Lao People’s Democratic Republic

PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

Environment Protection Fund

The Second Lao Environment and Social (LENS2) Project

2018 Annual Report

(01 January – 31 December 2018)

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# Preface

The Environment Protection Fund (EPF) operates subprojects through 5 financing windows with financial support from the project developers and the World Bank (WB). Through the Second Lao Environment and Social (LENS2) project, the WB provides support only for the Policy Implementation and Capacity Enhancement (PICE) window and the Community and Biodiversity Investments (CBI) window. For LENS2, the Government of Lao PDR (GOL) is the implementing agency while EPF is the project executing agency while the subproject is executed by the Subproject Delivery Agency (SDA).

This report is the fourth Annual Progress Report (APR) for the LENS2 which was prepared by the Environment Protection Fund Office (EPFO) to fulfill the agreement with the WB. The report presents the implementation progress and financial management during 01 January 2018 to 31 December 2018. Main activities and key achievements can be highlighted as follows:

* After GOL approval of the new EPF decree in early 2017, the EPF Board approved the EPF Bylaws in early 2018 and the 4 basic documents (EPF vision and strategy, EPF business plan, EPF human development manual, and EPF fundraising and communications) in late 2018. In mid-2018, EPFO has initiated the development of a consolidated EPF operations manual (EPF-OM) to be applied to all projects/ subprojects to be supported by or through EPF.
* In mid-February 2018, the WB approved GOL’s request for LENS2 restructuring to increase the project Designated Account from $1.5 million to $3.0 million and to apply a new set of results framework and monitoring indicators. In 2018, there were 2 joint WB missions in April-May and November and the Aide Memoires captured the overall project progress, highlighted key issues, and mitigation actions. For both missions, the WB rated the implementation progress as “*moderately satisfactory”* and provided specific recommendations to improve the rating of key SDAs as well as of LENS2.
* In 2018, there were 3 Technical Committee (TC) meetings (in March, September, and December) and 1 Board meeting (in November). The TC also actively participated during the joint missions. As of December 2018, there are 38 subprojects (valued $31.31 million) approved including Nam Et Phou Loey, new subprojects, and additional financing. The implementation progress remains slow and subproject expenditure is much lower than plan (56% average). Changes of staff of MONRE and MAF subprojects are high. Project disbursement was $7.21 million.
* As of December 2018, the cumulative LENS2 disbursement per client connection was $17.25 million or 44% of total WB commitment. At subproject level, cumulative expenditure was $14.06 million ($9.59 million for PICE and $4.47 million for CBI) and is about 45% of budget approved ($31.31M). For EPF, cumulative expenditure was $2.13 million or 45% of approved budget ($4.68M) while expenditure in 2018 was $0.45 million.
* For 2018, evaluation on project achievement against the results framework and monitoring indicators suggested that while some indicators can be successfully achieved, many SDAs still have difficulties in providing correct information and/or evidence for determining achievement as defined in the revised results framework. EPFO will provide a more targeted training to specific SDAs on the results-based M&E. The implementation progress and submission of progress reports of most SDAs, especially MAF and MONRE, are much slower than planned due to difficulties with financial clearance, slow procurement, changes of subproject managers and/or staff, and limited capacity and experience of staff to plan and carry out the subproject activities which mostly need proactive actions and quick decision making. However, PONREs, PAFOs, and NUOLs subprojects appear to have better performance. Low performance of MONRE agencies is due to lack of public disclosure of reports due to malfunction of MONRE website. EPFO will collect MONRE reports and disclosed in EPF website in 2019.
* In term of fundraising for EPF operations, in 2018, EPF received fund of about $1,403,509 comprising $1,057,508 (75%) from private sources and $346,001 (25%) from public sources and this amount is about 107% of the $1.3 million target for 2018. The funding sources are $610,000 from 6 hydropower projects, $445,103 from 58 small mining, $2,405 from a tobacco company, and $346,001 from bank’s interest. In 2018, EPFO begins to engage proactively with the key development partners (WB, GIZ, and UNDP) to secure technical assistance and/or funding support from the Global Environmental Facilities (GEF) as well as the Green Climate Fund (GCF).
* In responding to WB’s recommendations in November 2018, EPFO is taking proactive actions to ensure quality of EPF outputs as well as finding ways to assist the key SDAs to improve their performance so that the overall LENS2 rating can be increased. Taken into account the newly approved budget for new and additional fund for existing subproject in light of currency exchange loss of about $1.2M, there is no unallocated budget available under LENS2 as of 31 December 2018. To allocate more fund to the well performed subprojects, especially PONRE and some PAFO and NUOL, it will be necessary to recall the 10% contingency from poor performing subprojects in 2019.

EPFO would like to thanks our supporters and partners, especially the Ministry of Natural Resources and Environment, the Ministry of Agriculture and Forestry (MAF), the Ministry of Finance, the Ministry of Planning and Investment, the provincial governments, and all the SDAs as well as the World Bank and other development partners for their cooperation, support, and constructive guidance.

All the best,

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Executive Director of EPFO

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# Abbreviations and Acronyms

|  |  |
| --- | --- |
| AF | Additional Fund |
| APR | Annual Progress Report |
| APU | Administration and Personnel Unit of EPFO |
| AWPB  | Annual Work Plan and Budget |
| BLX | Bolikhamxay province |
| CBI | Community and Biodiversity Investments |
| CEF | Community Engagement Framework |
| DCNEC (e-police) | Department of Combating on Natural Resources and Environment Crime (Minister of Home Affairs) |
| DEPP | Department of Energy Policy and Planning (of MEM) |
| DEQP | Department of Environmental Quality Promotion |
| DESIA | Department of Environmental and Social Impact Assessment |
| DFRM | Department of Forest Reserves and Management of MONRE |
| DNEP | Department of Natural Resources and Environment Policy of MONRE |
| DOF | Department of Forestry of MAF |
| DOFI | Department of Forest Inspection of MAF |
| DPC | Department of Planning and Cooperation of MONRE |
| DPF | Department of Planning and Finance of MAF  |
| EIA | Environmental Impact Assessment |
| EPF | Environment Protection Fund |
| EPF-OM | EPF Operations Manual (consolidated) |
| EPFO or EO | Environment Protection Fund Office |
| ESMF | Environment and Social Management Framework |
| FCI | Functional Capacity Index |
| FMU | Financial Management Unit of EPFO |
| GEF | Global Environmental Fund |
| GIZ | The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (a German development agency that provides services in the field of international development cooperation) |
| GOL | Government of Lao PDR |
| GG-DPO | Green Growth-Development Policy Operations (a WB-financed project) |
| HP | Houaphanh province |
| IDA | International Development Agency |
| IRI | Intermediate Results Indicator |
| KM | Khammouane Province |
| LCD | Lao Custom Department |
| LENS | Lao Environment and Social Project Phase I |
| LENS2 | Lao Environment and Social Project Phase II |
| LFNC | Lao Front for National Construction |
| LPB | Luang Prabang province |
| MER | Monitoring, Evaluation, and Report |
| MAF | Ministry of Agriculture and Forest |
| MEM  | Ministry of Energy and Mines |
| METT | Monitoring and Evaluation Tracking Tools |
| MOF  | Ministry of Finance |
| MONRE  | Ministry of Natural Resources and Environment |
| MPI | Ministry of Planning and Investment |
| NAPA | National Academy of Public Administration |
| NEIO | Natural Resource and Environment Inspection Office of MONRE |
| NEPL-MU | NamEt-Phou Louy Management Unit |
| NNT-WMPA | Nakai-NamTheun-Watershed Management and Protection Authority |
| NPA  | National Protected Areas |
| NREI  | Natural Resources and Environment Institute of MONRE  |
| NUOL  | National University of Lao |
| NUOL-FEB | NUOL-Faculty of Economics and Business Management |
| NUOL-FES | NUOL-Faculty of Environmental Sciences |
| NUOL-FFS | NUOL-Faculty of Forestry Sciences |
| NUOL-FSS | NUOL-Faculty of Social Sciences |
| OMU | Operations Management Unit of EPFO  |
| PA | Protected Area (covering both conservation area and protection forest) |
| PAFO | Provincial Agriculture and Forest Office  |
| PAW | Protected Area and Wildlife Project |
| PCD | Pollution Control Department of MONRE |
| PDO | Project Development Objective |
| PFRM | (Department of) Provincial Forest Resources Management of PAFO |
| PICE | Policy Implementation and Capacity Enhancement |
| PIM | Project Implementation Manual |
| PMU | Procurement Management Unit of EPFO |
| POFI | Provincial Office of Forest Inspection of PAFO |
| PONRE | Provincial Office of Natural Resources and Environment |
| PP | Procurement Plan |
| PPA | Project Preparation Advance |
| PTMA | Project Technical and Management Advisor |
| SDA | Subproject Delivery Agency |
| SPR | Semester Progress Report |
| SVK | Savannakhet province |
| TA | Technical Assistance |
| TC | Technical Committee |
| UNDP | United Nations Development Programme |
| VTP | Vientiane province |
| WB | The World Bank |
| WCS | Wildlife Conservation Society  |
| XK | XiengKhouang province |
| XSB | XaySomboun province |
|  |  |
| Units | M=Million, $=US$, ha.=hectare, Km =kilometers,  |
|  |  |

1. INTRODUCTION

### 1.1 The Environment Protection Fund and Activities

1. The Environment Protection Fund (EPF) was established in 2005 aiming to strengthen environmental protection, sustainable natural resources management, biodiversity conservation and community development in Lao PDR. The EPF administers funding from multiple sources of capital and income, and provides financial support by means of grants, preferential loans, interest rate subsidies, or a combination of these. Funding support are provided through the following five financing windows: (1) Policy Implementation and Capacity Enhancement (PICE), (2) Community and Biodiversity Investments (CBI), (3) Pollution Control (PC), (4) Sustainable Land Management (SLM), and (5) Water Resources Management (WRM). On 08 March 2017, the EPF Decree was revised and approved by the Prime Minister. The EPF Board is chaired by the Minister of the Ministry of Natural Resources and Environment (MONRE), and a new Technical Committee (TC) has been established and operational.

2. Currently, the main source of financing for EPF is from the World Bank (WB) through the Second Lao Environment and Social (LENS2[[1]](#footnote-1)) Project (see *Annex 1a*). The LENS2 supports only PICE (Component 1) and CBI (Component 2) financing windows and the EPF capacity building and the project administration (Component 3). For LENS2, the Government of Lao PDR (GOL) is the implementing agency while EPF is the project executing agency and each subproject is being implemented by the Subproject Delivery Agency (SDA). The LENS2 midterm review (MTR) was conducted during 20 March to 07 April 2017, need for LENS2 restructuring was agreed, and GOL sent a request to WB in November 2017. The proposed changes are: (a) reallocation of budget between Component 1 and Component 2, (b) increasing the LENS2 Designated Account from $1.5 million (M) to $3.0 M, and (c) revision of the results framework and monitoring indicators.

3. In mid-February 2018, WB approved the request for LENS2 restructuring and the revised results framework and monitoring indicators has been applied for 2018 evaluation. It was reported in the 2018 semester report that as of 30 June 2018, EPF is managing 37 subprojects with a total budget of $31.80M including $4.68M for Component 3. As of 31 December 2018, there are 38 subprojects (SDAs) approved with a total budget of $31.31M including one new subproject for MAF (DPF, $0.15M), one new project for MONRE (NEIO, with budget share with DNEP), NEPL subproject ($3.0M), and additional funds (AF) for DOF ($0.30M), DPC ($0.15M), NRERI ($0.20M), and PCD ($0.40M). With a total approved budget for Component 3 ($4.68M) and the 2PPAs ($0.74M), the total approved budget for LENS2 is thus about $36.74M or 95% of total WB commitment ($38.83M). With TC endorsement for LENS2 support to DEPP ($0.40M) and EPF research ($0.20M), the total fund committed will be $37.34M (96% of total WB commitment) and the balance will be $1.5M which will be used to compensate for currency exchange loss between SDR and US$ (valued US$1.2M as of end January 2019). As of 31 December 2018, there is no unallocated fund for LENS2. In addition to LENS2, EPF also manage small non-LENS2 projects, 1 UNDP/GEF project, and 1 GIZ TA (about $0.3M executed by GIZ). *Table 1.1* below provide a summary of total EPF portfolio while the full list is available in *Annex 2.*

 Table 1.1 Summary of EPF total portfolio (EPF\* means private contributions + interest)

|  |  |  |  |
| --- | --- | --- | --- |
| Window | LENS2 Support (#subproject/US$) | Non-LENS2 Support (#project/US$) | Remark (Funding source for non-LENS2) |
| PICE | 26/$18.23M | 18/$1.85M | EPF\* |
| CBI | 12 / $12.68M | 13/$1.24M | EPF\* |
| None | 1/$1.20M  | UNDP/GEF, EPF is responsible for FM only |
| Pollution control | None | 1/$61,000 | EPF\* |
| Water resources | None | 8/$0.93M | EPF\* |
| Land management | None | 5/$0.36M | EPF\*  |

4. In 2018, there were two WB implementation support missions (23April-04May and 05-12 November), 3 TC meetings (28 March, 03 September, and 21 December), and 1 EPF Board meeting (08 November). For LENS2, the 2017 annual report was submitted to WB on 15 February 2018 while the first semester report for 2018 (January-June 2018) was submitted on 15 August 2018 with delay on IFR which was submitted 1 month later. More details are discussed in Sections II, III, and IV.

### 1.2 Scope of this Annual Progress Report

5. The reporting period for this report is from 01 January to 31 December 2018 (12 months). The report provides information on EPF overall portfolio however the implementation progress and evaluation (Sections II, III, and IV) focus on the LENS2 subprojects financed under PICE and CBI windows only. *Annex 1a* provides brief background on LENS2 and the revised results framework and monitoring indicators applied to LENS2 starting 2018 while *Annex 1b* briefly presents key findings from the missions and TC meetings. *Annex 2* presents status of LENS2 subprojects. *Annex 3*a presents the summary of the result achievement during January to June 2018 as evaluated by the M&E advisor (details were in semester report) while *Annex 3b* presents details on results achievement in July- December 2018 conducted by the new EPFO M&E team with guidance from PTMA and WB. *Annexes* 4, 5, 6, and 7, respectively, present the 2018 IFR, 2018 procurement status, 2018 AWPB implementation performance of Component 3, and the subproject brief updated by EPFO staff. The report also takes into account the comments on challenges and recommendations of the M&E advisor provided in the 2018 semester progress report.

1. ReSULTS OF LENS2 SubPROJECTS
2.

### 2.1) Implementation Progress

6. ***Overall Implementation Progress:*** Implementation of LENS2 activities in 2018 is considered on track but the progress is much slower than planned in general. The Nam Et Phou Leoy (NEPL) subproject experienced delay for more than 1 year due to safeguard issues related to the plan for construction of Nam Neun 3 hydropower project and WB conditional clearance were received in mid-December 2018. Main reason for the slow progress and implementation issues of many agencies of MAF and MONRE in 2018 is due to limited capacity and experience of subproject staff, changes of subproject managers and/or staffs as well as time required for the new subproject managers and staff team to be familiar with the subprojects, to discuss and agree on how to deal with the changes of SDAs, and/or to revise their proposals according to new priorities and/or policy. DOF of MAF is now responsible for all PA related subproject at national level and is now become the SDA for the original DFRM subproject while PAFO is responsible for PA-related at the provincial level and is the SDA of the 7 subprojects (VTP, SVK, BKX, KM, LPB, XK, and HP). The 4PAFO-AF proposals (KM, LPB, XK, and HP) were approved/signed in February 2018. For MAF, one new subproject (DPF) and DOF-AF ($0.30M) has been approved and signed. For MONRE, division of DESIA subproject into DNEP (Department of Natural Resources and Environment Policy) and NEIO (Natural Resources and Environment Inspection Office) and 3 AF (DPC, NRERI, and PCD) have also been approved in 2018.

7. The overall performance of LENS2 and subprojects as concluded during the joint WB missions in April-May and November 2018 are summarized in the WB aide memoires issued respectively on 09 May 2018 and 06 December 2018 *(see summary in Annex 1 (b))*. To encourage coordination and cooperation, the related subprojects are grouped by themes as Environment and Planning (ENV/Plan), protected area (PA) management (PAM), Lao-WEN, and human resources development (NUOL++). It is noted that after completion of MAF and MONRE reorganizations and staff assignment in March 2018, new subproject managers and staff for DOF, DNEP, NEIO, NRERI, DEQP, and PCD have been assigned while EPFO team (assisted by PTMA) provided assistance during the revision and/or development of new proposals for MONRE subprojects.

8. ***Key achievements and challenges.*** Based on the achievements reported by the SDAs in their progress reports and the assessment and recommendations made by the M&E advisor for January-June 2018 performance (details were provided in semester report) status and challenges for achieving the Project Development Objective (PDO) can be highlighted as follows:

* Most PDO indicators are on track, and the data shows some improvement and understanding of the SDA on ways to do the results-based M&E. Some delays were due to the following reasons: (a) Frequent staff turnover and restructuring within the ministries, some SDAs are experiencing knowledge and skills gap to properly manage the subprojects following what was proposed in the approved AWPB; (b) Many of SDAs did not fill out the action plan in the project brief because some SDAs do not recognize it as their responsibility; (c) Many SDAs need more support on developing AWPBs and Procurement Plan; (d) Speeding up the process of getting the documents ready for WB’s NOL and timely release of NOL can help to reduce time delays. SDAs also need to step up their efforts to provide quick response to the request for revision made by EPFO and/or WB; (e) Considering the project capacity to handle procurement in timely manner and potential limitation caused by product/services availability within Laos, the quality standards and steps required for the procurement can take up sizable amount of time for getting the needed recruitment and purchasing of goods done in a timely manner; (f) Restructuring of the subproject team at the ministries and of the WB team also caused some delays in addition to other cause of delays; and (g) Reporting on the wildlife trafficking cases seemed to be experiencing some difficulties.

* Evaluation of the achievement during July-December 2018 conducted by the EPFO new M&E team with technical guidance from PTMA and WB suggested that while most of the key achievement are on track, much more time and specific training on the results-based M&E will be necessary to ensure that the SDAs can prepare their progress report timely and properly. To be effective, specific training for key SDAs such as DOFI, POFO and DNEP/NEIO will be necessary. However, PONREs, PAFOs, and NUOLs subprojects appear to have better performance. Low performance of MONRE agencies is due to lack of public disclosure of reports due to malfunction of MONRE website. EPFO will collect MONRE reports and disclosed in EPF website in 2019. The results achievement evaluated according to the revised monitoring indicators during 2018 are report in *Annex 3* and they are discussed in Section 2.2. Given the cancellation of contract of the M&E advisor, the resign of the M&E Officer for LENS2 in December 2018, and the need to quickly strengthen the LENS2 M&E team as requested during the WB mission in November 2018, EPFO managers will hire a LENS2 M&E specialist to assist the EPFO M&E team as soon as possible and a TOR will be sent to WB for clearance in early 2019. It is also expected that through the GIZ technical assistance (TA), one M&E expert will be mobilized in Q2 2019 to assist EPFO improve its M&E capacity and operations.

9. ***Subproject preparation, approval, and subgrant signing.*** In 2018, there is one new subproject for MAF (DPF), one new project for MONRE (NEIO)[[2]](#footnote-2), 4 PAFO-AF (KM, LPB, XK, and HP), DOF-AF, and 3 MONRE-AF (DPC, NRERI, and PCD) have been approved by Board in November, while NEPL subproject has also been cleared by WB in December. Reorganization between and within MAF and MONRE required adjustment of SDAs, subproject numbers, and/or subgrant amendment. As of 31 December 2018, a total of 38 subprojects (38 SDAs) are under implementation with an approved budget of $31.31M. It is noted that submission and WB clearance of the 2018 AWPBs of some SDAs of MAF (DOF-AF, DPF) and MONRE (DNEP, NRERI-AF, PCD, and DEQP) were obtained during Quarter 2- Quarter 3 2018. Due to the MONRE reorganization of NEIO, its AWPB was obtained in November 2018.

10. Key achievements and expected results can be highlighted as follows:

* With AF, DOF will provide training on safeguards, PA management, and outreach and wildlife law enforcement to the 7PAFOs while DPF of MAF will play proactive role on coordination and M&E of MAF-related subprojects with LENS2 support. DPC of MONRE will play a key role in overall coordination of MONRE subprojects with LENS2 support. During the TC meeting in March 2018, it was approved that DPC of MONRE to be responsible for providing overall support for planning, monitoring and coordination of all investment projects of MONRE including LENS2. The role of DPC-MONRE also includes ensuring effective coordination and timely achievement of the results targets of GG-DPO (2017-2020) under MONRE responsibilities. For PCD, although the new mandate does not significantly change, priority of PCD-AF has been given to ensure timely achievement of GG-DPO targets for 2019-2020 as well as to strengthen capacity of PONREs/DONREs to address pollution control issues on the ground through the pollution control network as directed by MONRE minister. New NRERI mandate does not significantly change the priority of NRERI subproject, however, AF is needed for ensuring meeting GG-DPO obligation for year 2018. It is MONRE policy to assign NRERI to be responsible for establishing standards and procedures for sampling and analyzing air and water quality and strengthen NRERI and other MONRE agencies on air and water quality monitoring. As part of Lao-Thai MONRE program (MOU signed in July 2017), NRERI, DPC, PCD, DEQP, and DNEP/NEIO have initiated discussion on the action plan and priority activities with their counterpart agencies of Thai MONRE (DEQP, PCD, DNP, ONEP) and a number of study visits and information exchange and sharing were conducted in 2018.
* In addition to the MOU for the Lao-Thai MONREs program (2017-2021), in 2018 MONRE has also signed an MOU with Lao-Vietnam MONREs.

11. ***New subprojects:***  In December 2018, TC also endorsed the concept note proposed for LENS2 support by the Department of Energy Policy and Planning (DEPP) of the Ministry of Energy and Mines (MEM). A full project proposal will be prepared after consultation with WB in early 2019. The additional fund for research activities to be conducted by EPFO for establishing additional new funding sources for EPF (GG-DPO targets for 2019-2020) remains under consideration. Potential additional fund for PONREs and some PAFOs and NUOL will be considered according to availability of fund.

12. ***EPFO role in coordination and synergy:*** In 2018, EPFO and WB continued to apply the theme approach for reporting the implementation progress of LENS2 and will take proactive actions to deepen cooperation among related SDAs. Coordination meetings were organized at the central level in April 2018 for NUOL, DOF and NAPPA subprojects and at the provincial level in June for BLX, KM and SVK subprojects. EPFO (SPCs/PMD) staff communicate and met with SDAs periodically to find out the progress of subproject implementation (see Section IV and the subproject brief in *Annex 7*). The EPFO also provided technical support to SDA staff on subproject management (indicator monitoring, report writing) and made many efforts to improve information sharing between the SDAs and relevant agencies by facilitating meetings and direct communication to solve project related issues. EPFO also helped to improve public’s access to information by sharing the relevant documents on the EPF website. During the joint WB missions, EPFO staff together with DPF of MAF and DPC of MONRE worked together with WB team and provided technical support to the SDAs at the central and provincial level. Also, during the mission the following topics were discussed: new subproject, additional financing, unsatisfactory subproject at risk of being cancelled, reasons of delays at the sub-project level, and underperforming subprojects.

13. To enhance effective cooperation with NUOL, MONRE has signed an MOU with NUOL in October 2018 with an aim to enhance cooperation on research activities that could benefit GOL policy related to natural resources and environmental (NRE) management building on what is being done under LENS2. Moreover, in 2018, key SDAs of MONRE (i.e. DEQP, NRERI, PCD, and DNEP/NEIO) have also taken actions to engage with their Thai counterpart agencies to implement priority activities identified under the Lao-Thai MONRE cooperation program. An agreement between Lao DEQP and Thai MONRE, Department of National Park and wildlife (DNP) for construction of Lao-Thai Botanical Garden at Nasone located about 46 km from Vientiane capital have been signed in December 2018 and construction (using Thai budget of about 11 million bath) will begin in early 2019. NRERI will conduct a study visit to Thailand to learn about air quality modelling while PCD will send its staff to participate in the regional workshop on toxic and hazardous waste management. DNEP will conduct the first workshop on preparation of national policy on NRE and Thai ONEP will be invited to share the preparation and implementation experience.

### 2.2) Results Indicators

14. The revised Results Framework for LENS2 (see *Annex 1*a) has been used for evaluation of LENS2 achievement in 2018. *Annex 3* presents results achievement as reported in the progress report. Key findings can be highlighted in the paragraphs below.

*(a) LENS2 Results Framework Monitoring for January-December 2018*

15. ***Revised PDO Indicator 1 (replaced original indicator 1): Increased score on Protected Area Management Effectiveness Tracking Tool (METT) (number).*** It measures the strength and effectiveness of institutions in managing protected areas (PA) and biodiversity on 1,297,469 ha in 11 PAs using the standardized Management Effectiveness Tracking Tool (METT) for PAs. The 11 PAs are Nakai-Nam Theun 438,000 ha, Nam-Et Phou Louey 420,000 ha, Upper Nam Mouane 107,000 ha, Dong Natad 6,300 ha, Phoumeuth-Phousankheuan 24,307 ha, Nam Xam 70,000 ha, Tad Kuang Xi 34,934 ha, Phou Saboth Poung Chong 149,030 ha, Nam-In Phou Hinleckfai 16,898 ha, Phou Chomvoy (PCV) 23,000 ha and Phou Khao Khoay (PKK) 8,000 ha. Each individual PA subproject under implementation with LENS2 financing will be scored separately, and averaged together for aggregated reporting in this results framework. Individual scores for each PA will be presented in the EPF’s semi-annual M&E reports for LENS2. Baseline METT score is 22 and end of project target is 32, which is an increase of 10 compared to the baseline year. There are 10 subprojects supporting the 11 PAs and 9 of them (except NEPL) have been under implementation in 2018.

* The baseline for the revised results is 0 in 2016 and 10 at end of project (EOP) while the 2018 annual target is 2.
* As of end December 2018, on average, the METT score of SDAs is 31 points, whereas validity and justification of the increased points need to be clarified.

16. ***Revised PDO Indicator 2 (replace original indicator 2): Wildlife trafficking cases involving CITES 1 listed species that are referred to national and/or provincial public prosecutor office (number).*** This indicator measures the relative strength of the Lao Wildlife Enforcement Network (Lao-WEN) agencies (DOFI and POFI, Environmental Police, Customs) to enforce wildlife trafficking laws involving CITES1 listed species, including capacity to detect, investigate and ultimately prosecute wildlife trafficking cases. Any Lao-WEN agency can open an investigation but only the public prosecutor’s office can prosecute; when a case is referred to the public prosecutor’s office for prosecution, the case is counted as ’1’ and reported in this matrix. The revised baseline in 2016 is 0, and the EOP target is 75. The 2018 annual target is 18.

* As of December 2018, the achievement of wildlife trafficking is 15 cases that is lower than the target (18 cases) that are the cases from, POFI BLX, *POFI-HP),* and DCNEC.
* The cases from POFI HP comprise of 4 serows, 2 fire cats and 1 clouded leopard.
* *For POFI-BLX,* there is 1 case as of June 2018 and it includes the case of a 30Kg Serow and 11 flying squirrels (11 kilograms in total). The case was prosecuted by the prosecutor and referred to the provincial court. It is expected that the court will call for judgement soon. As of December 2018, no other cases were recorded.
* *For DCNEC,* there is one case increased from June to December 2018. The case is elephant parts (13Kg) being smuggled in Vientiane capital.

17. ***Revised PDO Sub-Indicator 2a****:* ***number of wildlife trafficking cases involving CITES1 and non-CITES listed species opened for investigation (number).*** The baseline in 2016 is 0 and the EOP target is 250. The 2018 annual target is 65.

* As of December 2018, achievement is 68 cases which is more than the annual target (65). The cases from DOFI is 20, POFI-BLX is15, POFI-KM is 3, POFI-HP is 20 (report and data sheet are not consistent) and DCNEC is 10.

18. ***Revised PDO Indicator 3 (replaces original indicator 3): Score of functional capacity of Environment Protection Fund (EPF) and key institutions implementing subprojects (number) (annual).*** This indicator measures the level of improvement of functional capacity of mentioned agencies and institutions. The calculation relies on a matrix developed by the SDAs and institutions (with EPF team technical support) combined with a self-assessment approach. This matrix, named Functional Capacity Index (FCI), is made of 10 criteria, each scored from 1 to 10 for a potential of 100 for each SDA. Each targeted SDA will be scored separately, and averaged for reporting on this indicator. *Sub-indicators 3a to 3f* measure the level of improvement of functional capacity of the EPF, the relevant DOF of MAF to supervise management of the National Protected Areas (NPAs) systems and strengthen the management capacities of the Protected Area and Protection Forest and wildlife conservation, the National Academy of Public Administration (NAPA), the Department of Public Relation of the Prime Minister Office (DPR-PMO), the group of NUOL, and the group of Protected Areas Management Units (NEPL, NNT, 7PAFO). Baseline in 2016 is 11 and the EOP target is 31. The 2018 annual target is 23 comprising 35 for EPF, 34 for DPR, 22 for all NUOL, 17 for PAM group.

* As of December 2018, the total achieved score is 24 while the annual target is 23.
* *Sub-indicator 3a. Score of FCI for EPF (number) (annual).* Baseline in 2015 is 22 and EOP target is 52 while the 2018 annual target is 35. As of end December 2018, the actual achievement is 52 against 41 as the annual target.
* *Sub-indicator 3b. Score of FCI of DPR PMO (number) (annual).* Baseline in 2015 is 11 and EOP target is 34 while the 2018 annual target is 34. As of end December 2018, the actual achievement is 33 against the annual target which is 23.
* *Sub-indicator 3c. Average of Score of FCI of NUOLs (FFS, FSS, FNS, FES, FEB) (number) (annual).* Baseline in 2016 is 11 and EOP is 28 while the 2018 target is 22. As of December 2018, the achieved score is 30 while the annual target is 25. For FSS, the achieved score is 58 while the annual target is 50. For FEB, the achieved score is 19 while the annual target is 18. For FNS, the achieved score is 20 while the annual target is 19.

* *Sub-indicator 3d. Average of Score of FCI of Protected Area Management Units (NELP, WMPA, PAFO XKG, PAFO BLX, PAFO KHA, PAFO SVK and PAFO VTP) (number) (annual).* Baseline in 2016 is 11 and EOP target is 31 while 2018 annual target is 17. As of December 2018, the achieved score is 18 while the annual target is 17.
* *Sub-indicator 3e. Score of FCI of MAF DOF Protected Area Management Division (Ex-DFRM (number) (annual).* Baseline in 2014 is 10 and EOP target is 22 while 2018 annual target is 20. As of December 2018, the achieved score is 17 while the annual target is 20.
* *Sub-indicator 3f. Score of FCI of National Academy of Public Administration (NAPPA) (number) (annual).* Baseline in 2016 is 1 and EOP target is 13 while the 2018 annual target is 11. As of December 2018, the achieved score is 6 while the annual target is 11.

19.***Revised PDO Indicator 4 (replaced original indicator 4): Up-to-date reports published on relevant government websites including (i) compliance monitoring for category 2 projects, and (ii) state of air and noise quality and (iii) national pollution inventory (number).*** The indicator measures delivery and disclosure of reports on regulatory compliance, an important feature of good environment management and assessment, including governance and transparency. The indicator counts the number of reports, disaggregated into five sub-indicators which measure the individual strengths of relevant MONRE agencies to monitor pollution and mitigate environmental impact of large Category 2 projects (hydropower, mining, and roads) that have potentially severe environment and social impact (comparable to the World Bank Category A). *Sub-indicators 4a to 4c:* disaggregate the parent indicator to track the effort and outcomes of relevant MONRE agencies to monitor the level of compliance of investment projects registered in Category 2 with Environmental and Social Impact Assessment (ESIA) / Initial Environmental Examination (IEE) regulations and ensure public information disclosure. *Sub-indicator 4d and 4e* disaggregate the parent indicator to track the effort and outcomes of relevant MONRE agencies to monitor pollution in targeted provinces and/or at national level, as well as ensure public information disclosure. Baseline in 2017 is 0 and the EOP target is 87 while the 2018 annual target is 43[[3]](#footnote-3).

* *Revised sub-indicator 4a: Compliance monitoring report for hydropower projects registered in environment impact Category 2 published on the MONRE website (number).* Baseline in 2017 is 0 and the EOP target is 40 while the 2018 target is 24. Although 7 reports were prepared but not disclosed on the website as of June 2018. Actual achievement is 0. As end December 2018, actual achievement remains 0.
* *Revised sub-indicator 4b: Compliance monitoring report for mining projects registered in environment impact Category 2 published on the MONRE website (number).* Baseline in 2017 is 0 and the EOP target is 24 while the 2018 target is 7.Although 4 reports were prepared but not disclosed on the website as of June 2018. Actual achievement is 0. As end December 2018, actual achievement remains 0
* *Revised* s*ub-indicator 4c: Compliance monitoring report for road projects registered in environment impact Category 2 published on the MONRE website (number).* Baseline in 2017 is 0 and the EOP target is 7 while the 2018 target is 2. Although 1 report were prepared but not disclosed on the website as of June 2018. Actual achievement is 0. As end December 2018, actual achievement remains 0.
* *Revised sub-indicator 4d: State of air and noise quality report published on the MONRE website (number).* Baseline in 2017 is 0 and the EOP target is 7 while the 2018 target is 1. Although 5 reports were prepared but not disclosed on the website as of June 2018. Actual achievement is 0. As end December 2018, actual achievement remains 0.
* *Revised sub-indicator 4e. National pollution inventory report published on the MONRE website (number).* Baseline in 2017 is 0 and the EOP target is 9 while the 2018 target is 3. PCD received pollution inventory report from three priority provinces of BKX, KM, and SVK and is compiling them. Actual achievement is 0. As end December 2018, 3 reports had been prepared. Nonetheless, achievement indicator remains 0 due to the lack of publication on the MONRE website which has not been functional. As end December 2018, Actual achievement remains 0.

20. ***New indicator 5 (replaces original indicator 5 moved to intermediate level): 5-year provincial or sectoral development plans that include environmental planning, monitoring, assessment, or management components supported by MONRE and NIER (number)*.** This indicator measures the number of development plans (sectoral or provincial) that incorporate at least one environmental management component developed or promoted by LENS2 subprojects implemented by NIER and MONRE. The four components are:(1)“Review of environmental monitoring arrangements” -- a section in the plan that defines effective environmental monitoring; (2) “Integrated Green Growth (GG) M&E framework” -- the inclusion of GG indicators in the plan’s M&E framework with a section on how the sector or province contributes to the country’s GG priorities; (3) “Review of Integrated Spatial Plans (ISP)” -- an ISP annexed to the plan and a section listing investment projects that potentially conflict with land use plans; and (4) “Review of Strategic Environmental Assessment (SEA) recommendations” -- a section in the plan that lists SEA recommendations and how each one has been or will be addressed. Development plans refer to: (a) 5-year Sector Strategic Plan developed by relevant ministry departments and approved by Minister (MONRE, MAF, MOICT, MPTW, MEM); (b) 5-year Provincial Sector Strategic Plans developed by provincial agencies (PONRE); and (c) 5-year Provincial Socio-Economic Development Plans developed and implemented by provincial government. *Sub-indicators 5a to 5c* disaggregate the parent indicator to track the relative strength of relevant MONRE and NIER in supporting provinces and sectors to integrate environmental management into development planning in line with the country’s new Green Growth priorities.

* The baseline for 2017 is 0 and the EOP target for 5a is 8, 5b is 7 and 5c is 5. The annual target for 2018 is 0.

21. ***Revised intermediate results indicator (IRI) 1 (replaces original indicator 1.1).******Staff of SDA and SDA partner institutions that received formal short courses or participate in study tours under the project (number).*** This measures the number of individual staff of SDAs and SDA partner institutions that receive eligible training and so, indirectly the strengthening of SDA and partners’ institutions capacities. “Formal short courses” refers to training with longer than 16 hours and less than 80 hours qualify. A person receiving several courses can be counted more than once. *Sub-indicator 1a* disaggregates the parent indicator to measure the level of female participation in training and track potential gender issues. The female beneficiary refers to the number of female participants in the total number of staff of SDAs and SDA partner’s institutions that receive formal short courses or participate in study tours.

* *Revised sub-indicator 1a. Female staff (Number).*Baseline in 2016 is 260 and the EOP is 600. As of December 2018, actual achievement is 1234 while the annual target is 500.

22. ***Revised IRI-Indicator 2* (*replaces original indicator 1.3). Score tracking the development and management of a NPA system (point).*** This indicator supports the PDO dimension “protected areas conservation” and “enforcement of wildlife laws.” It uses point-based cumulative scoring to measure progress toward developing and managing a PA. The indicator calculation is based on a point system for key elements of a strong NPA management system, as follow: *Point system:* 100 points total are potentially available for scoring, broken down as follows: Final report on *Optimization of the NPA Management System*, including legal, policy, institutions, and financing (15 points); Baseline NPA Information Available (24 Final NCF Reports or 1 point each for 24 points total); NPA Master Plan approved (21 points); NPA Management Guidelines officially approved by MAF (15 Guidelines or 1 point each for 15 points total); MAF DOF Website Operational (7 points); Database for Tracking Investments in NPAs (8 points); Draft Decrees formulated to establish Two National Parks (5 points for each park’s decree for 10 points total). Baseline in 2014 is 0 and the EOP target is 90 points. The 2018 annual target is 50.

* As of December 2018, the achievement is 25 while the annual target is 6 including (1) the final report on Optimization of the NPA Management System - legal, policy, institutions, and financing; and (2) two draft decrees are being formulated to establish Nakai Nam Theun National Park and Nam Et-Phou Loey National Park.

23. ***Revised IRI indicator 3. (replaces original indicator 1.4). Category 1 and Category 2 projects that are under design, construction, or operation that have a valid Environmental Compliance Certificate (ECC) (percentage).*** This indicator supports the PDO dimension: “environmental assessment management.” It measures the strength and effectiveness of the provincial office of Natural Resources and Environment (PONRE) and relevant MONRE agencies in monitoring and managing the compliance of investment projects classified as Category 1 within the 7 provinces targeted and as Category 2. Baseline in 2016 is 19, EOP target is 50, the 2018 annual target is 30. This indicator includes *sub-indicators* disaggregated by category and by sector that together provide a relatively full picture of progress toward improving environmental and social risk management and assessment.

* ***New IRI sub-indicator 3a.*** *Category 1 hydropower projects with ECC (percentage)*. Baseline in 2016 is 35, EOP target is 50, and the 2018 annual target is 112. As of December 2018, actual achievement is 42 which is 38 % of the annual target.
* ***New IRI sub-indicator 3b.*** *Category 1 mining projects with ECC (percentage).* Baseline in 2016 is 11, EOP target is 50, and the 2018 annual target is 251. As of December 2018, actual achievement is 112 which is 45 % of the annual target.
* ***New IRI sub-indicator 3c.*** *Category 1 roads projects with ECC (percentage).* Baseline in 2016 is 0, EOP target is 50, and the 2018 annual target is 107. As of December 2018, actual achievement is 47 which is 44 % of the annual target.
* ***New IRI sub-indicator 3d.*** *Category 2 hydropower projects with ECC (percentage).* Baseline in 2016 is 65, EOP target is 85, and the 2018 annual target is 156. As of December 2018, actual achievement is 133 which is 85% of the annual target.
* ***New IRI sub-indicator 3e.*** *Category 2 mining projects with ECC (percentage).* Baseline in 2016 is 10, EOP target is 50, and the 2018 annual target is 269. As of December 2018, actual achievement is 92 which is 34% of the annual target.
* ***New IRI sub-indicator 3f.*** *Category 2 road and railway projects with ECC (percentage).* Baseline in 2016 is 0, EOP target is 50, and the 2018 annual target is 210. As of December 2018, actual achievement is 36 which is 17% of the annual target.

24. ***New IRI-Indicator 4: Score tracking the design and adoption pollution management instruments (point).*** This indicator supports the PDO dimension: “environmental management and assessment.” By using a cumulative point-based scoring system, it aims to track progress in development of pollution management instruments at national level and submission to the relevant authorities or processes for approval. It is calculated on the basis of a cumulative point system, as below: *Point system:* 100 points total are potentially available for scoring, broken down as follows: (a) Pollution Prevention and Control Regulation submitted for approval (30 points), (b) Waste and Hazardous Chemical Management Regulation submitted for approval (20 points); (c) National Environmental Standard Regulation submitted for approval (30 points); (d) National Pollution Control planning documents approved (20 points) including: Vision to 2030, 10-Year Strategy (2016-2025), and 5-Year Action Plan (2016-2020). Baseline in 2017 is 0, the EOP target is 80, and the 2018 annual target is 0.

* As of June 2018, the achievement was 30 more than the annual target. Main reason is due to GOL approval of the Decision on National Environmental Standard on February 2017. PCD expects to complete the Decision on Pollution Control by the end of 2018 including printing and disseminations at the central and local government level. However, due to the needs to incorporate specific requirements to meet GG-DPO target, delay occurred. PCD will continue to consult with concerned departments of MONRE and other relevant ministries. It is expected that the 2030 Vision and 10 Years Strategy (2016-2025) and 5 Years Action Plan (2016-2020) on National Pollution Control will be completed by the end of 2020. Before the approval of the AWPB the original plan was to develop “Waste and Hazardous Chemical Management Regulation”. However, at the beginning of 2018, the regulation is revised to take a form of National Action Plan on 3Rs according to the new PCD Mandate and the MONRE minister instruction.
* As of end December 2018, PCD completed revision of its proposal and it was endorsed by TC.

25. ***New IRI-Indicator 5 (replaces original indicator 3.2 dropped): Score tracking the development of national, provincial or sectoral guiding documents and planning tools that integrate environment into development planning (point).*** This indicator supports the PDO dimension: “environmental management and assessment.” By using a cumulative point-based scoring system, it aims to track delivery of specific guiding documents and planning tools supported by MPI/NIER and relevant MONRE (DPC and DEQP) subprojects and submitted to relevant authorities or processes for approval. It is on the basis of a cumulative point system, as presented below: *Point system:* 100 points total are potentially available for scoring, broken down as follows: (a) National GG Strategy (15 points), (b) Integrated Spatial Planning Guidelines (15 points), (c) SEA Guidelines (10 points), (d) 6 Provincial Integrated Spatial Plans (5 points each for 30 points total), (e) 2 SEAs (10 points each for 20 points total), and (f) ENR M&E Guidelines (10 points). Baseline in 2017 is 0, the EOP target is 90, and the 2018 annual target is 50.

* As of December 2018, annual target is 50, DEQP completed the SEA guideline (approved by MONRE) and obtained addition of 10 points, Integrated Spatial Planning Guidelines 15 points, NIER completed the National Green Growth Strategy already endorsed by Government by 19 Nov 2018 of 15 points. DPC has published M&E guideline in April 2018 of 10 points. Thus, achievement for this indicator is 60 of the annual indicators.

26**. *Revised IRI-Indicator 6 (replaces original indicator 2.1): “Village organizations that meet the terms of Conservation Agreements, and as a result, receive grants for implementing their action plans (number)”.*** This indicator supports the PDO dimension “protected area conservation.” It measures the strength and effectiveness of Protected Area conservation at village/community level in and surrounding the 11 PAs supported by the project (see PDO indicator 1). Protected Area conservation is carried out through the development and implementation of village/community Conservation Agreements, a process that includes action plans, grant management, and participatory land use plans (PLUP). Baseline in 2014 is 0, the EOP target is 190, and the 2018 annual target is 150. *Sub-indicator 6a:* The sub-indicator measures the participation of women in development and implementation of village/community Conservation Agreements process.

* *Revised IRI sub-indicator 6a: Village organizations with at least 40% female participation (number).* Baseline in 2014 is 0, the EOP target is 160, and the 2018 annual target is 100. As of end December 2018, actual achievement was 0 of the annual target.

27. ***New IRI-Indicator 7 (replaces original indicator 2.2): Area within selected PAs where the status of selected wildlife population and threats are measured (hectare) (annual).*** This indicator supports the PDO dimension “protected area conservation” and “wildlife law enforcement” by tracking the area within the 11 Protected Areas (see PDO indicator 1) in which a regular wildlife assessment takes place. The assumption is that effective and efficient PA management requires access to reliable management information. The measurement of the status of the selected wildlife population and threats is carried out on the basis of patrolling activities. Patrolling activities are conducted by patrol teams (foot patrols and mobile patrols) which involve protected area staff and law enforcement staff (army, police, DOFI). It includes data collection (measurement of the status of selected wildlife species), monitoring and reporting, wildlife crime prevention and detection as well as threat identification. Baseline in 2016 is 242,000 ha, the EOP targets is 634,000 ha, and the 2018 annual target is 400,000 ha.

* As of end December 2018, actual achievement reached 316,474 ha or 79 % of the annual target.

28. ***New IRI-Indicator 8: Area within selected Protected Areas where the gross forest loss rate is measured (hectare).*** *Indicator definition:* This indicator supports the PDO dimension “protected area conservation” by tracking the area within the 11 Protected Areas (see PDO indicator 1) in which gross forest cover change is tracked. The gross forest loss rate is based on remote sensing analysis. Baseline in 2016 is 305,000 ha and the 2020 target and the EOP targets is 1,250,000 ha, and no target for 2018.

* As of December 2018, actual achievement remains 350,000 ha.

29. ***Revised IRI-Indicator 9 (replaces original indicator 2.3): Wildlife crime cases detected by law enforcement officers of SDAs supported by the project (number).*** This indicator supports the PDO dimension: “wildlife law enforcement.” It aims at measuring the strength and effectiveness of SDA to prevent and detect international and domestic wildlife crimes through the implementation of their core activities such as patrolling, check point control, etc. Wildlife crime cases detected refers to domestic and/or international evidence of a potential crime detected, inspected, found and/or confiscated. Baseline in 2016 is 188, the EOP targets is 3,100, and the 2018 target is 1,445.

* In December 2018, the total number of detected cases are 1495 cases while target is 1445.

### 2.3) Financial Management and Procurement of the LENS2 Subprojects

30. ***Financial management by SDAs:*** Similar to previous years, in 2018, financial management of most SDAs remains weak and subproject disbursement is much lower than planned (44% on average). Most SDAs do not submit the financial report on time and do not provide adequate/correct documents (proof of evidence) necessary for the advance clearance and the actual financial clearance is much lower than planned (35% on average). Part of the reasons is due to limited capacity of accountant and financial management experience as well as low capacity of the SDAs accountants. As mention in the 2017 annual report that some subprojects use accountant which is a civil servant who has no knowledge and experience on financial management and accounting while some subproject accountant who was hired from out sources, but require more time to learn and improve their understanding on subproject financial system and FM requirements for LENS2 which has to meet WB standards and expectations. Review of the EPFO new FM team suggested that some SDA accountants do not understand how to calculate the average exchange rate, even though they have already been trained on this aspect while several SDA accountants are not capable of using the LENS2 accounting software which was developed and applied in 2016-2017. FM performance of SDAs was rated by WB as *moderately satisfactory.*

31. ***EPFO’s FM actions.*** To solve the FM problem for LENS2, EPFO is improving the financial manual, closely working with specific SDAs on specific issues, and rechecking correction of documents as well as LENS2 accounting database. To reduce possible errors, EPFO’s financial team has decided not to allow the subproject accountant to enter transaction into the accounting software but assign EPFO LENS2 accountants to enter the transaction after receiving proper documentations. In Q4 2018, to enhance clear understanding on FM requirement for LENS2, the financial team also conducted one-by-one meetings with the target SDAs and provided clarification on pending FM issues and actions needed. Actions are also undertaken to hire an IT specialist to improve effectiveness and efficiency of the LENS2 accounting system including preparation of Interim Unaudited Financial Report (IFR). *Annex 4* provides information on SDA financial status for year 2018.

32. ***Procurement:*** In 2018, procurement by the SDAs continues to be a major challenge that often leads to slower implementation of subprojects.Procurement management performance rating remains “*moderately satisfactory”*during the two joint WB missions. According to the approved procurement plan 2018 of Component 3 and subprojects, there are a total of 220 packages (see detail in section III). Only some procurement experienced delay in payment and there were some minor issues on SDA procurement staff such as (i) change of staff, (ii) incomplete and insufficient documentation (developed their budget plans without details) and the budget for construction work was submitted without Bill of Quantity (BOQ). EPFO took actions to address these issues and provided training. However, significant delay occurred for procurement of an IT firm for development of ESIA/IEE database for DNEP/NEIO due to long process during the establishment of the procurement committee (which has to be assigned by the minister) and long selection process that needs clarification regarding the differences between GOL and procurement procedures as well as long discussion among the procurement committee members. DNEP/NEIO spent time since June 2018 going through the process and it has not been completed as of end December. Development of an integrated ESIA/IEE database is a priority for meeting the LENS2 and GG-DPO targets in 2019-2020. In general, the issues related to hiring of consultants with high qualification as specified in the TOR while most SDAs are unwilling to pay for the high cost as well as high turnover rate of consultants also remain a major problem.

33. ***EPFO’s PM actions.*** To speed up the procurement process, EPFO managers have decided to assign EPFO procurement management division (PMD) to conduct all procurement for LENS2, except some shopping of small items that can be delegated to SDA. However, as part of PM capacity building to GOL agencies, PMU team will establish and provide a specific training plan to the SDAs during 2019-2020. *Annex 5* presents and update on EPFO staff and consultants as well as status of procurement of LENS2.

### 2.4) Implementation Issues of LENS2 Subprojects

34. ***Weak capacity of SDA and subproject management:*** As discussed in the 2017 annual report, the WB MTR and mission aide memoire, there are many key factors affecting time and effectiveness of LENS2 implementation while key issues under the responsibility of SDAs and EPFO were also discussed and actions undertaken (such as retraining, increase follow-up discussion at management and technical aspects, etc.). However, much of the delay in implementation in 2018 was due to changes of management and staff related to institutional changes and staff assignment which is beyond the responsibility of the LENS2 management team both project and subproject levels. Nonetheless, key issues and actions identified by the M&E advisor (as reported in the 2018 semester report) as highlighted below will be considered for next actions.

* *Limited capacity in project management among SDAs:* Some SDAs have limited understanding in project management. Other SDAs raised an issue of decision making around the sub-project. Further analysis is needed to understand the challenges experienced by SDAs. The SDAs also have difficulty recruiting qualified national consultants to support management and technical skills. The capacity issue has more serious implication especially when the project involves construction works and need to procure a large scale and specialized items. Quality assurance on the design and planning and developing and reviewing Bill of Quantity (BOQ) is challenging for many SDAs with limited capacity. Such capacity issue is one of the leading causes of project delay. Moreover, staff turnover and limited experience in project management are issues that cause delay making it difficult to meet the subproject target as planned.

* *Need for strengthened ownership among SDAs*: To some SDA staff, subprojects are often perceived as added work and many staff at the SDAs consider they are taking up two roles – their original work for the office and supporting the subproject. Such context limits SDA staff’s effort in improving effectiveness and efficiency of the project.
* *Frequent staff turnover among SDAs:* Relatively high staff turnover rate is undermining SDAs’ effort to ensure effectiveness, efficiency and sustainability of the subproject. The issue is also a challenge to EPF when providing necessary capacity building support and training for the SDAs. The issue is particularly challenging for financial and procurement management because these topics require more dedicated time of training and experience.
1. LENS2 SUBProject Administration (C3.1)

### 3.1) EPF-Specific Results Indicators in LENS2

35. This section presents the implementation progress of Component 3 related to LENS2 administration according to the expected outcome and definitions described in the revised Results Framework of LENS2 while Section IV focuses on the functional capacity index (FCI) established for EPFO.

<LENS2 Results Framework Monitoring as of 31 December 2018[[4]](#footnote-4)>

36. ***Revised indicator 10 (replaced the original indicator 3.1).* *Financing mobilized by EPF each year from (a) public sources and (b) private sources (US$) (annual).*** This indicator measures the capacity of EPF to raise or tapping fund for implementation of its priorities related to NREM in light of the country’s emerging green growth (GG) strategy.*Table 3.1* below summarizes the planned and actual performance regarding fund mobilization.

|  |  |
| --- | --- |
| Table 3.1 Planned and actual budget mobilized by EPF (in US$)  |  |
|  | Planned/Targets | Actual | Remarks |
|  | Total |  (a) public | (b) private | Total | (a) public  | (b) private |
| Baseline (2014-2015) | 800K | 350K | 450K |  |
| 2016 | 850K | 350K | 500K | 1,023,874 | 376,834 | 647,040 | 120% of plan  |
| 2017 | $1,100K | $450K | $650K | $1,319,822 | 305,982 | 1,013,480  | 120% of plan |
| 2018 | $1,300K | $550K | $750K | $1,403,509 | 346,001 | 1,057,508 | 107% of plan |
| 2019 | $1,500K | $650K | $850K | - | - | - | (see discussion below) |
| 2020 | $1,600K | $700K | $900K | - | - | - |
| 2021 | $1,600K | $700K | $900K | - | - | - |

37. FM record shows that the $1,403,509 fund comprised of $1,057,508 (75%) from private sources and $346,001 (25%) from public sources and it exceeds the $1.3 million target for 2018. Sources of fund are $610,000[[5]](#footnote-5) from 6 hydropower projects, $445,103 from 58 small mining, $2,405 from a tobacco company, and $346,001 from bank’s interest. Given the low interest from depositing the endowment in the bank, it is unlikely that public fund will be increased per planned. The only main sources for EPF in the future will be from private contribution and/or additional funding support from development partners. To achieve the EOP target of $1.6M per year in 2020, EPF will take proactive actions to engage sector agencies (especially MOF, MEM, MPI, DNEP/NEIO, DWR, and others) and/or conduct research and/or consultation activities to forge addition funding sources. In 2018, EPFO begins to work proactively with the key development partners (WB, GIZ, and UNDP) to secure technical assistance and/or funding support from the Global Environmental Facilities (GEF) as well as the Green Climate Fund (GCF).

38. ***Increase in the score of EPF's functional capacity (annual).*** According to the revised Results Framework of LENS2, this indicator *(revised sub-indicator 3a)* measures the level of improvement of EPF operations capacity in terms of FCI and is part ofthe ***revised indicator 3*** *(Score of functional capacity of EPF and key SDAs (DOF, NAPA, DPR, and 7PAFO) (number) (annual)* that replaces the original indicator 3.For the EPF, baseline in 2015 is 22, the EOP target is 52, and the 2018 target is 35. In 2018, as assessed by the M&E advisor, the achievement as of 30 June 2018 is 34 which is 97% of the annual target or 65 % of the EOP target. By end of December 2018, EPF completed the 5 basic documents and they were approved by Board, thus increase the score from 33 to 52. More details are discussed in Section IV.

### 3.2) Financial Management and Disbursement Progress

39. ***Withdrawal application and project disbursement.*** To ensure fund sufficiency and smooth flow of funds at central and subproject level, the replenishment of DA is done once a month by EPFO while fund has been transferred/advanced to SDAs on a quarterly basis based on approved quarterly work plan. This practice is continued in 2018. As part of the LENS2 restructuring, the DA ceiling has been increased from $1.5M to $3.0M. According to the WB client connection, the cumulative project disbursement as of December 2018 was $17.25M or 44% of total WB commitment ($38.83M) while that for 2018 was about $7.21M.

40. ***Subproject and project disbursement/expenditures***. In 2018, the subproject expenditure/disbursement (amount advance plus direct payment) was $6.15M ($3.83M for PICE and $2.32M for CBI) which is about 57% of the annual budget plan ($10.75M). As of end December 2018, cumulative subproject expenditure was $14.06M ($9.59M for PICE and $4.47M for CBI) which is about 45% of subproject approved budget ($31.31M). For EPF, total expenditure in 2018 was $0.45 million and cumulative expenditure was $2.13 million or 45% of the approved budget ($4.68M). Taken into account the expenditure of $0.74M for the 2PPAs, the total cumulative project expenditure as of end December 2018 was thus $16.93M (14.06+2.13+0.74) or 46% of the approved budget ($36.74M). The currency exchange loss between US$ and SDR in January 2019 was $1.2M. To facilitate effective planning and M&E of SDA budget, the FM team also provides information on expenditures of the SDA by components, by themes, and by agencies. It is noted that the subproject accounts of the 8 completed subprojects (3PPA and first phase of 5PFRM) will be closed in 2019 and the saving (about $0.14M) will be returned to LENS2 (C1+C2 allocation).

### 3.3) Administering FM

41. ***Financial audits and information disclosure.*** To ensure that all financial transaction is correct, EPFO hires an independent financial auditor to carry out financial audit of LENS2 on an annual basis. The audited report will be submitted to WB on an annual basis and follow-up discussion with WB is made as needed. Results of the LENS2 financial audit will be disclosed to the public through the EPF website starting 2019. WB mission also conducts post review on financial management at EPFO as well as at selected SDAs.

42. ***Financial staff and capacity.***  2018 is a challenging year for financial team of LENS2. Most of staff especially key positions (unit head and FO for LENS2) are new and require time to be familiar with the system while there are many subprojects and transactions that need to be checked and rechecked for accuracy and efficiency. After the resign of FM unit head in Q4 2017, there was a big gap of FM staff during January-March 2018. The new FM unit head was on board in early April 2018 while the LENS2 financial officer (FO) resigned in mid-2018. As a result, the IFR for January-June 2018 was submitted with delay of about 1 month. The new LENS2 FO is on board in October 2018 and is taking action to examine the issue related to LENS2 accounting software as well as checking for figures that are found as inconsistency. Nonetheless, EPFO managers took actions to mobilize one more FM staff to assist the team as well as to upgrade LENS2 accounting software and a draft TOR is being prepared for hiring of an IT specialist to provide the services. GIZ will also provide a TA to hire a FM expert in early 2019 to help building capacity of EPFO financial team.

### 3.4) EPF Staff Recruitment and Procurement for Consultancy Services

43. *P****rocurement management.*** EPF staff recruitment and procurement activities for LENS2 have been continued both for EPFO and SDAs per the procurement plans approved by WB. In 2018, there are 220 procurement packages planned for LENS2 and types of procurement and status as of end December 2018 are highlighted below while more details are provided in *Annex 5*. About 53% of planned procurement packages were completed and 47% are either being processed or will be processed during 2019.

|  |  |  |  |
| --- | --- | --- | --- |
| Description  | Planned packages  | Completed packages | Balance packages  |
| Goods/works | 163 | 93 | 70 |
| Consulting services and None consulting services | 57 | 24 | 33 |
| Total | 220 | 117 | 103 |

44. ***Procurement challenges:*** The issues of limited experienced staff and frequent staff rotation continued. Although some procurement packages were carried out by EPFO as per SDAs’ requests, SDAs (as the subproject owner) still need to assign a person to be the focal point and actively participate in the procurement process, so it can be completed on time. The SDAs are responsible for preparation/revision of the technical specification/term of reference (TOR), budget, etc., while procurement process can be conducted by EPFO. Procurement of consulting service is more complex and time consuming than procurement of goods and works since it requires technical capacity of SDAs to prepare TORs, actively participate in the selection and contract negotiation processes. After selection is completed, the SDAs is also responsible for signing the contract with the consultant and manage the contract including make the payment and ensure satisfactory performance and outputs. Therefore, the SDAs must have adequate capacity to manage the consultant contract. At present, there are 5 staff in Procurement Division (PD) comprising the procurement head, 2 procurement officers (one for LENS2 and one for EPF) and 2 procurement assistants (for LENS2).

### 3.5) Operations – Support to SDAs

45. ***Supervision, monitoring, and training for SDAs:*** In 2018, EPFO team, especially the subproject coordinators (SPC) and the M&E team participated in the 2 joint WB missions in April-May (visited LPB, XK, and HP) and November (visited BLX, KM, SVK, and VTP) as well as conducted 2 separate missions (June and September) to support SDAs in central as well as those in the 7 project provinces. During the mission, coaching was also provided on PIM and subproject management, M&E, FM, and PM especially on report writing (quarter, semester and annual), counting on FCI and METT, evaluation of subproject achievement, and preparation of quarter plan, annual plan, and AWPB.

46. ***Subproject brief updated***. As requested by the WB, EPFO through SPCs is now updating the subproject brief and they are included in this report (see *Annex 7*). Although there is improvement in reporting capacity, more specific training will be needed. To ensure that EPFO staff (SPCs and M&E), DPC-MONRE, and DPF-MAF understand clearly how to assess the FCI and METT according to the revised RF monitoring indicators and can provide correct guidance to SDAs, EPFO will conduct a training of trainer (TOT) session and invite WB M&E team to provide training based on the actual experience of the SDA progress report in March 2019. A series of theme specific training will be conducted for the SDAs (theme by theme) with a specific design to facilitate effective reporting of SDA progress report (2019 semester report and annual report).

47. ***Training to SDAs.*** During 20-22 June 2018, EPFO conducted a training on procurement, FM, safeguard, and M&E for SDAs (about 100 participants). During the workshop, participants of the training were separated into three groups based on their functions. The project management group received training on how to use the new template for SDA Narrative Report (Semester and Annual), how to evaluate the METT and to fill in the METT Evaluation Form. The outcomes of the training include improved understanding of the SDAs on i) how to use and fill in the new narrative semester report, ii) how to prepare and submit all attached files that must be completed and submitted together with narrative report, and iii) how to break the annual budget into quarterly plan. Results from the training (see *Table 3.1*).

Table 3.1 Summary of pre and post-test knowledge of participant on training subjects for training on PIM (June 20-22, 2018)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Items | Good understanding of subject | Fair understanding of subject | Little understanding of subject | Do not understand |
| Pre-test | Post-test | Pre-test | Post-test | Pre-test | Post-test | Pre-test | Post-test |
| Project mgt. | 20 | 33 | 24 | 49 | 7 | 2 | 2 | 0 |
| Finance | 26 | 48 | - | - | - | - | - | - |
| Procurement | 33 | 66 | - | - | - | - | - | - |
| Monitoring & evaluation | 45 | 70 | - | - | - | - | - | - |

### 3.6) Operations – Safeguards

48. ***Community Engagement Framework (CEF) manual and the Environmental and Social Management Plan (ESMP):***  In 2018, safeguard activities focus on training on CEF and ESMP implementation conducted by the DOF safeguard specialist and EPFO safeguard officer. In February-June 2018, a series of training courses was conducted for the 7PAFO, NNT, NEPL, and FEB while the efforts in late 2018 focusing on draft the community agreement (CA) in close consultation with WB social safeguard specialist. Effort was also made to encourage the 7PAFO to reach out and partner with development projects working in the same areas and villages such as Poverty Reduction Fund (PRF) which also provides support for the same villages in livelihood development through self-help groups and provision of seed grants (in credit scheme) and technical support for poor households in Sone and Hiem districts largely covered by NEPL PA. This is to improve synergy and improve efficiency in investments in the same villages. EPFO safeguard officer with support from the DOF safeguard consultant provided data on number of people including ethnic groups affected or to be potentially affected by the subproject activities as a result of access restriction or infrastructure construction (if any) and update the status of ESMP and CEF implementation as needed.

49. It is noted that in 2017 the CEF manual (both Lao and English) was finalized and the Lao version was published for a total of 100 copies and were shared with the relevant SDAs and the 7PAFOs and the manual was considered during the preparation of proposal and implementation of the NNT, NEPL, FEB, and 7PAFO subprojects. Preparation of the NNT and NEPL proposals and their ESMPs were conducted by consultants hired by the SDAs using fund from the preparation advance while preparation of proposals (including collection of baseline data on the environment and socioeconomic status of the potential target villages and their ESMPs) of the 7PAFO were made by PAFOs teams with assistance from the DOF safeguard consultant and the EPFO safeguard officer using *“learning by doing”* approach. In late 2017, the five ESMPs for NNT, NEPL, and three PAFOs (VTP, SVK, and BLX-AF) were submitted to WB and received WB clearance. In 2018, the NNT and all 7PAFO are under implementation. Minor updated of the ESMPs regarding 7PAFO offices (4 new for XK, HP, LPB, and KM and 3 renovated) and 12 checkpoints were completed and kept in the subproject files. Detailed information on the construction and the site office location is described in ESMP. All construction was completed in 2018.

### 3.7) Operations – WB Implementation Supports

50. ***Joint implementation support missions.*** In 2018, there were two joint missions[[6]](#footnote-6) conducted. The April mission conducted field visits to the north while the November mission went to the south. Although the team appreciated the progress made by PONRE and PAFO subprojects and some NUOL subprojects, there are concerns on slow implementation progress of many subprojects in 2018 (which are much lower than planned) due to difficulties and weak capacity of staff, ineffective management, and lengthy decision-making process within the SDAs. The WB also provided rating for key SDAs as well as the overall LENS2 including specific recommendations on ways to improve performance (see *Annex 1b*) while EPFO also established a set of evaluation criteria and assigned the rating to all the SDAs. According to WB rating, the overall performance of LENS2, FM, and PM were rated at *“moderately satisfactory” (MS)* while that for safeguards was rated *“satisfactory” (S).* *Table 3.2* below summarizes WB rating and EPFO rating for SDAs. It is noted however that the basis and criteria used by WB rating and EPFO rating are different and they are not comparable.

|  |
| --- |
| Table 3.2 Summary of WB performance rating for LENS2 Nov 2018 mission  |
| # | SDA  | Approved $ | Rating | Suggestion for improving the rating | EPFO rating |
| 1 | MAF-DOF (ex DFRM) | 2,581,126 | **MU** | Budget disbursement below the annual target 61% of AWP activities have not even started. Their inability to deliver trainings for the PAFOs have been the major bottleneck in implementation for 7 other subprojects. For me, this is a clear MU (bordering on U).  | MS |
| 2 | NUOL FFS | 2,299,847 | **HS** | Very high performer. Budget disbursement as of October already above 70%.  | S |
| 3 | GO-DPR  | 299,750 | **MS** | Small progress during the last 6 monthsBudget disbursement below the target |  |
| 4 | MAF-DOFI  | 1,822,150 | **MU** | M&R issues persist. Achievements below the annual target. Budget disbursement below 60% | MS |
| 5 | NUOL-FSS | 740,000 | **HS** | Very high performer. Budget disbursement as of October already above 90%.  | MS |
| 6 | NUOL-FNS | 598,700 | **HS** | Very high performer. Budget disbursement as of October already above 70%.  | MS |
| 7 | MONRE-DPC  | 647,974 | **S** | Good results but budget disbursement still lagging. Good supervision of the PONRE subproject | MS |
| 8 | MONRE-DNEP  | 1,008,801 | **MS** | Very good progress that needs to be consolidated. Budget disbursement is still a critical issue | MS |
| 9 | MONRE-NEIO  | 795,428 | **S** | Subproject just start implementing - S by default | MU |
| 10 | MHA-DCNEC  | 598,862 | **S** | Positive improvement: team very committed, good reporting, achievement on track, informant network developed, inter-agency cooperation very goodBudget disbursement >75% annual budget disbursement as of Sept1, 2018 (90% by Dec.2018 targeted)Issue detected on FM | MS |
| 11 | MONRE-NRERI  | 1,029,000 | **MS** | Very good achievements but budget disbursement is below the annual target. Expected to be upgraded to S if the budget disbursement improved | MS |
| 12 | MONRE-PCD  | 699,773 | **S** | Good budget disbursement. Results expected very soon | MS |
| 13 | MONRE-DEQP  | 799,915 | **MU** | No progress on ISP. Budget disbursement very low | MU |
| 14 | MOF-LCD  | 600,000 | **MU** | M&R issues persist. <60% annual budget disbursement. | MS |
| 15 | NUOL-FES | 658,075 | **MS** | NUOL FES has improved and is providing training, but activities are still below targets |  |
| 16 | KM-POFI  | 444,620 | **S** | Results on track. Good budget disbursementTeam very committed and proactive to investigate wildlife trafficking caseNetwork of information developed.  | S |
| 17 | BKX-POFI  | 492,415 | **S** | Results on track. Good budget disbursement | S |
| 18 | HP-POFI  | 470,580 | **S** | Results on track. Good budget disbursement | S |
| 19 | NUOL- FEB | 799,997 | **S** | Very good progress - disbursement for the year is already above 80%. They are actively patrolling in both protected areas, CCAs have been signed, and they are exceeded results indicators for wildlife crime detected. They’ve already had a number of research papers published in international journals and conferences, and more on the way. |  |
| 20 | SVK-PONRE  | 149,930 | **MS** | Budget disbursement on track but achievements little below targets. PONRE SVK needs training and support from DNEP/NEIO | MS |
| 21 | VTP-PONRE  | 149,996 | **S** | Very good progress and results on trackGood budget disbursement | MS |
| 22 | HP-PONRE  | 149,798 | **S** | Not visited but budget disbursement on track and achievements reported on track | MS |
| 23 | LPB-PONRE  | 150,000 | **S** | Not visited but budget disbursement on track and achievements reported on track | MS |
| 24 | XK-PONRE  | 149,890 | **S** | Not visited but budget disbursement on track and achievements reported on track | MS |
| 25 | BKX-PONRE  | 149,710 | **S** | Very good progress and results on trackGood budget disbursement | MS |
| 26 | KM-PONRE  | 149,996 | **S** | Very good progress and results on trackGood budget disbursement | MS |
| 27 | NNT-WMPA  | 3,084,389 | **S** | WMPA is now working with IUCN to finalize strategic staffing plan and getting close to signing CCAs in 18 villages.  | MS |
| 28 | NEPL-MU/DOF | 3,099,499 | **-** | WB provided NOL in December 2018 with a condition for restructuring by 15 June 2019 | - |
| 29 | MPI-NIER | 549,505 | **MS** | 3rd version of the NGGS submitted | MS |
| 30 | NAPA | 200,000 | **MU** | Budget disbursement is only around 15%.It is a small sub-project ($200 K) and is entirely dependent on producing a new environment curriculum before they can start TOT and disseminating to the field. Their first ever procurement process, they weren’t able to sign contract with curriculum writer until August 2018, with delivery of curriculum due in April 2016. Hence, good progress is being made, but with low disbursement | MS |
| 31 | BKX-PAFO  | 499,840 | **HS** | Very high performer. Budget disbursement as of October already above 70%. Major bottleneck has been the provision of PLUP training from DOF, but still remain on schedule to complete all 10 CCAs by March 2019. They have completed forest cover analysis which will now allow the LENS2 target for 2018 to be exceeded, even though it wasn’t their responsibility. This follows years of very strong performance.  | S |
| 32 | SVK-PAFO  | 499,990 | **MU** | Low performing. Achievements below the annual target | MU |
| 33 | VTP-PAFO  | 499,998 | **HS** | Very surprising high performer. Usually we see a lag in 1st year implementation, but not with Vientiane PAFO. Patrolling data very impressive and PAFO VTP is actively experimenting with methods to make the patrolling more effective. Team claimed with merit that they have shut down all of the wildlife trade along the road to Vang Vieng. Good progress on the CCA implementation despite the MAF DOF delays.Very committed to biodiversity conservation  | MS |
| 34 | HP-PAFO  | 500,000 | **S** | Results on track. Good budget disbursement | MS |
| 35 | LPB-PAFO  | 599,999 | **MS** | Budget disbursement is the lowest by a wide margin. We would agree to downgrade to MS, with further investigation in the spring to downgrade further | MS |
| 36 | XK-PAFO  | 539,660 | **S** | Results looks on track. Good budget disbursement. | MS |
| 37 | KM-PAFO KM | 529,705 | **S** | Results looks on track. Good budget disbursement. | MS |
| 38 | MAF-DPF  | 155,100 | **S** | Not started (WB NO recently provided) S rating by default | - |
|  | EPF C3 | **4,685,827** | **MS** | M&E issues persist (downgraded to MU)Results on track |  |

### 3.8) AWPB Achievement

51. ***Evaluation of AWPB performance for Component 3 (Annex 6. C3 Annual Work Plan FY2018 Evaluation):*** In 2018, C3 performance achieved 52 score which exceeds from 49 as planned. The performance criteria include (i) Governance (Decree and Decision making), (ii) Vision, Strategy, Business Plan, (iii) Operation – Planning, Implementation and M&E, (iv) General Administration, (v) Administration – HR management, (vi) Fundraising & Communications, (vii) Financial Management and (viii) Procurement. Details are discussed in Section IV.

1. EPF Capacity Building (C3.2)

52. ***EPFO capacity and aggregate index:*** This was discussed in Section 3.1 and the indicator is evaluated based on a set of capacity building criteria established to strengthen EPF capacity as mentioned above. Key activities and achievement in 2018 can be highlighted below.

### 4.1) EPF Governance and Business Strategy

53. ***EPF Decree and EPF Board.*** In 2018, there was one Board meeting on 08 November. After approval of the new EPF decree on 08 March 2017 (GG-DPO target for 2017) and the establishment of the new Board and new TC, a number of EPF operations instruments has been established. The EPF Bylaws (dated 30 January 2018) describes EPF comprehensive principles and regulations to implement the EPF 2017 decree. Both the EPF 2017 decree and the 2018 Bylaws (both English and Lao) were published and distributed to the public and they are also available on EPF website. To meet the GG-DPO target for 2018 and, as suggested by the WB, a draft amendment of the Bylaws was completed and it was submitted to EPF Board for approval in November 2018. In the November Board meeting, the EPF Board also approved the EPF vision, strategy, business plan, fundraising and communication plan, and human resource development manual (see below). Translation and publication of these documents began in late 2018 and completed and distributed in early 2019, and they will also be disclosed on the EPF website.

54. ***EPF Vision, Strategy, and Business Plans.***  To be transparent and facilitate effective planning, implementation, and M&E, the EPF vision, strategy, and business plan were initiated in 2016 and the documents went through a number of revisions and consultation with key agencies and EPF Board. In the November Board meeting, the EPF Board also approved the EPF Vision to year 2030 and Strategy to year 2025, the 2018-2020 Action Plan, the EPF Fundraising and Communication Plan to year 2020, and the Human Resource Development Manual. The EPF 2030 vision and 2025 strategy describes vision, mission, goals, and strategy for EPFO operations taken into account strengths and weaknesses of EPF operations in the past as well as development direction towards green growth (see Box 1). The main role of the EPF is for fund mobilization, generation and financial support to ensure sustainable natural resources management and environmental protection contributing to achievement of the national socioeconomic development plans in line with the green and sustainable directions.To implement these vision, strategy, and plans, EPFO will take the following actions: (a) prepare a 5-year plan (2021-2025), a fundraising and communication plan (2018-2020), a human resources development policy, and an operations manual and other guidelines as needed; (b) increase awareness raising and engagement; (c) strengthen coordination and cooperation with sector agencies within and outside the countries; (d) establish implementation mechanism and M&E on the implementation of these strategy, plans; (e) improve and upgrade organization and capacity of staff; and (f) assign responsibility and accountability to the responsible units of EPFO.

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| --- |
| Box 1. EPF Vision to year 2030 |
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55. ***EPF Operations.*** As part of the *“One EPF One Agenda”,* development of a consolidated EPF operations manual (EPF-OM) has been initiated in mid-2018 with an aim to apply them to all EPF financing projects. The EPF-OM comprises of 5 volumes: (1) Main documents, (2) Project Operations Manual, (3) M&E, (4) Financial Management, and (5) Procurement. As of end 2018, the first draft EPF-OM volume 1 and 4 were completed, sent to WB for initial comment, and are being revised by EPFO team taken into account WB comment. Development of EPF-OM volume 2 will also include environment and social safeguard requirement.

### 4.2 EPF Staffing and Human Resources Capacity

56. ***EPF organization and staffing:*** EPFO’s organization comprises of 4 divisions and 1 unit with 45 staff positions including 1 Executive Director and 2 deputies. The Finance Division (FD, 10 staff), Procurement Division (PD, 6 staff), Administration Division including fundraising and communication (AD, 14 staff), and Project Management Division (PMD, 12 staff), and 1-2 advisors (national and/or international). At end of December 2018, there are 41 staff on board. It is noted that the LENS2 M&E Officer resigned at the end of December.

57. ***EPF staff training and career development.***  This aspect has been a major challenge for LENS2 and EPFO. In principle, EPFO provides basic training to all new staff and promotes capacity building of existing staff and, when possible, provide opportunities to staff and managers to attend appropriate conference and/or workshops, and/or conduct specific research as much as possible. During 2015-2017, with assistance from PTMA, efforts were made to bring all new staff to understand LENS2, clarifying roles and responsibilities of staff and units, building team work, and ensuring that all staff understands the AWPB and the need for moving forward the one EPF one agenda. However, staff capacity appears to increase slower than expected mainly due to high staff turnover rate, limited budget for training, as well as working attitude and practices of staff that avoid proactive actions. In 2017, EPF planned to provide 11 trainings to support technical staff to improve their capacity through TOT, financial management, leadership management, project management, monitoring and evaluation, writing project proposal, graphic design, logistic management, marketing skills and English language training, and 5 trainings were completed in 2017 and total of 16 EPF staff benefitted from the 5 trainings. However, due to limited budget and issues related to time schedule and availability of staff, the remaining 6 trainings (TOT, marketing management skills, Personnel Resource Management, Leadership Development and Website Development) have been cancelled.

58. In August 2018, staff capacity assessment was conducted by the M&E advisor and more extensive staff training is considered necessary. However, given experience on staff training, the interests and available time of staff, and high staff turnover rate both within EPFO and SDAs, it is considered that *“learning by doing”* approach will be the most cost effective for capacity building in medium and long term for EPFO and when possible the staff training plan should be established by the staff and their managers to ensure ownership and accountability of staff. Nonetheless, the key training and capacity building conducted in 2018 for EPFO can be highlighted as follows:

* In April 2018, a team building workshop for EPFO staff was held at Napakouang Resort, Vientiane province and during the event the Director of EPF gave explanation on the EPF Bylaws.
* In November 2018, the DED and M&E assistant attended 1-week training on M&E in Bangkok. The issue on effectiveness of the training program for EPF staff is being reviewed within EPF in light of limited budget under Component 3[[7]](#footnote-7) and it will be discussed with WB.

59. ***Human resources development plan and LENS2-EPF staff transfer:***  Transferring funding responsibility of LENS2-funded staff to EPF funded staff is part of the “one EPF one agenda” and it was expected that the process will begin in 2018 when 1-2 LENS2-funded staff will be funded by EPF budget. However, this has not been happening in 2018 and discussion between EPF and WB will continue. To promote transparency and quality of staff, a human resource development manual has been established and it will be applied. The manual describes mandate of EPFO as well as qualification of key positions, benefits, and selection criteria for permanent/full time staff as well as part time staff. Key EPF mandate is to tap funding from national and international sources as well as to be the focal point for GEF for Lao PDR.

### 4.3) M&E and Reporting

60. ***Progress of capacity building on M&E and reporting.*** EPFO managers have been making significant efforts to strengthen M&E and reporting capacity of EPFO staff. In 2017, an international M&E expert was mobilized but cancelled the contract after the first mission due to limited availability of inputs (30 working days) and budget. With additional inputs and budget (70 working days), another international M&E advisor was on board in April 2018 but later canceled the contract after completing the first task in December 2018. To strengthen EPF M&E capacity to be able to receive GCF, through GIZ TA, an M&E expert will be mobilized by GIZ in early 2019. Nonetheless, EPFO will hire a LENS2 M&E specialist to assist the new EPFO M&E team and a TOR will be sent to WB for clearance. During the capacity building workshop held from June 20 to 22, 2018, EPFO provided courses on project management and M&E, financial management, and procurement management. However, in November mission the WB rated M&E performance as *“moderately unsatisfactory (MU)”* due to (per WB aide memoir) limited progress in addressing persistent M&E issues over the last two missions including (i) the current internal M&E governance (M&E and sub-project operational teams are partitioned and do not exchange information and perspectives sufficiently), (ii) the difficulty to mobilize the new international M&E technical advisor, (iii) the lack of capacity of the EPF M&E team and internal quality control. EPF is aware that its institutional capacity will need to expand even further to take up more direct and consistent supervision of its sub-projects – especially as EPF seeks to expand and diversify its financing sources. Follow-up discussion between EPFO and WB in early 2019 on ways to improve the M&E performance will be conducted.

61. ***Capacity building through part time advisors/specialists.*** The M&E advisor was on board during April-December 2018 and conducted a thorough assessment of the existing EPFO M&E system and relevant staff in order to understand the current situation and identify points for improvements. Key findings and suggestions for the activities and outputs necessary for bringing about a meaningful change in the way EPFO manages and implements M&E (which are being considered by EPFO managers) are shown as follows:

* *Finding 1. Need for capacity building* through technical and advisory services (TA) on results-based management and the M&E. Expected result from the TA will include (a) improvement of technical capacity of the M&E team and EPFO coordinators on M&E and reporting and (b) improved knowledge and understanding of SDAs in use of the M&E and reporting related tools.
* *Finding 2. Need for improved tools* by updating the PIM Vol. 3 and reporting templates. Upgrading the M&E data management system including drafting of a TOR for IT/online data management system will be necessary.
* *Finding 3: Need for improved practices in results management for M&E*. Development of essential checklist for results management during the EPF project meetings with a goal to improve overall results management practice at EPFO. It is necessary to promote (a) strengthening the role of middle managers through recommendation and potential action plans and (b) improved communication and information sharing between the coordinators and M&E team by strengthening results management meeting and practices. The content will be included in the capacity building training and in the consultant report as a recommendation. Other actions include development of (a) a guidance note on handover system to improve results management and (b) a checklist for advanced action in M&E and reporting.
* *Finding 4: Need for improved results in gender equality and women’s empowerment.* Identification of entry points to improve results in gender equality in line with overall PDO.
* *Finding 5: Missing element at EPF.* Recommendation on how to strengthen evaluation capacity at EPF as an extension of the reporting activity and to fully realize EPF’s project management and quality assurance function for the LENS2 project.

### 4.4) Budget and Financial Resources Efficiency, FM and PM

62.Effectiveness, efficiency, and transparency of EPF operations and budget uses are critical for ensuring sustainability of EPF, especially when tapping additional fund from international sources. EPF operations during the past 10 years with WB financing has demonstrated EPFO capacity to tap and manage funding from international sources. However, to achieve the objective described in the EPF vision toward year 2030, it is necessary for EPFO to take proactive actions to engage national and international partners and establish clear fund flow mechanisms from additional funding sources and this is discussed in Section 4.4 below. In 2018, EPF has actively engaged UNDP and GIZ and is working closely with GIZ to tap additional fund from the Green Climate Fund (GCF). Nonetheless, it is critical that EPFO will have to keep operations cost to be within the available revenue as well as ensure transparency and accountability on financial management and procurement.

63. ***Fiduciary (FM and PM) setup***. This capacity is currently operational, however, not yet effective and efficient due to the lack of an effective accounting and information management software that can automatically manage accounting database that can serve EPFO managers regarding the financial status including financial reports that are required by GOL as well as by different funding agencies. It is expected that FM performance for LENS2 will be improved in 2019, especially when the IT specialist can complete the update of the EPFO accounting software. In addition, to improve reliability, effectiveness, and efficiency of FM management for EPFO, GIZ has agreed to hire an external finance expert to review, upgrade, and build capacity of EPFO FM team to meet GCF requirements so that EPFO can be assigned as an accredited entity for the GCF. EPFO will also ensure that the EPFO FM system could also facilitate effective operations of potential new WB financing projects.

64. ***Procurement work*** flow remains to be a challenge causing delays in procurement processing. The procurement team is developing a roadmap for improving coordination and completed the draft procurement manual (EPF-OM Vol 5) and it is being discussed with WB. During WB mission,performance rating on these aspects is rated MS while S rating is the target for 2020.

### 4.5) Sector Relevant Alliance, Fundraising, and Communications

65. ***Sector relevant alliance is closely linked with fundraising and communications****.* In late 2018, EPFO has been working proactively with WB, UNDP, and GIZ as part of the engagement effort with development partners and discussion on the preparation of potential new projects have been initiated. With GIZ TA, efforts are being made to build EPF capacity to be an accredited entity to receive fund from GCF and it is expected that a FM expert, a M&E expert, a climate fund expert, and a safeguard expert on ethnic group and gender will be mobilized by GIZ in early 2019.

66. ***National engagement and actions.***To tap funds from national sources, in 2018, EPFO has also initiated discussion and possible cooperation with relevant sector agencies to find ways to tap additional funds from various sources (especially hydropower, mining, and other investment projects) that are considered to be natural resources users and/or polluters as well as beneficiaries from NRE management. Nonetheless, it appears that much more efforts will be needed to engage key agencies into actions and reach agreements that is doable. Effective discussion with key ministries, agencies, and provinces that are involved in revenue collection and/or concession agreement to promote effective uses of natural resources and protection of the environment. Appropriate regulations are required on ensuring that these collections are systematically and transparently channeled to the EPF.

67. ***EPF fundraising and communications****:* The Fundraising and Communications Officer (FRCO) was mobilized in 2016 and resigned in 2017 and activity was handled by the FRC assistant. In October 2018, the new FRCO is on board and taking proactive actions on international (GIZ, WB) and national (DEPP) engagement. The FRCO will also be the focal point for coordination with DEPP and other sector agencies as much as possible.

68. ***EPF involvement with GOL’s green growth development policy operations (GG-DPO).*** As part of GOL effort to develop and strengthen the environmental financing mechanism for Lao PDR, during January-December 2017, EPF has been taking part to proactively establish clear regulatory framework and mechanism to operationalize its eligible revenue sources as listed in Article 66 of the Environment Protection Law 2012 and the revised EPF Decree. A budget of $200,000 was proposed and endorsed by TC to be allocated to EPF to undertake the activities necessary to make this happen. In 2018, it has been agreed that collection of wastewater charge according to the water and water resources law (approved in mid-2017) can be considered as the GG-DPO 2018. However, as of end 2018, there is no clear direction on how to facilitate operations of two additional funding sources for EPF by end of 2020.

1. CONCLUSION AND NEXT STEPS

### 5.1) ACHIEVEMENTS and Challenges

69. ***Subproject management.*** As mentioned in the semester report for January-June 2018, EPFO is closely working with MONRE, MAF, and MOF to ensure achievement of better results for LENS2 project. Key achievements during January-June 2018 can be summarized as the followings:

* In December 2018, of 38 subprojects, all 7PAFO submitted AWPB on time and WB clearance were received before end of 2018. Submission of the 2018 annual report is scheduled for 20 January 2019 and not all SDAs meet this target. Of those submitted, inadequate information is provided, especially justification for FCI rating and METT score. Review of the reports suggested that more specific training will be necessary.
* On disbursement, as of end December 2018, subproject cumulative expenditure was $14.06M which is 45% of the subproject approved budget (31.31M).
* On procurement, although there are some delays, procurement of consultants, vehicles, and equipment for EPFO and SDAs in 2018 were implemented according to the procurement plans approved by WB.
* In 2018, fund raising was $1,403,509 comprising $610,000[[8]](#footnote-8) from 6 hydropower projects, $445,103 from 58 small mining, $2,405 from a tobacco company, and $346,001 from bank’s interest.
* On EPFO staff, as of December 2018, there were 41 full time staff on board (14 female) including six new staff, however, by end December the LENS2 M&E officer resigned.

70. ***EPF operations challenges:*** *Table 6.1* below presents WB rating for LENS2 performance in 2018 compared to 2017. This reflects operations challenges regarding SDA capacity which will undoubtedly affect the overall LENS2 performance. Nonetheless, EPFO team will make an effort to upgrade M&E performance from MU to MS or S by end of 2019 and raise LENS2 performance from MS to S by end of 2020. An action plan will be prepared and discussed with WB to agree on scope and time frame of the actions. Active involvement and commitment of the responsible units will be necessary.

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| **Table 6.1 WB rating for LENS2 performance** |
| **WB rating** | **March 2017** | **April 2018 mission** | **November 2018 mission** |
| Sub-projects | Comp.3 | LENS2 | Sub-projects | Comp.3 | LENS2 | Sub-projects | Comp.3 | LENS2 |
| Outcome | MS | MS | MS | - | MS | MS | - | MS | MS |
| Implementation | MS | MS | MS | - | MS | MS | - | MS | MS |
| Planning, M&E | MU | S | MS | MS | MS | MS | - | MU | MU |
| Procurement | MS | S | MS | MS | MS | MS | MS | MS | MS |
| FM | MS | S | MS | MS | MS | MS | MS | MS | MS |
| Safeguard | S | N/A | S | S | S | S | S | S | S |

71. ***EPFO institutional challenges.*** EPFO is working based on the new EPF decree and organization procedures and key operations challenges to ensure effective, efficient, and sustainable EPF are (a) staff capacity, (b) effective management of operating costs, (c) good quality of deliverables, and (d) effective engagement with key constituencies. Below highlights key challenges and actions being considered by EPFO.

* *English proficiency and technical competency.* Given the objective and nature of EPF operations, EPF staff have to be fluent in writing and reading both English and Lao as well as technically credible while having working experience and connections with key agencies and/or provinces could help ensuring effective support to SDAs. LENS2 experience suggested that finding a person with the right combination on these qualities are difficult in Lao PDR, however, there are opportunities to find a combination of junior staff with good English and willingness to learn and a more senior staff with technical experience but less enthusiastic for training and capacity building activities. Given that Board has approved the human resources development manual and based on the implementation performance of staff during the past few years, EPFO managers will develop a staff plan for EPF and begin to transfer/recruit appropriate EPF staff who will enjoy some benefits according to the manual.
* Implementation experience during the past few years under LENS2 suggested that while there are opportunities for EPFO to attract additional budget from internal and external sources, it is critical to ensure effective management of EPFO operations especially those related to staff capacity, expected outputs, and operational costs.

72. ***SDAs performance, limited capacity, and need for proactive actions:*** This remains a challenge for LENS2. In year 2018, the implementation progress of most SDAs was much slower than planned mainly due to changes of subproject management and staff team as well as limited capacity of the agencies. WB clearance of the NEPL subproject has also been delayed for 1 year. Experience and achievement in 2018 suggested that it is unlikely for most SDAs to complete the proposed subproject activities and spend all the available budget by end of 2020. However, given limited capacity and working experience of most SDA staff and various institutional constraints, it is necessary for EPFO and SDAs to explore various opportunities to use fund effectively and efficiently. In light of the MOU between MONRE and NUOL and the implementation of the on-going Lao-Thai MONRE, EPFO will conduct follow-up discussion with key SDAs on ways to enhance cooperation in areas that can enhance contribution to the potential achievement of LENS2 and GG-DPO obligations. Nonetheless, it is the SDAs responsibilities to take proactive actions to speed up the implementation of the subproject activities and facilitate timely payment.

### 5.2) Next Steps towards the end of Year 2019

73. Key LENS2 activities to be carried out during 2019 can be highlighted as follows:

* ***TC and Board meetings.*** Four TC meetings and two Board meetings are planned for the year 2019. It is expected that 5 volumes of the EPF consolidated operations manual (EPF-OM) will be submitted for consideration by EPF Board. EPFO will continue to implement the “one EPF one agenda” including a transitional plan of staff transfer.
* ***EPF communication and fundraising.*** It is also expected that a number of activities will be conducted for this purpose. Priority areas are:
	+ To improve effectiveness and potential impacts of LENS2 activities including preparation of potential new project with WB supports, EPFO will (a) prepare communication materials related to key outputs of LENS2 as agreed with WB and (b) if possible, develop a good story line for possible fundraising from general public and private sector.

* + To improve engagement with constituencies, EPFO will strengthen effectiveness of the EPF’s IT system/website so that it can provide an up-to-date information regarding to GOL laws and regulations, guidelines, strategies, and/or plans related to natural resources and environment in Lao PDR and when possible, make available hard copies of related documents and/or conduct EPF stakeholder workshop.

* + To strengthen cooperation and partnership with sector agencies by engaging with key agencies of MEM, MPWT, and MOIC.
	+ To actively engage with new development partners (GIZ) for tapping additional funding sources (GCF) through GIZ TA and possible investment project from GCF.
* ***SDAs training:*** All subprojects already received training on PIMs in 2017 and in 2018. However, given changes of many SDAs staff and delay in submission of quality progress reports, it appears that a more targeted training may be necessary and this will be discussed between the WB and the new M&E team in early 2019. It is expected that two M&E trainings will be conducted in 2019.
* ***AWPB 2019 and possible reallocation of subproject budget:*** In light of WB recommendations in November 2018 and TC endorsement of EPFO recommendation for actions, EPFO will closely monitor the implementation progress of AWPB 2019 for all SDAs every quarter and take proactive actions to mitigate any issues as much and as fast as possible. It is also likely that in close consultation with WB team, subproject budget for the poorly performed SDAs may be allocated to the good performing SDAs to implement priority activities that can enhance achievement of LENS2 PDO.
* ***High priority for GG-DPO targets.*** As mentioned in the previous report, LENS2 plays a key role in achieving the GG-DPO targets. In this context, EPFO and PTMA will continue to pay due attention to work closely with WB team and the SDAs to ensure timely achievement of the agreed results targets for the GG-DPO project, especially those for year 2019. Key SDAs will include but not limited to MPI, DNEP/NEIO, DEQP, PCD-AF, NRERI-AF, NNT-WMPA, and NEPL/DOF.
* ***C3 AWPB 2019.*** Given limited budget available under C3 in light of existing Board policy, on-going activities, and institutional constraints discussed in this report, it is expected that follow-up discussion between EPFO and WB on C3 AWPB 2019 will be necessary to enhance effective management and implementation of LENS2.
1. LENS2 became effective in April 2014. It provides funding to subprojects through PICE window (Component 1 under LENS2) and CBI window (Component 2 under LENS2) as well as funding for project administration and EPFO capacity building (Component 3). Of the total LENS2 budget of $38.83 million from WB, $33.40 million have been allocated for PICE and CBI subprojects and about 40 eligible Subproject Delivery Agencies (SDAs) have been identified in 2015. A budget of $4.69 million is provided for C3 and $0.74 million for 2 PPAs. For more description about LENS2 project, please see Annex 1. [↑](#footnote-ref-1)
2. In September 2017, DESIA was separated into the Department of Natural Resources and Environmental Policy (DNEP) and the Natural Resources and Environment Inspection Office (NEIO). [↑](#footnote-ref-2)
3. In 2017, former DESIA of MONRE was responsible for reviewing and monitoring compliance of ESIA for large investment projects and the 2018 annual target report was 24. However, in late 2017, it was separated into two new agencies: DNEP responsible for review of ESIA and NEIO responsible for inspection.  Although it is noted that there were 7 reports on hydropower, 4 reports on mining, 1 report on road project and the documents are ready to be uploaded upon the completion of the new MONRE website.However, as of end December 2018*,*none of the report was uploaded into any website.  In 2018, NRERI completed 14 reports on haze, air quality and noise pollution in Vientiane Capital, Luanprabang, Xayabouri, Vientiane Province, Bolikhamxay, Khammuan, Savannakhet, and Champasack. No report has been uploaded on MONRE website and achievement remains 0.  Given that MONRE website remains non-functioning, NRERI is developing their own website. *For PCD,*there has not been any reports prepared and disclosed in 2018. Results achievement of PCD in 2018 is considered 0.PCD completed the revised proposal for additional fund to ensure achievement of GG-DPO in 2019 and 2020 as well as strengthen capacity of PONREs on pollution control. [↑](#footnote-ref-3)
4. According to the revised Results Indicator for LENS2 (see Annex 1b) [↑](#footnote-ref-4)
5. It is noted that in 2016, EPF received $447,040 from mining and $200,000 from 1 hydro (THB ext.). In 2017, EPF received $813,480 from 70 mining companies (of 165 mining companies) and ($200,000) from THB ext. (out of 19). Of the 70 mining companies, 52 companies made the payment on time while 18 companies delayed in payment due to the delayed in receiving the payment notification letter from the hydropower and mining departments. [↑](#footnote-ref-5)
6. Objectives of the mission were to: Assess the progress made since the November 2017 mission towards PDO and the overall performance of LENS2 project; Evaluate the improvement of Environment Protection Fund (EPF)’s implementation capacity since last mission, identify opportunities for further improvement, and determine the level of WB implementation support; Engage with SDAs and EPF by providing implementation and capacity building support to refine AWP, budget, and adjusted Results Framework; and Discuss with the EPF on the allocation of remaining LENS2 budget to new or existing subprojects. [↑](#footnote-ref-6)
7. At present, EPF received the project management budget and capacity building of EPF of about $4.68 million or 12% of LENS2 cost from WB ($38.83 million). [↑](#footnote-ref-7)
8. It is noted that in 2016, EPF received $447,040 from mining and $200,000 from 1 hydro (THB ext.). In 2017, EPF received $813,480 from 70 mining companies (of 165 mining companies) and ($200,000) from THB ext. (out of 19). Of the 70 mining companies, 52 companies made the payment on time while 18 companies delayed in payment due to the delayed in receiving the payment notification letter from the hydropower and mining departments. [↑](#footnote-ref-8)