years for food and continue.

Key Issues: First, is the perception still shared by many that environmental considerations are a hindrance to fulfilling the country's economic aspirations. Second, Lao PDR is the lowest performing Asian country for wildlife trade control. Wildlife traders quickly adapt to changing enforcement environments and operate in countries with limited controls capacity like Laos undermining the enforcement investments made in neighboring countries. Third, the institutional organization of PA management in Laos is complex. A PA system requires a strong central institution that coordinates PAs operated by dedicated teams. Instead, the management of each PA is entrusted to environment district offices with diffuse accountability as well as little staff, equipment and training. Fourth, collaboration between the Vietnam and Lao PDR conservation agencies is ineffective despite attempts since the 1990s. Fifth, both the DFRM in MONRE and the DOFI in MAF are critically underfunded and understaffed. Sixth, there is domestic shortage of technically skilled workers and university graduates, and a large segment of the labor force is under-skilled. Finally, even though a suitable strategy to involve communities in PA management exists at this time, it is not implemented to its full extent in any of the country PAs.

Strategy: In June 2004, the National Biodiversity Strategy to 2020 and Action Plan to 2010 were completed. The National Biodiversity Strategy aims to "maintain the diverse biodiversity ... to protect the current asset base of the poor". The Forestry Strategy 2020 aims to restore forested areas to about 70% of the total land area, "to generate a sustainable stream of forest products, to preserve unique and threatened habitats, and promote environmental conservation and protection." To mitigate the low budget allocated to DFRM and DOFI, the GoL has established two funds. The Forest Resources Development Fund (FRDF) established under MAF receives a portion of the timber sales. The FRDF finances the management of production, protection, and conservation forests. The Environment Protection Fund (EPF) is an autonomous institution established under the Prime Minister's Office. It manages an endowment provided by the Asian Development Bank (ADB) and voluntary contributions from a number of hydropower and mining companies.

Rationale for Bank involvement: The conservation of natural ecosystems in Laos is positioned at the nexus of the Bank's two main agenda items: shared growth and poverty alleviation. First, the sustainability of future economic growth is highly dependent on well managed natural resources. Second, the livelihoods of many rural poor are heavily dependent on natural resources and an increase in these natural resources would enhance the assets of the poor. The proposed Project is included in the Country Partnership Strategy (CPS) and will contribute to the CPS 2012-2016 Strategic Objective 2 Sustainable Natural Resource Management in general and to Outcome 2.3: sustainable management and protection of forests and biodiversity in particular. The Project will be the fourth phase of the regional horizontal APL designed to strengthen regional cooperation for wildlife protection in Asia. It is a building block of the GEF-5 Greater Mekong Subregion (GMS) Forests and Biodiversity Regional Support Project for which the higher objective is to facilitate enhanced regional cooperation and coordinated national actions for the sustainable management of a network of priority conservation landscapes in the GMS. In addition, the Project will contribute to millennium development goal 7 "ensure environmental sustainability; the World Bank Road Map for Environment Law Enforcement and the Global Tiger Initiative.

II. Project Development Objective(s) / Global Environmental Objective(s)

A. Project Development Objective(s)

To strengthen the management systems for national protected areas conservation and for enforcement of wildlife laws

B. Global Environmental Objective(s)

Same as the PDO

III. Project Description

Component Name

National Institution Development and Capacity Building

Comments (optional)

This component seek to improve national protected area and wildlife capacity to implement and monitor national conservation laws as well as regional/international commitments

Component Name

Management of Wildlife and Protected Areas

Comments (optional)

This component seek to improve the provincial and district institution, communities and other stakeholders' capacity to conserve national protected areas and protect wildlife in 4 provinces

Component Name

Project Administration and Technical Assistance

Comments (optional)

This component supports the other two through fiduciary, technical and M&E assistance.

IV. Financing (in USD Million)

Total Project Cost:	25.23	Total Bank Financing:	17.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			1.40
International Development Association (IDA)			12.50
IDA Grant			4.50
Global Environment Facility (GEF)			6.83
Total			25.23

V. Implementation

Regional: Regional coordination, especially with South Asia countries that have benefited from the APL, will be mobilized through thematic meetings on transboundary conservation issues. India and Vietnam, although not APL countries, are expected to join in the discussions. The long-term regional coordination mechanism would be through the South Asia Wildlife Enforcement Network (SA-WEN) and ASEAN-WEN. This will be formalized during the mid-term review of APL 1 and 2 and at the start of this Project both intended to be completed by end 2013.

National: The Environment Protection Fund (EPF) will be the implementing agency and therefore

administer the subproject mechanism. Sub-project Delivery Agencies (SDAs) will propose and implement sub-projects. To strengthen EPF a TA package will be provided. The EPF secretariat will be responsible for project administration, at the national and provincial level including financial management, procurement, monitoring and reporting. EPF will assist SDAs in developing subproject proposal, assist them with initial training for implementation, and provide them support during implementation in the form of technical advice, procurement and M&E services as well as reporting. EPF will supervise the quality of implementation, the compliance with fiduciary requirements including safeguards and whether sub-projects are delivering outcomes. However, EPF will not supervise the compliance with national plans, policy and laws, which will be carried out by the respective governmental agency (MONRE or MAF). Each of the SDAs will need to demonstrate capacity to implement their subproject. Each SDA will have the option of using up to 20% of the subproject to recruit implementation support TA, though the budget of each subproject will be evaluated in its own merit. The sub-projects supporting NPA management and livelihood development will verify whether existing village structure are adequate to support the implementation of the Community Engagement Framework (CEF). If this is not the case, Village Development Committees (VDC) (or equivalent) would be established in participating villages. The VDC will become the key institutional mechanism for all project activities at the community level. VICAD members would be representative of the village community and include a Chairperson, a Deputy Chairperson, Secretary, Treasurer, and representatives of women, elders, youth, and other village sub-sectors as members.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36	x	
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10	x	
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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