



Lao People's Democratic Republic
Peace independence Democracy Unity Prosperity



EPF Five Years Strategic Plan

March 2007

Foreword by the EPF Chair

The Government of Lao PDR given high importance to sound environmental management and links the environmental and social protection with the socio-economic development of the country. Based on the above view, the Government of Lao PDR is creating better conditions in balancing the economic development with protection of its natural resources. The government issued the Environmental Protection Law in 1999, triggering the development of a comprehensive environmental and social safeguard framework for the protection and management of its environmental resources. However, at present, Lao PDR still faces many challenges in managing its rapid development with environmental protection and poverty reduction.

A key challenge for Lao PDR has been to effectively provide financial resources to the wide range of initiatives developed by the various stakeholders (National and local Governments, Communities) to protect and sustainably manage its natural resources. As such, the establishment of the Environment Protection Fund in 2005 as a financially autonomous organization operating under the legislation of Lao PDR has been another important step forward by the GOL in the implementation of the environmental policies.

Subsequently, the Board of Directors of the EPF prepared the present Strategic Plan as a comprehensive approach to further develop and provide adequate financing mechanisms to support the implementation of the various Government Sector Policies. The EPF strategic plan emphasis's on financing of priority activities to strengthen the environmental management, the natural resources management, the biodiversity conservation and the community development to contribute to the sustainable development of the country and the reduction of the poverty of the multi-ethnic people.

Moreover, the Board of Directors would like to highlight the commitment of the EPF to become a reliable and accountable partner in financing of environmental protection and to integrate key

operating principles into all the activities of the EPF: transparency, efficiency, effectiveness, sustainability and partnership.

In the implementing of the strategic plan, the Board of Directors expects good collaboration and supports from all stakeholders to meet the EPF and the environmental protection law objectives.

Finally, I would like to congratulate all people and parties who have contributed to the preparation this important Strategic Plan. I also would like to thank all the Partners who have committed themselves to implement the EPF Strategic Plan and will contribute to the establishment of a mechanism for sustainable financing for environmental protection in Lao PDR.

Deputy Prime Minister
Chairman of the EPF

Duly signed

Asang Laoly

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List of Abbreviations

ADB	Asian Development Bank
BoD	Board of Directors
CBI	Community and Biodiversity Investments (EPF Window)
DGA	Development Grant Agreement (WB)
ED	Executive Director (EPF)
EO	Executive Office (EPF)
EPF	Environment Protection Fund
FAU	Financial and Administrative Unit
GOL	Government of Lao PDR
LENS	Lao Environment and Social Project (EPF/WB)
MEU	Monitoring and Evaluation Unit (EPF)
PICE	Policy Implementation and Capacity Enhancement (EPF Window)
POU	Project Operations Unit (EPF)
PSC	LEnS Project Steering Committee
SFW	Specialized Financing Window (EPF)
STEAA	Science, Technology & Environment Agency
WB	World Bank
WMU	Window Management Unit

Executive Summary

The EPF Five-Year Strategic Program aims to outline its support to key priorities identified in the National Strategy on Environment to the Year 2020 and Action Plan for the Years 2006-2010, the National Biodiversity Strategy and Action Plan, the Forestry Strategy and Action Plan, and other strategic programs adopted by the Government of Lao PDR.

The Five year Strategic Program also aims to establishing sound and transparent operating procedures to efficiently and effectively provide financial support to a wide range of priority projects in Lao PDR.

Support for activities to be financed by the EPF will be based on the following operating principles:

- ▶ Ownership and Accountability;
- ▶ Transparency and Efficiency;
- ▶ Effective Implementation of Government Policies;
- ▶ Achieving measurable outcomes;
- ▶ Sustainability.

For the Medium-Term (until 2010), the present EPF Five-year strategic program focuses on ensuring the following operating priorities:

1. Developing Partnerships with different Government Agencies, Donors and Private sector to guide and support the EPF;
2. Demonstrating Sound Financial Management of the EPF to create confidence in the EPF by all Government and Donor Agencies;
3. Development of a mix of instruments to provide financial support for a wide range of stakeholders;
4. Supporting priority concerns for the environmental protection in Lao PDR (through the establishment of 5 special financing windows);

5. Establish an adequate monitoring and supervision system to ensure compliance with the EPF Operating Principles.

With these Goals, the EPF expects to have, by 2010, a comprehensive operational program to finance natural resources management (land, water, biodiversity and forestry), the pollution control and the community development to contribute to the effective socio-economic development.

I. Introduction

Lao PDR has a remarkable range of natural resources and environmental riches, despite being categorized as a 'least developed country'. With almost half of the country under forest cover, abundance of water and a low population density, Lao PDR has consequently a diversity of species that is found in few other countries in the region. The country's economic development is largely dependent on its natural resources, mainly, hydropower, forests and minerals.

Lao PDR has confronted with numerous environmental challenges. The unsustainable exploitation of resources has resulted in degradation of land and loss of natural habitats. This degradation, combined with declining air and water quality, is disproportionately impacting the poorest groups in the country.

In this regard, the Government of Lao PDR (GOL) established the National Environment Committee by the Decree on the establishment and activities of the National Environment Committee (NO 9/PM dated 2nd February 2002) to provide advice to the government in all environmental related matters and to be coordinator in planning, managing, monitoring, and inspecting environmental protection activities in order to ensure the effective implementation of the aforementioned activities in accordance with the state socio-economic development plan.

At the policy level, in 2004, the GoL adopted the National Environment Strategy and the annual plan for 2006-2010 that focus on the resources management, pollution control from the infrastructure development and the capacity development on the environment. In this the GOL has developed the priority economic program for the period 2006-2010 that envisage continuous economic growth at the level of more than 7.5% in which the environmental projects are identified.

To support the implementation of these Policies, the GOL established the Environment Protection Fund (EPF) by the Decree on the Environment Protection Fund (NO 144/PM dated 6 June 2005) to

finance eligible activities that will strengthen environmental protection, sustainable natural resources management, biodiversity conservation and community development in Lao PDR.

II. Overview of the EPF

II.1. Establishment of the EPF as a Financing Organization

EPF will finance projects of individuals, commercial entity, government organization and civil society by means of non-refundable grants, preferential loans, and interest rate subsidies or a combination of these in accordance to the EPF objectives.

With its legal mandate, EPF will fund projects that cover a number of sectors and provinces and are the priority on the environment. The EPF projects will involve government organization, civil society and local organizations that will ensure the whole system of environmental protection from the establishment /strengthening of policy to the implementation at the grass-root level.

The EPF, in accordance to the Environmental Protection Law, will not support the mitigation of environmental impacts of the development project that the developers are responsible for. Also, despite being recognized as the only environmental fund in Lao PDR, it is not envisaged that the EPF will become responsible for managing all funding sources related to environmental management in Lao PDR.

II.2. Specialized Financing ‘Windows’

Funding from the EPF will be provided only through Specialized Financing Windows (SFW), which will have specific objectives, targets, and if necessary, implementation procedures. Specialized financing windows will be setup for financial support to be provided from the EPF Budget, or with the support from external Donors.

At the time of its establishment, the EPF already received a World Bank supported grant of US\$ 4 million (with a Government Contribution of US\$ 0.8million) to establish two financing windows, and to support the EPF Executive Office to become fully operational.

II.3. EPF Organizational Structure

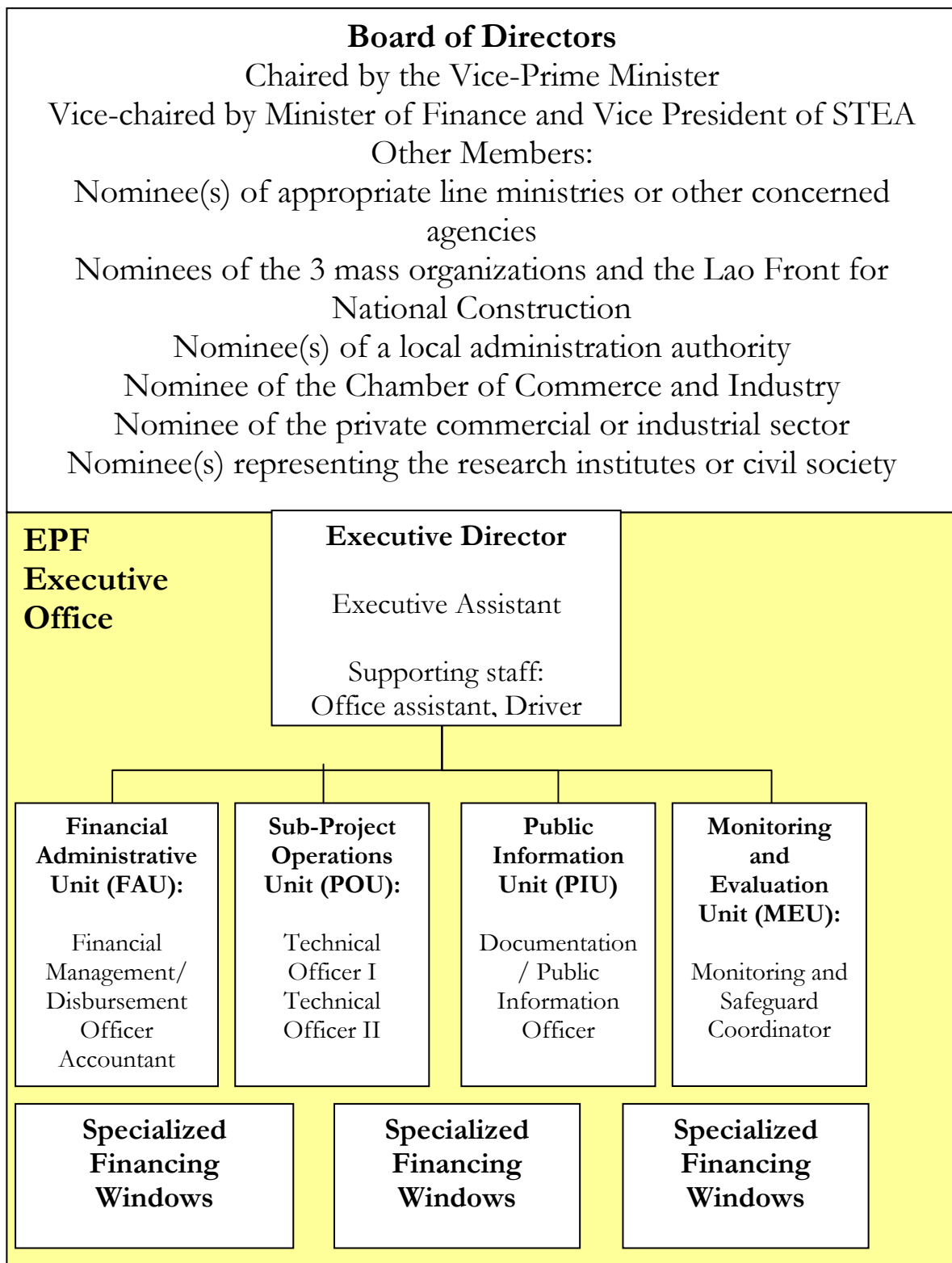
As described in the provisions of the EPF Decree and Charter, the EPF is comprised of Board of Directors (BoD) and an Executive Office (EO), which includes any specially established Units to carry out the day-to-day management of the specialized financing windows. An Organization Chart of the EPF is shown in **Error! Reference source not found..**

The Board of Directors (BoD) has the overall responsibility of effectively promoting and achieving the purpose of the EPF, including: (i) establishing EPF's policies, strategies and priorities; and (ii) provide guidance to and monitor the EO regarding the effective implementation of its duties and functions.

The Board of the EPF consists of representatives of line-ministries, mass organizations, local authorities, trade and industry council, research institutes or civil society and consists of the Chairperson, 2 Vice-Chairpersons and its regular Members.

The EPF BoD will be supported by its EO, led by the Executive Director (ED) and assisted by a number of consultant recruited by the EPF. The number of the staff and consultants will depend on the number of active projects.

Figure 1 – Organization Chart of the EPF



III. Strategic Vision for the EPF

III.1. EPF Long-Term Vision

The overall goal of the EPF strategic program is to establish and provide sustainable financing mechanisms for environmental protection that contributes to the socio-economic development and the reduction of the poverty. Therefore, the future EPF actions will contribute to the performance of GoL goals and the Millennium Development Goals in Lao PDR as well as the international obligations of Lao PDR.

As such, the EPF envisage, by 2010, to have become the key facility to channel the various investment funds for environmental protection in Lao PDR (including Government contributions, donors, and certain environmental charges). For example, the existing World Bank Grant, implemented through the Lao Environment and Social (LEnS) Project, at building the management and operation capacity of the EPF for approving, funding, monitoring and evaluating sub-projects, enabling the EPF to utilize NT2 revenues in an efficient and cost effective manner.

Although the EPF is established to provide sustainable financing for environmental management and protection, it should be emphasized that the EPF does not envisage necessarily managing all environmental fees and charges to be levied in Lao PDR. Details of establishing sustainable financing mechanisms will be discussed with all the relevant stakeholders during the coming years.

Support for activities by the EPF will be based on the following operating principles:

- ▶ ***Ownership and Accountability.*** Applicants receiving EPF support will be fully responsible for the successful implementation of the activities. The applicants will be accountable for the proper use of the funds and for achieving the agreed outcomes of the financial support.

- ▶ ***Transparency and Efficiency.*** The use of EPF Funding and its subsequent accountability will require the applicants to ensure transparency of the usage of the funds, and provide public disclosure of all transactions where necessary. The provided funds will be used in an efficient way, maximizing the benefits for target beneficiaries. To improve efficiency, funding will be provided directly to the key implementing applicant.
- ▶ ***Effective Implementation of Government Policies.*** Activities carried out under the EPF funding will contribute to the effective implementation of the relevant Government Policies.
- ▶ ***Achieving measurable outcomes.*** Activities carried out with the support of EPF funding will provide specific and measurable outcomes. The Outputs will be determined with a specific cost estimate time frame for implementation. Deliverables will be key indicators for disbursement of agreed funding.
- ▶ ***Sustainability:*** Supported activities should be sustainable and provide longer term benefits beyond the scope of the implementation period. Implementation and operation of the sub-projects will also comply with the Government Environmental and Social Safeguard regulations (including the Environmental Protection Law, the Environmental Impact Assessment Law, Resettlement and Compensation Decree/Regulations).

III.2. EPF Medium Term Strategic Plan (2006-2010)

For the Medium-Term (until 2010), the present EPF Five-year strategic program focuses on ensuring the following operating priorities:

1. Developing Partnerships with different Government Agencies, Donors and the private sector to strategically and financially support and implement the activities of the EPF (see section IV.1);
2. Demonstrating Sound Financial Management of the EPF through the creation and application of clear and transparent operating and implementing procedures, which will provide the necessary assurance for the Government, Donors, and Investors that the funding is used efficiently and effectively (see section IV.2);

3. Development of a mix of instruments to provide financial support which can be applied to address the full range of needs and priorities for environmental protection (see section IV.3);
4. Supporting priority concerns for the environmental protection in Lao PDR, namely: i) strengthening the environmental management; ii) the natural resources management especially the biodiversity and community development; and iii) pollution prevention and control (see section IV.4);
5. Seeking guidance from a wide range of Stakeholders to establish a monitoring and supervision to ensure that the financing is used effectively, in compliance with the EPF operating principles (see section IV.5).

With these Goals, the EPF will have a comprehensive operational program in financing natural resources management (land, water, biodiversity and forestry), the pollution control and the community development to contribute to the effective socio-economic development.

IV. Implementation Strategy

IV.1. Developing Strategic Partnerships

The development of Strategic Partnerships will focus on two aspects: i) identifying priority concerns in environmental management and protection, and ensuring that EPF support complements efforts which are already initiated by the different stakeholders, and ii) raising funds to support the identified priority activities and establishing appropriate disbursement mechanisms.

As the key financial organization in Lao PDR to provide sustainable financing for projects/activities related to the strengthening of environmental protection, the sustainable natural resources management, biodiversity conservation and associated community development, the EPF will work closely with the different Government Agencies in providing Policy support and subsequently identify investment requirements. The latter will closely be coordinated with all agencies and existing development funds, namely the Poverty Reduction Fund and Forestry Development Fund and others aiming at the complementarities.

Besides this, EPF will cooperate with various development banks to finance sound environmentally investment projects or environmental mitigation project of the economic entities. EPF will also work with different entities on the EPF contribution.

In the starting phase, the EPF has received the GOL in kind contribution, the financial assistance of the Asia Development Bank (ADB) to establish the financial mechanism for the environmental protection in Lao PDR and the grant of the World Bank (WB) to the Lao Environmental and Social project (LENS) which is comprise of two SFWs and a management component. However, these are initial contributions and cannot response to the mandate of EPF and sustain the financing of environmental undertakings, EPF will continue to seek additional funds as follows:

- ▶ ***Grants and Loan from foreign entities:*** At present the ADB provide fund to establish the financial mechanism for environmental protection in Lao PDR as endowment fund and the WB support the LENS including two windows and management component. EPF will continue to work with all donors to seek additional contribution.
- ▶ ***State Budget:*** Lao PDR has high potential to fund the environment from the natural resources use and activities (hydropower, mining, eco-tourism...); EPF is planning to undertake a study on the fees and surcharges from the resource use that will provide contribution to the EPF.
- ▶ ***Contributions from business and person entities:*** The contribution from private sector is highly promising as the GOL provide policy for hydropower sector to contribute to the EPF and many other business developed have agreed with the GOL to contribute to the EPF, the EPF Office will further work with these entities and other GOL agencies about the contribution.
- ▶ ***Interest or benefits accrued from investing the EPF endowment:*** EPF will invest the fund that will not be immediately used for the EPF activities such as the endowment fund from the ADB.

Investment Strategy: The Board, with support from the Executive Office, shall develop investment guidelines to achieve the goals of minimizing risk to the EPF capital while ensuring the sustainable administration and operation of the EPF. These guidelines shall permit investment of the EPF capital both within and outside Lao PDR, so as to maximize investment returns at minimal risk.

The Board shall select and enter into a contract with a professional asset managing firm or commercial bank of internationally recognized standing, reputation, and competence to assist in managing and investing the un-disbursed capital of the EPF with the investment guidelines developed by the Board.

IV.2. Developing Sound and Transparent Operating Procedures

Transparent Operation Procedures. The EPF will work with donors, Government ministries and provinces authorities to develop and implement transparent operating procedures and mechanisms to provide the funds for the sub-projects implemented by the ministry and provincial agencies, and civil society or for the strengthening of the EPF Office. At present, various draft documents are already prepared and endorsed by the EPF BoD. Through the actual implementation of Sub-Projects, the EPF will gain new experiences and subsequently update and improve its operational documents, the screening process, endorsement and approval procedures, and monitoring mechanisms.

Development of an Accounting System: A new and professional accounting and sub-project monitoring system is being developed for the EPF. The system will be used for the entire EPF, including Sub-Projects and Special Financing Windows. Details on the accounting system are included the Operations Manual. Until now, a simple EPF accounting system developed within MS Excel is being used for the EPF.

Preparation of Guiding Documents: Guiding documents have already been developed for the two LEnS Special Financing Windows. At present, selection and approval criteria for the grants are based on:

- ▶ Contribution of the proposal to the objectives of the particular EPF window and its activities.
- ▶ Complementarities with environmental capacity building measures being implemented in other projects. Duplication of efforts already underway will not be supported.
- ▶ Proposals for activities will be considered according to their appropriateness to the current stage of implementation of new and priority policies.
- ▶ Clear and assessable outputs and results.
- ▶ Feasibility of delivering outputs with the resources proposed.
- ▶ Demonstrated commitment of staff time and resources by implementing partners to ensure successful implementation.

The guiding documents and implementation procedures will be updated based on the experiences gained during implementation of the sub-projects.

During the application of the system, it is foreseen that the following activities will still be required to make the system fully operational:

- ▶ Training of EPF staff
- ▶ Make appropriate modifications to the Chart of Accounts;
- ▶ Develop and appropriate modifications to the Standard Forms and Reports
- ▶ Preparation of a practical Accounting Manual for the application of the EPF Accounting system.

IV.3. Development of Financing Instruments

As defined in the EPF Decree, financial support by the EPF may be provided through Non-Refundable Grants, Preferential Loans or Interest Rate Subsidies. Financial support through any of these instruments is referred to as “Sub-Projects”. At present, only non-refundable grants are being provided.

During the coming years, eligibility criteria and operational documents and procedures will be developed for the two other instruments. The main anticipated characteristics of (or a combination of) these instruments are:

- ***Preferential loans:*** Tentatively, the most probable option is for this task to be contracted to commercial banks, for a handling fee. Negotiations with possible banks will be conducted by the Executive Director prior to establishing the final procedures and loan conditions.
- ***Interest rate subsidies:*** Tentatively, interest rate subsidies may take three forms: 1) a direct cash grant to a lending institution to write down the bank's interest rate on a loan; 2) a government-sponsored low interest loan subordinated to a participating commercial lender; or 3) a lower than market rate loan to a qualified borrower as a result of an advance or pass-through provision from a public entity. Interest rate subsidies are an eligible form of disbursement mechanism only in the specific

cases where this particular form of support can leverage significant additional sums of financing.

IV.4. Establish and Operate 4 Financing Windows

The EPF strategic program identified 3 main goals for Environmental conservation in Lao PDR:

- Goal 1:** To promote and support activities those strengthen the community development
- Goal 2:** To promote and support the natural resources management
- Goal 3:** To promote and support the pollution prevention and control.

To support activities addressing these key goals, all financial support by the EPF will be provided through specialized financing windows. A summary of the anticipated windows is given in Table 1.

Table 1. Strategic Program anticipated Special Financing Windows

Special Financing Window	Anticipated establishment	Funding Status	Project
Special financing window for the Policy Implementation and Capacity Enhancement (PICE)	Established in 2005	Funded by World Bank Grant.	LENS
Special financing window for the Community and Biodiversity Investment (CBI)	Established in 2005	Initially funded by the World Bank for three Provinces Borikhamxay, Khammouane, and Savannakhet.	LENS
Special financing window for the Pollution Control	FY2006-2007	Initially to be financed from the interest from the Endowment Funds	-
Special financing window for the Water Resources Management	FY2006-2007	Initially to be financed from the interest from the Endowment Funds	-
Special financing window for the Sustainable Land Management	FY2007-FY2008	Initially to be financed from the interest from the Endowment Funds	-

At present, two financing windows are operational under the LENS Project with the Support from the World Bank, notably:

- The *‘Policy Implementation and Capacity Enhancement’* (PICE) Window funds proposals submitted by national, provincial or district government agencies, academic/research institutions and civil-society to undertake activities and initiatives related to its 5 main sub-components:
 - ▶ Environmental and social monitoring and policy implementation support (Safeguard monitoring support , LENS sub-component A1)
 - ▶ Integrated River Basin Management (LENS sub-component A2).
 - ▶ Hydropower Sector Policy Support (LENS sub-component A3)

- ▶ Social Safeguards Management (resettlement policy support, LEnS sub-component A4)
 - ▶ Environmental Education and Awareness (LEnS sub-component A5).
- The ‘*Community and Biodiversity Investments*’ (CBI) Window aims to support activities and initiatives in three target Provinces (Borikhamxay, Khammouane, Savannakhet) to:
 - ▶ Strengthen management of protected areas (PA) and ensure sustainable livelihood to those community who heavily depend on the PA (LEnS Sub-component B1); and
 - ▶ Invest in on-the-ground environmental improvement activities for poor community with emphasis on biodiversity conservation, community environmental management, livelihoods enhancements and promotion of ecotourism (LEnS Sub-component B2).

Besides donor contributions, part of the regular EPF EO budget¹ will be used for providing financial support for key environmental concerns in Lao PDR through specialized financing windows. The remaining regular EPF budget will be used to cover the essential service of the Executive Office (EO) as assigned such as the administrative cost and the project management cost.

Over the coming years, the EPF EO envisages the opening of at least three other Windows to address priority concerns in Lao PDR. These include Windows to:

- ▶ ***Promote and support the Pollution Prevention and Control:*** This Window would support sub-projects which will contribute to the control of the non-source pollution (waste management, management of the Pollution from pesticides, and management of the hazardous chemicals). Activities will also include the capacity development for the government organization, civil society and local organizations.

¹ Upon the recommendation of the EPF BoD, currently about 50% of the regular EPF EO budget is earmarked for providing financial support for sup-projects.

- ▶ ***Support long-term efforts for introducing sustainable water resources management:*** Financial Support provided through this window further implement concepts of integrated water resources management at national and local (river basin) levels in Lao PDR. It is foreseen that preference will be given to activities that 1) will improve the long-term conservation and management of water resources, and 2) are endorsed by a river basin committee or comparable organization. The further identification of activities to be supported will, among others, be based on the experiences gained in the Nam Num river basin and through the implementation of sub-component A2 of the PICE window. While the latter activities are focusing on the Nam Theun/Nam Kading river basin, the EPF envisages expanding the experiences to other river basins in the country.

- ▶ ***Promote and Support Sustainable Land Management:*** Financial Support provided through this window would support the relevant stakeholders to address environmental concerns related existing land management practices. Notably, it is envisaged that these could include support for integrated ecosystems management, land-use planning, development of alternative livelihoods, and establishing community-managed land management infrastructure. Establishment of the specialized financing window is only foreseen for FY2007-2008, and extensive discussions with all stakeholders on the scope of financial support still need to be conducted.

IV.5. Adequate Consultation and Monitoring Procedures

The EPF will establish and institutionalize adequate consultation and monitoring mechanisms so that all relevant stakeholders are consulted and informed about the EPF operations in a transparent manner, and that the EPF operating principles are complied with. The key activities and implementation mechanisms to be introduced at a regular basis include:

- ▶ ***Annual Stakeholder Workshops:*** the Executive Office shall hold an annual stakeholders meeting to inform all stakeholders about the activities of the EPF. National stakeholders as well as

representatives of international development assistance agencies must be invited to attend the annual stakeholders meeting.

The Executive Director, with support from the Documentation/Public Information Officer will be responsible for organizing the annual stakeholders meeting.

▶ **Public Information Center:** The Executive Office will set-up a Public Information Center (PIC) with the objective to provide access for all stakeholders to information on the activities of the EPF and other relevant information on environmental protection. The activities for the PIC will ensure that the EPF can:

- Provide information on the possible financial support instruments available from the EPF;
- Have document and reports available for the public on all Sub-Projects supported by the EPF.
- Serve as a general environmental information center (storage and retrieval of information, information management system, publications).
- Provide learning and technical support on capacity building, community development, performance monitoring and evaluation.
- Assume a networking role: marketing, promoting, and organizing of venues for exchange of resources, knowledge and information.

▶ **EPF Website:** The EPF will also develop and maintain an up-to-date official website in the Lao and English languages, where the activities of the EPF are publicly disclosed. In particular, the website shall provide a detailed summary and description of all projects and activities that have received funding from the EPF, and the audited annual financial reports.

The web site will also provide information on the available financial support, the accompanying conditions and criteria, and downloadable applications forms.

- ▶ ***Progress reports:*** the EPF will prepare and disclose the periodic progress reports as planned. Besides this the EPF will be responsible for the internal and external monitoring to provide advice for better implementation of the EPF activities. The monitoring reports will be incorporated in the annual report and the last will be sent to all concerned parties and available for the public or post in the EPF website and disseminate in the Environment Newsletter.
- ▶ ***Independent External Audit:*** The Executive Office shall hire an independent external auditing firm to prepare the Annual audit, which shall be done in accordance with generally accepted international auditing practices and standards. The audit is normally conducted starting mid-October to allow the audited financial statement to be ready for presentation to the scheduled meeting of the Board of Directors in March.

The audit shall include a review of all EPF bank accounts, a review of the internal accounting and operations of the specialized financing windows administered by the Executive Office, a review of the investment activities undertaken by the asset manager of the EPF, and such other financial and administration practices as the auditor believes are warranted.

The Executive Office shall provide free of charge a copy of the annual auditor's report to any individuals, organizations, and agencies, both domestic and international, that request the report. The Executive Office shall also provide free of charge two copies of the annual audited report to every provincial governor's offices, two copies to every provincial STEA offices, and one copy to every individuals and entities that have received financial support from EPF during the fiscal year covered by the report.

- ▶ ***Internal Auditing:*** An internal auditor may be engaged to perform independent reviews of some projects supported by the EPF, as deemed necessary by the Executive Director. The internal audit function incorporates both routine types, that is, financial as well as operational audits.

The internal auditor must maintain a detailed record of all audit work performed. The internal auditor reports directly to the Executive Director. The findings must be discussed with the Recipient personnel whose activities were audited and the results of those discussions will be included in the final report.

V. Organizational and Financial Plan

V.1. Executive Office Staffing Plan

During its first year, the EPF EO hired a total of 17 staff, of which 6 permanent staffs are recruited from the regular EPF budget² and 11 temporary staff (consultants) are hired for the duration of the LEnS Project³. Additionally, through the World Bank grant, a full time international Technical and Management Advisor has been hired for a period of two years to support the EPF Executive Office in establishing operational and management procedures for the EPF. The number of EO staff to be finally recruited for the EO will depend on the workload and number of active Windows and Projects.

It is anticipated that the EPF-EO will gradually hire another 3 full-time professional staff from the regular EPF budget for the operation of the EPF and be fully operational by the end of 2007.

Depending on external donor support, and subsequent requirements for the management of the special financial windows, additional temporary staff (consultants) may be hired directly within the EO or within special 'window management units'.

V.2. Estimated Five-year Budget Summary

The estimated EPF Five year budget Plan for the medium term (2006-2010) is shown in Table 2. It shows that the expected overall budget for the EPF shows a gradual increase from US\$ 1 million during its start-up phase, while by 2010 the annual budget is an approximate US\$ 2 million.

² These include the Executive Director; Financial Management/Disbursement Officer; 1 Technical Officer; Documentation/Public Information Officer; and an Office Assistants/Driver. Details on the responsibilities and recruitment schedule are elaborated in the EPF Operations Manual.

³ These include: Window Manager, Executive Assistant, Financial Management/Disbursement Officer, Accountant, Procurement Officer, PICE Technical Officer/M&E Coordinator, CBI Technical Officer/Safeguard Coordinator, Khammouane Facilitator, Bolikhamxay Facilitator, Savanakheth Facilitator, and a Driver. Details on the responsibilities and recruitment schedule are elaborated in the LENS Project Implementation Plan.

Beside the regular EPF budget provided by the interest from the EPF Endowment Fund and Donor grant funding, it is anticipated that the EPF will receive additional contributions from existing hydropower plants (through the implementation of the Sustainable Hydropower Sector Policy), mining operations, and other (voluntary) contribution from development projects. Revenues which are anticipated through environmental fees from the hydropower and mining sector are expected to be injected into any of the special financing windows.

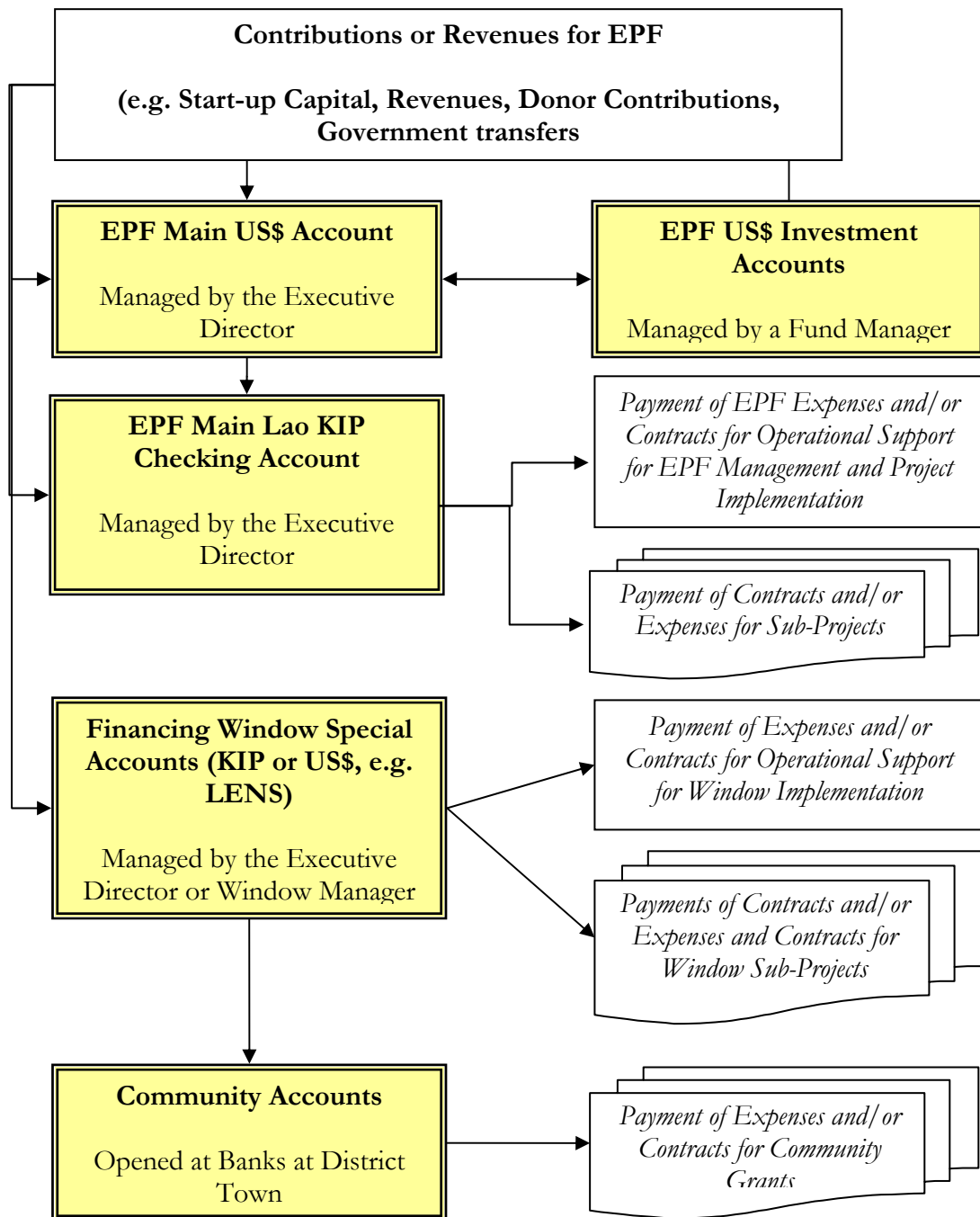
It should be noted that, as a non-profit organization, the expenses for the overall 5 year budget plan for the EPF equals the revenues and contributions received. However, the expenses per year may not match exactly the revenues received due to a deferral of the disbursements for the sub-project implementation to the subsequent year. After the establishment of the EPF, the overall overhead/administration cost for the implementation of sub-projects is expected to be less than 20%.

The flow of funds within the EPF is illustrated in Figure 2. It shows the sources of income being deposited in the US\$ accounts of either the EPF or directly to a Special Account of a Financing Window. Detailed disbursements and payment procedures are elaborated in the first EPF Operations Manual. During its first few years of operation, actual EPF disbursement procedures may have to be further established and refined.

Table 2. Estimated EPF Five Year Budget Plan for 2006-2010

Category	Description	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	Total
EPF LONG-TERM ASSETS							
EPF Investment Accounts	EPF Endowment Fund	\$5,700,000	\$5,700,000	\$5,700,000	\$5,700,000	\$5,700,000	\$5,700,000
	Other	\$-	\$-	\$-	\$-	\$-	\$-
	TOTAL EPF LONG-TERM ASSETS:	\$5,700,000	\$5,700,000	\$5,700,000	\$5,700,000	\$5,700,000	\$5,700,000
REVENUES:							
Interest from EPF Endowment Fund	EO-Operating costs	\$50,000	\$125,000	\$150,000	\$200,000	\$250,000	\$775,000
	EO-Managed Sub-Projects	\$-	\$125,000	\$100,000	\$50,000	\$-	\$275,000
	Total Interest:	\$50,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,050,000
Donor Grants:	LEnS Windows (World Bank)	\$200,000	\$800,000	\$1,000,000	\$1,000,000	\$1,000,000	\$4,000,000
	EO Managed Windows	\$-	\$-	\$250,000	\$500,000	\$500,000	\$1,250,000
	Other Grants	\$-	\$-	\$-	\$-	\$-	\$-
	Total Grants:	\$200,000	\$800,000	\$1,250,000	\$1,500,000	\$1,500,000	\$5,250,000
Other Revenues:	Environmental Fees (hydropower/mining)	\$-	\$-	\$-	\$200,000	\$200,000	\$400,000
	Miscellaneous	\$-	\$-	\$-	\$-	\$-	\$-
	Total Other Revenues:	\$-	\$-	\$-	\$200,000	\$200,000	\$400,000
	TOTAL OPERATIONAL REVENUES:	\$250,000	\$1,050,000	\$1,500,000	\$1,950,000	\$1,950,000	\$6,700,000
EXPENSES:							
Operational Expenses:	EPF Main EO (excl. special window units)	\$50,000	\$125,000	\$150,000	\$200,000	\$250,000	\$775,000
	LENS Window Management Unit	\$100,000	\$218,000	\$218,000	\$200,000	\$200,000	\$936,000
	EO Overhead costs for Donor Support	\$-	\$-	\$50,000	\$140,000	\$140,000	\$330,000
	Other Window Units	\$-	\$-	\$-	\$-	\$-	\$-
	Total Operating Expenses:	\$150,000	\$343,000	\$418,000	\$540,000	\$590,000	\$2,041,000
Sub-Project:	EO Managed Windows	\$-	\$125,000	\$300,000	\$610,000	\$560,000	\$1,595,000
	PICE Window (LEnS/WB)	\$-	\$259,000	\$350,000	\$450,000	\$450,000	\$1,509,000
	CBI Window (LENS/WB)	\$-	\$250,000	\$405,000	\$450,000	\$450,000	\$1,555,000
	Other Windows	\$-	\$-	\$-	\$-	\$-	\$-
	Total Sub-Project:	\$-	\$634,000	\$1,055,000	\$1,510,000	\$1,460,000	\$4,659,000
	TOTAL EXPENSES:	\$150,000	\$977,000	\$1,473,000	\$2,050,000	\$2,050,000	\$6,700,000
	ANNUAL OPERATIONAL BALANCE:	\$100,000	\$73,000	\$27,000	\$(100,000)	\$(100,000)	\$-

Figure 2 – Schematic Flow of Funds



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