Lao People’s Democratic Republic

PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

Environment Protection Fund

The Second Lao Environment and Social (LENS2) Project

Third-Year Annual Report

(01 January – 31 December 2017)

15 February 2018 (revised 11 April 2018)

# Preface

The Environmental Protection Fund (EPF) operates subprojects through 5 financing windows with financial supports from the project developers and the World Bank (WB). Through the Second Lao Environment and Social (LENS2[[1]](#footnote-1)) project, the WB provides support only for the Policy Implementation and Capacity Enhancement (PICE) window and the Community and Biodiversity Investments (CBI) window.

This report is the third-year Annual Progress Report (APR) for the LENS2 project. It was prepared by the Environment Protection Fund Office (EPFO) to fulfill the agreement with the WB. The report presents the implementation and financial management progress during 01 January 2017 to 31 December 2017 (12 months). Main activities and/or achievements during the report period can be highlighted as follows:

* January to December 2017 marked the major change on EPF management. The 2005 EPF decree was revised and approved by the Prime Minister on 08 March 2017. The EPF Board is now chaired by the Minister of the Ministry of Natural Resources and Environment (MONRE) and a new team of the Technical Committee (TC) has been established and operational. EPF budget is being managed as a State Funds. The Government fiscal year has been changed from 01 October to 30 September of the following year to 01 January to 31 December of the following year.
* The WB conducted the mid-term review for LENS2 during 20 March to 07 April 2017 and the results was described in the Aide Memoire. There are difficulties and delays during implementation with many key subprojects especially those related to protected area management, Lao-WEN, and environmental management subprojects including some subprojects of the National University of Lao. Key findings were presented in the fourth semester progress report submitted to WB on 15 August 2017.
* The WB also conducted an Implementation Support Mission for LENS2 during November 20 to December 01, 2017 and the results were described in the Aide Memoire. Overall implementation was considered moderately satisfactory but not without challenges, most of which are being addressed to varying degrees.
* During January to December 2017, additional 16 subprojects (valued about $11 million) were endorsed by the Technical Committee. Among these, 7 PONRE sub-projects, 7 PFRM (PAFO) and WMPA received WB clearance. The Board has not yet approved sub-projects of 4 Houaphanh, Luang Prabang, Xieng Khuang and Khammuane PFRM as of December 2017. The former DFRM (now calls DOF) sub-project was flagged as “Unsatisfactory” in April 2017, and in August 2017 and the Component 4 of DFRM Sub-project was cancelled. A total of 39 subprojects are under implementation as of 31 December 2017 of which 8 subprojects were considered completed.
* In terms of disbursement, during October 2016 to December 2017 (15 months), project expenditures was $5.89 millions comprising $3.74 million of PICE subprojects, $1.41 million of CBI subprojects, and $0.74 million of EPF. As of 31 December 2017, the total cumulative project disbursement (amount withdrawn from WB) reached $10.10 millions or about 26% of WB fund for LENS2.
* In terms of staffing, eight new additional staff are on board making a total of 38 full time staff, female 14, while procurements of consultants, vehicles, and equipment for EPFO and SDAs have been continued according to the procurement plans approved by the WB.
* In terms of fund raising, during the reporting period, the EPF received $1.31 million which is more than the $1.1 million target for 2017.
* As recommended during the midterm review, the results framework and key indicators for LENS2 project was revised in consultation with the SDAs and a formal request for LENS2 restructuring was submitted to WB in November 2017.
* During the report period, EPFO conducted three TC meetings, three Board meetings, and one training on Project Management for SDAs to support the implementation of subprojects as well as to facilitate the preparation of the AWPB 2018 and the progress reports. The 2017 EPF stakeholder workshop and the TC meeting planned for December 2017 could not be organized due to the revision of EPF ByLaw and Board decisions to conduct an internal meeting with the SDAs and to change the approach for undertaking the EPF stakeholder workshop.

EPFO would like to thanks our supporters and partners, especially MONRE, the Ministry of Agriculture and Forestry, the National University of Laos, the Ministry of Finance, the Ministry of Planning and Investment, and the provincial governments 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

Table of Contents

[Preface 3](#_Toc490570622)

[Abbreviations and Acronyms 6](#_Toc490570623)

[I. INTRODUCTION 8](#_Toc490570624)

1.[1) The Environment Protection Fund and Activities 8](#_Toc490570625)

1.[2) Scope of this Annual Progress Report 8](#_Toc490570626)

[II. ReSULTS OF LENS2 SUBPROJECTS 9](#_Toc490570627)

2.[1) Implementation Progress 9](#_Toc490570629)

2.[2) Results Indicators 15](#_Toc490570630)

2.[3) Financial Management and Procurement of LENS2 Subprojects 25](#_Toc490570631)

2.[4) Implementation Issues of LENS2 Subprojects 26](#_Toc490570632)

[III. LENS2 SUBProject Administration 26](#_Toc490570633)

3.[1) EPF-specific Results Indicators in LENS2 Project 26](#_Toc490570634)

3.[2) Financial Management and Disbursement Progress 29](#_Toc490570635)

3.[3) Operations – Support to SDAs 30](#_Toc490570636)

3.[4) Operations – Safeguards 31](#_Toc490570637)

3.[5) Operations – WB Implementation Supports 31](#_Toc490570638)

3.[6) AWPB Achievement 31](#_Toc490570639)

3.[7) Administering FM 32](#_Toc490570640)

3.[8) Procurement for EPF staff recruitment and consultancy services 32](#_Toc490570641)

[IV. EPF Capacity Building 33](#_Toc490570642)

4.[1) EPF Staffing and Human Resources Capacity 33](#_Toc490570643)

4.[2) EPF Governance and Business Strategy 34](#_Toc490570644)

4.[3) Budget and Financial Resources Efficiency 34](#_Toc490570645)

4.[4) Sector relevant alliance 34](#_Toc490570646)

4.[5) Fiduciary Setup 35](#_Toc490570647)

4.[6) M&E and Reporting 35](#_Toc490570648)

4.[7) Communications and Fundraising 35](#_Toc490570649)

[V. CONCLUSION AND NEXT STEPS 36](#_Toc490570650)

5.[1) Achievements and Challenges 36](#_Toc490570651)

5.[2) Next Steps towards Year 2018 38](#_Toc490570652)

***Annexes***

Annex 1a. Background Information of the LENS2 Project

Annex 1b. Key Findings during the WB Missions

Annex 2. Status of EPF Subprojects

Annex 3a. Unaudited Financial Report (IFR, 01 October 2016-31 December 2017)

Annex 4. Updated EPFO Staffing and Procurement of LENS2 Subprojects

Annex 5. Results Framework of LENS2 Project

Annex 6. EPF Annual Work Plan FY17 Evaluation

# Abbreviations and Acronyms

|  |  |
| --- | --- |
| APR | Annual Progress Report |
| APU | Administration and Personnel Unit of EPFO |
| AWPB | Annual Work Plan and Budget |
| BKX | Bolikhamxay province |
| CBI | Community and Biodiversity Investments |
| CEF | Community Engagement Framework |
| DEQP | Department of Environmental Quality Promotion |
| DESIA | Department of Environmental and Social Impact Assessment |
| DFRM | Department of Forest Reserves and Management 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 |
|  |  |
| EPFO or EO | Environment Protection Fund Office |
| ESMF | Environment and Social Management Framework |
| FMU | Financial Management Unit of EPFO |
| GEF | Global Environmental Fund |
| GoL | Government of Lao PDR |
| HP | Houaphanh province |
| IDA | International Development Agency |
| KM | Khammouane Province |
| LENS | Lao Environment and Social Project Phase I |
| LENS2 | Lao Environment and Social Project Phase II |
| LFNC | Lao Front for National Construction |
| LPB | Louang Phabang province |
| MER | Monitoring, Evaluation, and Report |
| MAF | Ministry of Agriculture and Forest |
| MEM | Ministry of Energy and Mines |
| MOF | Ministry of Finance |
| MONRE | Ministry of Natural Resources and Environment |
| MPI | Ministry of Planning and Investment |
| NAPA | National Academy of Public Administration |
| NEPL-MU | NamEt-PhouLouey Management Unit |
| NNT-WMPA | Nakai-NamTheun-Wtaershed 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 |
| 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 Management Advisor |
| SDA | Subproject Delivery Agency |
| SPF | Subproject Preparation Facility |
| SPR | Semester Progress Report |
| SVK | Savannakhet province |
| TC | Technical Committee |
| VTP | VienTiane province |
| WB | The World Bank |
| XK | XiengKhouang province |
| XSB | XaySomboun province |

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 various beneficiaries is from the World Bank (WB) through the Second Lao Environment and Social (LENS2) Project (see background in *Annex 1(a)).* The LENS2 project supports only PICE and CBI financing windows and the EPF capacity building and the project administration. For LENS2, 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 and the WB support mission for the LENS2 was conducted during 20 November to 01 December 2017. Key findings are highlighted in Section II while details are provided in the WB aide memoires issued after the missions[[2]](#footnote-2).

3. As of 31 December 2017, EPF is managing 39 LENS2 subprojects (valued about $25.11 million) through PICE (25 subprojects valued about $17.60 million) and CBI (14 subprojects valued about $7.51 million) windows. Of these 39 subprojects, 8 subprojects are considered closed by end of December 2017 and a budget of about $0.2 million saving have been returned to C1+C2 for new allocation. It is expected that by mid-2018, NEPL-MU subproject and 4 PFRM subprojects (valued about $5million) will be approved by WB and EPF Board while additional fund will be provided to DOF of MAF for training of 7PFRM ($0.3million) and to DPC/PCD/NERI of MONRE ($0.75million) and DPF-MAF ($0.15 million). Given that DESIA-MONRE subproject will be separated into 2 subprojects (DNEP and NEIA), therefore it is expected that by mid-2018, EPF will manage 44 subprojects, however with 40 SDAs. *Table 1.1* below provide a summary of LENS2 subproject under implementation, approval, and preparation while the full list is available in *Annex 2.*

**Table 1.1 Summary of EPF total portfolio for LENS2**

|  |  |  |
| --- | --- | --- |
| Window | Total LENS 2 (Sub-Project / Amount) | Remarks |
| PICE | 25 / $17,599,450 | 5 subprojects are considered closed by end of December 2017 while 6 new subprojects (NEIA-MONRE, 4PFRMs, and DPF-MAF) and additional financing of 4 on-going subprojects (DOF-MAF and DPC/PCD/NREI-MONRE) are being prepared/approved for 2018 |
| CBI | 14 / $07,512,316 |
| Total | 39 / $25,111,766 |

### 1.2 Scope of this Annual Progress Report

4. The reporting period for this report is from 01 January 2017 to 30 December 2017 (12 months), except the financial management which cover the period of 01 October 2016 to 31 December 2017 (15 months) to ensure consistency with the previous financial status report (IFR) (see Section III and Annex 6). This annual report provides information on all EPF support subprojects (LENS2 and non-LENS2), however, the implementation progress and results evaluation is made only for LENS2 subprojects. The report taken into account that the forth semester progress report submitted to WB on 15 August 2017 already provided details on the progress during 01 October 2016 to 30 June 2017.

1. ReSULTS OF LENS2 Sub-PROJECTS

### 2.1) Implementation Progress

5. **Overall Implementation Progress:** Implementation of LENS2 activities during January to December 2017 is considered on track for most subprojects but slow in general except some subprojects. Main reason for the implementation issues and slow progress is due to limited capacity of SDAs staff as well as uncertainties regarding the assignment during the reorganization of the protected area (PA) related subprojects (DFRM/PFRM) which were transferred from MONRE to the Ministry of Agriculture and Forestry (MAF) starting mid 2016 as well as the reorganization within MONRE which began in mid-2017. The overall performance of the LENS2 and the subprojects was considered by the WB during the midterm review (MTR) conducted in March-April 2017 and the implementation support mission conducted in November 2017 as “*moderately satisfactory*” (see Section III). The MTR also recommended for the overall LENS2 restructuring as well as subprojects restructuring. During the report period, the WB also decided to cancel Component 4 of the DFRM subproject. There were preparation and approval of 7PONREs and 7PFRM subprojects as well as requests from MONRE and MAF SDAs for restructuring and/or additional financing. EPFO conducted consultation with SDAs and WB regarding scope of the restructuring of LENS2 in mid-2017 and through the Ministry of Finance formally sent a request to WB in late November 2017 for LENS2 restructuring. EPFO also assisted the SDAs during the restructuring and/or preparation of additional financing. More details are provided below. It is noted that during the report period there was significant change on EPF operations including the effectiveness of the new EPF Decree in early 2017, the new EPF Board, and the new Technical Committee (TC).

6. **Subproject preparation, approval, and subgrant signing.** It was mentioned in the second-year annual report that as of 31 December 2016, a total of 28 subprojects (PICE 18 and CBI 10) were under implementation with a total of budget of about $20 million and $23 million were endorsed by TC. During January-December 2017, additional 16 subprojects (7 PONREs, 7 PFRMs, NNT-WMPA, and NEPL-MU) were endorsed by TC, 15 subprojects (7PONREs, 7PFRMs, NNT-WMPA) were cleared by the WB, and 12 subprojects (NAPA, 7PONREs, and 3PFRMs) were endorsed by EPF Board (see *Annex 2*). As of 31 December 2017, a total of 39 subprojects were under implementation with an approved budget of about $25.11 million including 8 subprojects (MPI-PPA, NNT-WMPA-PPA, NEPL-PPA, and 5PONREs) that have been completed by end of 2017. There was 1 subproject waiting for WB clearance (NEPL-MU) and 4 subprojects waiting for Board approval (4PFRMs for KM, LPB, XK, HP) [[3]](#footnote-3). It is noted that the subproject approval process took longer time than that required during the past 2 years. It is the new Board policy to review and approve all EPF subprojects through Board meeting before subproject signing. In addition, prior to the Technical Committee meeting, all sub-project proposal needs to get Letter of Permission from the Minister of concerned Ministry.

7. **New subprojects:** During the report period, preparation of new subproject proposal by MAF-DPF was initiated with the objective to support DPF to provide “One window” Services to LENS2 Sub-project in the sector, including in the areas of benchmarking, spreading best practice, M&E, enhance supervision, enhance coordination, other including nature-based tourism, strategic communication, and coordination with other planning departments throughout the GoL. One example is to provide remote sensing monitoring of changes in forest cover in 11 PAs, to help the sub-projects deliver in a consistent and comparable way on the aggregated results indicator for LENS2. This new sub-project is expected to be submitted to TC in 2018. Apart from that, there are also needs for additional financing for training of the 7PFRM in line with the national guidelines being drafted under DFRM subproject as well as additional research on development of new funding sources for EPF as required by the Green Growth-DPO project. There were also proposals for restructuring of DFRM, DESIA, and DEQP subprojects as well as for additional financing of DPC, PCD, and NREI of MONRE. In line with MONRE’s policy the DESIA subproject will be separated into 2 subprojects[[4]](#footnote-4).

8. **EPF role in coordination and synergy:** At the beginning of 2017, EPF has strengthened its efforts to coordinate the subprojects at a more engaged level, by hosting coordination meetings. This is to ensure that similar activities are coordinated, and support one another where appropriate. This approach was endorsed by the WB during the MTR. However, the progress to move forward the activities after MTR remains slow due to slow implementation of many subprojects which are still facing difficulties with weaknesses of staff capacity, in effective management and decision making process within the SDA, and uncertainty and delay related to reorganization of DFRM in 2016-2017 and within MONRE starting mid-2017. The subproject implementation progress could be summarized in *Table 2.1* below.

|  |  |  |
| --- | --- | --- |
| Table 2.1 Summary of implementation progress after MTR (April-December 2017) | | |
| Subprojects | Progress after MTR (April-September 2017) | Progress during October-December 2017 |
| **MONRE (12 SDAs)** | |  |
| DESIA (Now calls DNEP/ NEIA) | Slow due to weak capacity and uncertainty within DESIA due to MONRE restructuring. DESIA was already divided into 2 new departments (NRE policy and NRE monitoring and inspection). However, M&E activities, revision of ESIA regulation to meet GG-DPO target was continued. It was expected that DESIA proposal will be restructured so that it will be implemented by the 2 new agencies | DESIA was officially divided to be DNEP and NEIA and new staff assignment were completed in October 2017. According to the mandate, DNEP is responsible for oversee the implementation of SEA, ESIA, and the national policy on NRE including issuance of ECC and negotiation for SESO. The NRE inspection authority (NEIA) is responsible for inspection including those of the ECC compliance  In December 2017, it is MONRE policy to separate DESIA proposal into 2 proposals (one for DNEP and one for NEIA). |
| DEQP | Slow due to weak capacity as well as some change in mandate; the SEA and policy function already transferred to the new department on NRE policy (DNEP). The 2017 AWPB already revised and got approval from WB in August 2017. | DEQP revised proposal (Restructuring) to focus on forcing the implementation of ISP and Green, Clean, and Beautiful campaign. The activities related to SEA and NEC meetings have been transferred to DNEP. |
| PCD | Slow, but on track. PCD proposal is not seriously affected by MONRE reorganization. With PCD new mandate on monitoring and inspection, priority for PCD-AF will likely to focus on equipment and training for all PONREs on pollution control. The revised AWPB 2017 received WB clearance. MOU between Lao-Thai MONRE cooperation program was signed on 20 July 2017 and specific plan for Lao-Thai PCDs already signed in August 2017. Discussion on additional financing was under preparation and expected to be submitted to TC in late 2017. The AF will also include Lao-Thai MONRE cooperation program for 2018-2020. | PCD submitted an AF proposal to EPFO for $400,000 in late 2017. The proposal to be submitted to TC for consideration. |
| DPC | Slow, but on track. DPC proposal is not seriously affected by MONRE reorganization. As the chairman of the TC, DG and DDG of DPC have been playing an active role in addressing the implementation issues of subprojects, especially monitoring the progress and coordination of MONRE subprojects. DPC also took the lead in the MOU signing between Lao-Thai MONRE. It is expected that an AF for DPC would be necessary to increase its role in M&E of EPF subprojects including LENS2, Loa-Thai MONRE program, and other coordination with other donor agencies. Preparation of the AF proposal was initiated. | DPC submitted an AF proposal for $150,000 to EPFO. The proposal to be submitted to TC for consideration. |
| NREI | Slow, but on track. NREI proposal is not affected by MONRE reorganization. The 2018-2020 activities will also incorporate priority activities identified under the Lao-Thai MONRE program. NERI proposed to have additional financing to meet the GG DPF 2. | NREI prepared an AF proposal for $200,000 to ensure meeting the target for GG-DPF2. The proposal was submitted to EPFO. |
| 7PONREs | The proposals were endorsed by TC and WB and approved by EPF Board on 19 May 2017. The Subgrant signing on 19 July 2017 and the sub-projects are now under implementing. | The subproject implementation were on-going |
| **MAF (14 SDAs)** | |  |
| DFRM-AF (Now calls DOF) | Slow. Restructuring has been completed and final decision to incorporate DFRM into DOF is completed in December 2017. WB does not approve AWPB 2017 for Component 4 and later cancelled this component. TC allocated part of the remaining budget for safeguard and technical training of the 7PFRMs and strengthening coordination capacity of LENS2 subprojects. DFRM discussion on restructuring of DFRM subproject as recommended by WB during the MTR was initiated. | DOF submitted a restructuring proposal for DFRM subproject to EPFO. The proposal to be submitted to TC for consideration. |
| DOFI | Slow, but on track. Discussion on the results indicator was on-going | Agreement on the revised results indicators were reached and included in EPFO request for LENS2 restructuring. |
| 3POFI | On track | On track |
| NEPL-MU | After MTR, efforts were made by EPFO and WCS to finalize the proposal and other documents and secure WB clearance including inform the EPF Board in the meeting in 19 May 2017. The Board requested for MAF minister endorsement to oversee the implementation of this subproject, and the NEPL-MU committee to be set up. WB clearance on ESMP, procurement, and Financial management will also be required. | MAF established the NEPL-MU and MAF minister has already endorsed the proposal. However, WB clearance remain pending. |
| NNT-WMPA | The efforts were made by EPFO and WMPA to finalize the proposal and other documents and secure WB clearance including inform the EPF Board in the meeting in 19 May 2017. The Board requested for MAF minister endorsement to oversee the implementation of this subproject. WB clearance on ESMP, procurement, and Financial management will also be required. | WB already provided NOL to NNT-WMPA, the project signing was conducted in October 2017.  The subproject is under implementation. |
| 3PFRMs | PFRMs for VTP, SVK, and BKX were endorsed by TC in June 2017. The final proposals including ESMPs were submitted to WB for clearance and those for VTP were cleared with a condition to revise the ESMP. Clearance for SVK and BKX were on-going. | The proposals and ESMPs for these subprojects were cleared by WB. |
| 4PFRMs | After MTR, follow-up meetings and discussion were made on the preparation of the proposals and ESMPs for KM, LPB, HP, XK. These proposals were submitted and endorsed by TC in late September. | The WB cleared the proposals however the ESMPs will be post reviewed by WB. |
| **NUOL (5 SDAs)** | |  |
| FFS | On track and significantly improved.  There was a discussion for FFS to provide technical training to the 7PFRMs. However, it is considered that the fund will not be adequate. | Implementation is continued as planned. |
| FEB | On tract, but very slow. Challenge remained, especially in implementing CEF for the first time under LENS2. Staff assigned to the project has many other responsibilities, and can’t dedicate that much to the sub-project. Need to recruit further consultant to support the project. | Implementation remains slow. |
| FSS | Slow, but on track. The master program for resettlement management, which was moved backward from September 2017 during the MTR is expected to be launched in September 2018 as per the revised plan. | Implementation is continued as planned |
| FES | Slow, but on track. This sub-project continues to be noticeably behind most other NUOL faculties due to low number of staff within the subproject team. The training manual has not yet been completed. | Implementation remains slow. |
| FNS | On track. The sub-project has performed very well, and has good collaboration with Bolikhamxay PAFO. | Implementation is continued as planned |
| **Others (5 SDAs)** | |  |
| NAPA | Board approved the project in 04 August 2017. | The sub-project signed on October 2017, and the project is now under implementation. |
| MPI | Slow, but on track. The AWPB 2017 is being revised to incorporate the agreement under GG-DPO. The revised AWPB 2017 has been approved by WB since August 2017. | Under implementation |
| DPR-GO | On tract. | Under implementation |
| DCNEC | Slow | Under implementation |
| Custom | Slow | Under implementation |

### 2.2) Results Indicators

9.  **Results Framework Matrix *(Annex 5. Results Framework, separate document):*** As mentioned in the second annual report, the original Results Framework for LENS2 has been used as the basis for monitoring of project outputs/outcome. During the MTR in March-April, extensive discuss was made on the Results Framework and a number of indicators are being considered for modification and/or change. The meeting to revise the Results Framework was organized on 20 September 2017. After an agreement with the SDAs, EPFO through MOF sent a request for restructuring of lENS2 project including revision of the Results Framework to WB in November 2017. Nonetheless, for this report the assessment was made according to the indicators of the original Results Framework, however, the new outcome indicators are also presented and the progress are discussed in the paragraphs below. It is noted that due to the delays in preparation and approval of the NEPL-MU subprojects, there is no information available for assessing the PDO indicators 1, 2, 4 and 5.

(a) LENS2 Results Framework Monitoring as of 31 December 2017[[5]](#footnote-5)

10. ***PDO indicator - OI 1. Area brought under enhanced biodiversity protection measured by score of management effectiveness***

* Baseline 22 (858,000 ha); Current 24 (858,000 ha); 2021 Target 56 (1,250,000 ha)
* Seven PAs related subprojects (PFRM\_VTE, PFRM\_SVK, PFRM\_XK, PFRM\_HP, PFRM\_LPB, PFRM\_BLX and PFRM\_KM) have been proposed with a total area of about 370,439 ha (including Phouchom Voy and Phou Khao Kouay).
* As of 31 December 2017, this indicator has been tracked from eleven PPAs (NNT2, NEPL, PFRM\_VTE, PFRM\_SVK, PFRM\_XK, PFRM\_HP, PFRM\_LPB, PFRM\_BLX and PFRM\_KM and FEB (2PPAs). Total PAs areas target by 2021 will be about 1,228,439 ha as below:

|  |  |  |  |
| --- | --- | --- | --- |
| *No* | *PPAs* | *SDAs* | *Area (Ha)* |
| *1* | *NEPL* | *NEPL* | *420,000* |
| *2* | *NNT2* | *NNT2* | *438,000* |
| *3* | *Phouchom Voy* | *FEB* | *23,000* |
| *4* | *Phou Khao Kouay* | *FEB* | *8,000* |
| *5* | *Phoumeud - Phousankheuan* | *PFRM\_VTE* | *24,307* |
| *6* | *Dongnatad* | *PFRM\_SVK* | *6,300* |
| *7* | *NamIn-Phouhinlekphai* | *PFRM\_KM* | *16,898* |
| *8* | *NamMouane - NamNgouang* | *PFRM\_BLX* | *107,000* |
| *9* | *Zonphouchong* | *PFRM\_XK* | *80,000* |
| *10* | *Namsam* | *PFRM\_HP* | *70,000* |
| *11* | *Phoufeung - Phouphathoon and Tad Kuangsi* | *PFRM\_LPB* | *34,934* |
|  | *Total* |  | *1,228,439* |

* In 2017, TC approved three subprojects related to PA (i.e. PAFO\_VTE, PAFO\_BLX and PAFO\_SVK), and these proposals had been given WB clearance. These sub-projects obtained EPF’s board approval on 23 August 2017 and begin implementation in late 2017. It is also expected that the remaining four PAFO (XK, HP, LPB and KM) already submitted to EPF Board in September 2017 and is now waiting for Board to issue the official approval letter.

**Revised PDO 1 Indicator:** Increased score on Protected Area Management Effectiveness Tracking Tool (METT) (number)

* Baseline estimated in 2016 is 22 and End Of Project is 32
* As of 31 December 2017, the increase in score of METT is around 1.7 point mainly due to the Phou Chom Voy (NUOL FEB subproject) increase in the management effectiveness from 39 to 49 and small past improvement of NEPL and WMPA.

11. **PDO indicator - OI 2. International illegal wildlife trade information reports submitted by DOFI to international law enforcement or monitoring agencies**

* Baseline 0; Current 3; 2017 Target: 3 and 2021 Target: 5
* This indicator has been measured for first three months of implementation after subproject were approved in July, 2015. The actual target indicator for Y1 were "1". Annual Report on international law enforcement to CITES, in July 2015. This indicator has been measured for first three months of implementation after subproject were approved in July, 2015. The actual target indicator for Y1 were "1". Annual Report on international law enforcement to CITES, in July 2015.
* As of 31 December 2017, the overall the progress of this indicator was achieved for the annual (2017) target (2017 target: 3 and 2017 actual: 4). The report on questionnaires on the status, trades and conservation of pangolins, it was submitted to CITES Animals Committee Member for Asia, no. 1833/DFRM, on 15/05/2017 and reported in the AWG CITES and WE meeting, on 3-5/04/2017, at Indonesia. The report on the 19th session the CITES Animals Committee (AC) during 19-25 July 2017 in Geneva, Switzerland, Report on the prevention of Cross-border animals at the Lao-Thai Friendship Bride 1, October 15, 2017, Report of the detention and confiscation of wildlife parts (Rhino Horn) at Wattay International Airport October 24, 2017.

**The revised LENS2 PDO Indicator 2: Wildlife trafficking cases involving CITES 1 listed species that are referred to national and/or provincial public prosecutor office (number)**

## The baseline for 2016 is 0, and End Target is 75.

## The 4 cases were referred to the public prosecutor in 2017: 2 cases by the DCNEC team (2 cases involving 11kg of rinho horn smuggling detected at the Wattay airport by the Customs, 1 case by DOFI (case of xxx detected and investigated in xxx provinces in dated…) and 2 cases reported by POFI is (1 case involving a chamois by POFI Hua and 1 case involving XXX detected and investigated).

**The new LENS2 PDO sub-indicator 2a**: **number of wildlife trafficking cases opened for investigation…”**

## The baseline for 2016 is 0 and End of Project Target is 250. In 2017, 9 cases were opened for investigation: 7 cases opened for investigation by the 3 POFIs, 2 cases by DNCEC and 1 case by DOFI (this interim reporting will be in-depth revisited before the next LENS2 mission).

## The Wildlife Law enforcement SDA faced difficulties to report the number of cases referred and investigated owing to the process of reporting from remote areas to the central agency is still paper-based. The LE departments concerned are currently implementation remedial actions to improve the M&E system and report effectively and accurately relevant information in the furthermore. This interim information will be revised and updated in the next EPF report.

12. **PDO indicator - OI 3. Percentage increase of the score of functional capacity of SDAs and EPF**

* Baseline 0; Current 5; 2021 Target 20
* During 1st October 2015 - 30th September 2016, 14 DSAs and EPF contributed the result to indicator 3: "Increase in the score of functional capacity of SDAs and EPF". Based on the evaluation, the percentages of achievement were so high and unrealistic. Thus, it requires reviewing to be more realistic for next year accordingly. EPF will ask all 14 SDAs to re-set the target of this indicator and make it more realistic in FY15/16 (2017). EPF will review detail and re-set this target indicator as well as in AWPB 2017. The reason is: Ended target indicator has been set very high. It is tough to achieve.
* As of 31 December 2017, this indicator was reviewed during the MTR. The reasons were following: (1) SDAs did not understand on how to evaluate this indicator and (2) The evaluation result was so high and unrealistic. Thus, in the MTR and WB mission, the WB team agreed to track this indicator with main institutions namely EPF, NNT2, NEPL, all PA management unit (PAFO\_BLX, PAFO\_KM, PAFO\_SVK, PAFO\_VTE, PAFO\_XK, PAFO\_LPB and PAFO\_HP), DPR PMO, MONRE, MAF DOF, MPI, NAPA, LCD, DCNEC, DOFI, NUOLs, DEQ . In additional, the Functional Capacity Score of EPF were reviewed both detail and the ended target has been reset 22 to 58. By December 2017, EPF targeted to have the Functional Capacity Score of 35, however, it could be achieved 33 to 58.
* At December 2017 SDAs and EPF contributed the result to indicator 3: "Increase in the score of functional capacity of EPF and key SDAs ". There were 36 SDAs (DOF-MAF, DOFI-MAF, NUOL-FFS, NUOL-FEB, NUOL-FES, NUOL-FNS, NUOL-FSS, DPR-PMO, MONRE-DPC, MONRE-DEQP, MONRE-DNEP, MONRE-NREI, MONRE-PCD, MPI, NAPA, PONRE-XK, PONRE-HP, PONRE-LPB, PONRE-BKX, PONRE-KM, PONRE-SK, PONRE-VTE PFRM-BKX, PFRM-HP, PFRM-LBP, PFRM-XK, PFRM-KM, PAFO-SVK, PAFO-VTE, POFI-BLX, POFI-KM, POFI-HP, DCNEC, LCD, WMPA, NEPL).
* Based on evaluation of EPF and key SDAs mentioned in the LENS2 Result Framework (DPR-PMO, DOF-MAF, NAPA, 5 faculties of NOUL, 7 PAFO + WMPA and NEPL). The Target 2017 of EPF 36 and End of Project Target 58 but the actual achievement was 33 which was not achieve the target 2017 because it related to staff turnover therefore some activities were delay such as fundraising and financial management. The actual score 2017 from key SDAs that mention above was 17.6.

13.**PDO Indicator - OI 4. Projects registered in environment impact Category 1 that have up-to-date compliance monitoring report published on the DESIA website (annual).**

* Baseline 0; Current Measured; 2021 Target 60 (hydro); 40 (mining); 40 (transport)
* As of 31 December 2016, based on DESIA's report, it could produce 8 reports in total, component 2-activity 2.2: For baseline 2015 and FY2017, the M&E reports were reported on hydropower (8% from 109 projects) and mining projects (3% from 72 projects). However, these reports have not yet been published on DESIA website because appropriate DESIA database and website will have to be developed as part of DESIA subproject.
* These results are based on the existing result framework 2017, while baseline is based on information collected during 2009-2015.

**Revised PDO 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)”.**

* New Baseline as of 2017: 0 and End of project target: 87.
* This revised PDO indicator includes 5 sub-indicators (see the new LENS2 results framework annexed this report).
* As of 31 December 2017, the former DESIA subproject does not achieve the annual target: while 13 reports were prepared (8 reports on hydropower, 1 in mining and 4 on air and noise emission) and are ready to be published, the website is still offline. EPF is working closely with relevant MONRE department to address this environmental governance issue.
* Furthermore, the former DESIA department has been split into two new department: DNEP and NEIA. Specific subproject proposal is at drafting stage and would be presented to the further EPF TC planned in March 2018.

14. **PDO indicator - OI 5. Number of village organizations supported by the project that meet the terms of a conservation agreement (CA) (cumulative)**

* Baseline 0; Current 0; 2021 Target 140
* This indicator could not be tracked due to delay in project preparation of NEPL-MU, NNT-WMPA, and 7 PAFO (ex-PFRM subprojects). As of 31 September 2016, only WMPA project proposal was prepared while consultants were mobilized to assist DOF (ex-DFRM) (on behalf of NEPL-MU which has not been formally established) and PFRMs to prepare the subproject proposals.
* During January-December 2017, During the MTR in April, 2017, this indicator was reviewed and moved to the Intermediate Result Indicator, but this will be effective after restructuring completion. After the midterm review, a number of follow-up discussion and meetings were carried out during April-June 2017 to finalize the proposals including procurement arrangement and draft TOR for technical assistance to be mobilized to assist the SDAs during implementation. On 21 September 2017, there was a consultation meeting for the Restructuring Result Framework, after that the revised version was submitted to the Ministry of Finance for approval. The final version was given WB clearance in November 28, 2017. This Indicator has been downgraded to Intermediate Result Indicator in the new LENS2 Result Framework.

**Revised indicator: “5-Year provincial or sectoral development plans that include environmental planning, monitoring, assessment, or management components supported by MONRE or MPI (number)”.**

* The baseline in 2014 is 0 and the End of project Target is 190.
* As of December 2017, for Green Growth National Strategy there were activities to promote GG Calendars and Magazines has distributed to high ranking officials concerned sectors and stakeholders and has organized the inception workshop in July 2017 the consultation workshop among Green Growth Drafting Strategy Committee and three consultation workshops in central, northern and southern.
* For 2017 has organized consultation workshop to initiative ISP together with high ranking officials and technical staff in 6 provinces Huahpanh, Xiengkhouang, Vientiane Province, Bolikhamxay, Salavan and Vientiane Capital and completed training for technical staff on data collection and analysis.
* SEA has completed and endorsed by Minister of MONRE on February 2017 and published.

15. **IOI 1.1. Number of direct project beneficiaries (of which women) as measured by additional staff of public and partner’s institutions having completed basic adaptive training (short courses)**

* Baseline 0/0; and End of Project Target 1988/612
* The overall this indicator achieved the annual targeted indicator (Target 2017: Total: 2064, Female beneficiaries: Target: 680)
* As of 31 December 2017, this indicator was tracked from 36 SDAs. The actual achievement 3840, the actual achievement 941. Some SDAs have unclear result framework in data sources and method and also indicator definition, Some SDA lacks of female staff, especially female technical staff, and Lack of M&E staff.
* As of 30 June 2017, SDAs were confused on accounting the correct number of direct project beneficiaries. Some SDAs did not breakdown the details on national training, regional training and female beneficiary. Thus, EPF provided on job-trainings to all SDAs during 17-19 October 2017. This indicator is evaluated in December 2017. The definition of basic adapted training refers to training with longer than 16 hours and less than 80 hours qualify. The summary of number of people receiving training is summarized in Annex 5 RF (indicator 1.1). The result showed significant improvement in some sub-projects, other sub-projects are still facing some difficulties in explaining reasons fall behind their annual targets.

**Revised Intermediate Results Indicator 1: “Staff of SDA and SDA partner institutions that received for more short courses or participated in study tour under the project (number)”.**

## The baseline in 2015 is 0 people, and End target in 2020 is 3,000 people.

## As of December 2017, the number of staff trained is 3,840 in 2017; of which 941 female beneficiaries; which represents around 24%.

## The annual target has been exceeded. This is mainly due to the difficulty of SDA to calculate the number of staff that received formal short courses as newly proposed in the revised LENS2 Results Framework.

## To address this issue and report data accurately and effectively, EPF team has worked with SDA to include in all AWPB a specific new excel tab in order to help SDA in the reporting of training delivery. Specific training might be planned early in July 2018 if required from SDA.

Summary Table

|  |  |  |  |
| --- | --- | --- | --- |
| Indicator | Baseline | Target 2017 | Achievement 2017 |
| **IOI 1.1.** | 0/0 |  |  |
| **Total** |  | 2064 | 3840 |
| **Female beneficiary** |  | 680 | 941 |

16. **IOI 1.2. Number of wildlife trafficking cases recorded in the IMS by POFI in eligible provinces**

* Baseline 42/9; Current 37/3; 2021 Target 59/12
* As of 31 December 2016, this indicator was not achieved the annual target for FY15/16; Target: National: 27 cases, Int: 5 cases; Actual: National: 37 cases, Int: 0. However, overall, this indicator was achieved for national cases. Three SDA (DOFI, POFI\_BLX and POFI\_KM) achieved their own annual target indicator while POFI\_HP did not achieve its target. For international cases, there were no cases to record into MIS.
* As of 31 December 2017, this indicator was tracked from four SDAs (DOFI, POFI\_BLK, POFI\_KM and POFI\_HP). The overall progresses of this indicator could achieve the annual (2017) target (2017 target: National: 34 case and Int: 6 cases; 2017 Actual: National: 43 cases and Int: 5). Overall the national cases was achieved above annual target. However, the international case was 1 score below the target. POFI\_BLX could achieved annual target (2017 target: 15/2; 2017 actual: 15/1). POFI\_HP could achieve higher than their annual target (2017 target: 6/0; 2017 actual: 8/1). POFI\_KM has been achieved their annual target (2017 target: 6/0; 2017 actual: 9/1) and DOFI has been highly achieved in the domestic case and in international case (2017 target: 7/1; 2017 actual: 11/2).
* This indicator has been revised to PDO Revised Sub-indicator 2a. as follows: Number of wildlife trafficking cases involving CITES 1 and non-CITES listed species opened for investigation(number). Baseline in 2016 is 0, and end of Project Target is 250 cases.

17. **IOI 1.3. Indicator of gradual development of a national system plan for conservation and protection forests development and management.**

* Baseline 0; Current 2; 2021 Target 12
* As of 31 December 2016, these documents showing gradual development are not yet due. In the meanwhile, guideline on engagement guideline being early draft but this need to be reconsidered and revised as until some lessons from current practice is gained. NPA status report is pending.
* As of 30 December 2017, Community Engagement Framework (CEF) has completed and plan for training this manual on early 2018.
* It has consultation meeting for draft PA and PF Strategy of BLX, HP XK.
* As of 31 December 2017, this indicator has been reviewed on MTR and after Consultation meeting held in September 2017, the Indicator 2 has been revised, and has been replaced original indicator 1.3.

**Revised Intermediate Results Indicator 2. Score tracking the development and management of a NPA system (point).**

## Baseline calculated in 2014 is 0. End of Project target is 90 points.

## To date, 7 guidelines have been drafted and reviewed by a panel of regional experts. 5 of them have been translated in lao language for final technical review by the Protected Area Management Division team. This first bunch of technical guidelines would be submitted officially for MAF DOF endorsement in June 2018. Furthermore, the PAMD team is currently working to evaluate the potential and feasibility to upgrade the NEPL NPA and WMPA NPA as National Parks. The conclusion of this work will take of form as Prime Minister Decree establishing NEPL and WMPA as national parks.

18. **IOI 1.4. Projects registered in environment impact Category 1 and Category 2 in the provinces targeted by the project who have a valid ECC (annual).**

* Baseline for Hydro 20; Current Measured: 120; 2021 Target TBD
* In 2016, the DESIA proposal were signed on 23 September 2016. Based on MEM website, there are 97 IPP hydropower projects were (22 projects under construction, 13 operational projects and 39 projects in MOU stages and 23 projects in PDA stages). So far, MONRE have issued ECC for 109 hydropower projects. Based on NSEDP 7th report, currently there are 269 mining activities (49 mining exploration projects). So far MONRE have issued ECC for 72 mining projects, approximately 26%. Based on statistic report on road of MoPW, Laos had 55,840 km length of roads. So far MONRE had issued 21 ECC for road projects.
* As of 31 December 2017, overall advanced progresses of this indicator, it was not achieved the 2017 target. For the Annual report, this indicator has been tracking with DESIA.

|  |  |  |  |
| --- | --- | --- | --- |
| Investment project | Baseline | Target 2017 | Achievements |
| Cat 2 hydro | 70% | 80% | 78% |
| Cat 2 mining | 26% | 28% | 29% |
| Cat 2 road | 10% | 13% | 13% |
| Cat 1 hydro |  |  |  |
| Cat 1 mining |  |  |  |
| Cat 1 road |  |  |  |

* Remark: Category 1 and 2, based on the RF 2017, is merged to one single data. Therefore, the Category 1 could not be identified at the moment. However, this can be found once the report from PONRE
* As the 2017 target: Hydro: 80% (from 109 projects); Mining: 28% (from 72 projects) and Road: 10% (from 21 projects). Actual: Hydro: 25% (from 109 projects; Mining: 57% (from 72 projects) and Road: 0% (from 21 projects). By December 2017, DESIA could achieve Actual target: Hydro: 78% (could issue 12 projects from total 109 projects); Mining 29% (could issue 7 projects from total 72 projects); and Road: 13% (could issue 7 projects from total 21 projects). The reason why the percentage of Mining is decreased due to the revised result framework from counting both category I and II to become only category II (EIA).
* By end of 2017, PONRE XK, HP, LPB, VTE, BLX, SVK, KM targeted 31% (from 8 projects), 33% (from 6 projects), 18% (from 6 projects), 43% (from XX projects), 51% (from XX projects), 63% (from XX projects), 66% (from XX projects) respectively. The actual is 31%, 33% for XK and HP. The rest information shall be submitted soon.

Summary Table

|  |  |  |  |
| --- | --- | --- | --- |
| Indicator | Baseline | Target 2017 | Achievement 2017 |
| IOI 1.4 |  |  |  |
| DESIA: |  |  |  |
| Hydro | 70% | 80% (from 109 projects? | 78% |
| Mining | 26% | 28% (from 72 projects) | 29% |
| Road | 10% | 10% (from 21 projects) | 13% |
| PONRE-VTE | 37% | 43% (from……projects) | 43% |
| PONRE-LPB | 40% | 18% (from 6 projects) | 22% |
| PONRE-XK | 23% | 31% (from 8 projects) | 31% |
| PONRE-HP | 26% | 33% (from 6 projects) | 33% |
| PONRE-SVN | 14% | 63% (from….projects) | 16% |
| PONRE-KM | 60% | 66% (from ….projects) | 63% |
| PONRE-BLX | 41% | 51% (from….projects) | 49% |

19. **IOI 2.1. Cumulative number of direct project beneficiary recipients of livelihood or conservation grants (of which, women or women organizations)**

* Baseline 0; Current 0; 2021 Target 36,000
* The NNT2 got approval from WB and EPF board and the contract signing was held on October 2017. For NEPL, the NEPL-MU has been signed and the MAF Minister approved in the end of December 2017. This indicator is included in the sub-project proposal of FEB as another key indicator. As of 31 December 2016, FEB sub-project signed financing agreement on 15/07/2016, however, the implementation progress has been slow due to delay of bank account opening as well as delay in implementation of activities.
* As of 31 December 2017, this indicator has been tracked from ten PPAs (NNT2, NEPL, PAFO\_VTE, PAFO\_SVK, PAFO\_XK, PAFO\_HP, PAFO\_LPB, PAFO\_BLX and PAFO\_KM and FEB. On 28 June 2017, TC approved five PPAs projects (NNT2, NEPL, PAFO\_VTE, PAFO\_BLX and PAFO\_SVK). 3 PAFOs and NNT2 are now under implementation. As for 4 PAFOs (XK, HP, LPB, KM), they are now waiting for approval from EPF Board. It is expected that the remained subprojects could be implemented in early 2018.

**Revised indicator “Village organizations that meet the terms of Conservation Agreements, and as a result, receive grants for implementing their action plans (number)”**

* Baseline calculated in 2014 is 0 and EOP target is 190.
* This revised indicator includes specific sub-indicator which measure the level of participation of women in development and implementation of village/community Conservation Agreement. The baseline calculated in 2014 is 0 and the End of Project target is 160.
* The LENS2 protected area portfolio – consisting of 9 subprojects and 11 protected areas, has moved to full implementation at the end of year 2017. First achievements (conservation agreement signing, grants releasing to engaged communities) would be visible and measurable during the coming year.

20. **IOI 2.2. Area within PAs where (a) the status of the population of selected mammals and threat (b) gross forest loss rate are measured (annual).**

* Baseline 0 /0; Current not measured; 2021 Target 1,000,000 /1,250,000
* As of 31 December 2016, the 9 sub-projects were under the preparation process, they are expected to be approved in 2017.
* As of 31 December 2017, this indicator has been tracked from ten PPAs (NNT2, NEPL, ~~PFRM\_VTE, PFRM\_SVK, PFRM\_XK, PFRM\_HP, PFRM\_LPB, PFRM\_BLX and PFRM\_KM and FEB~~. Up to 31 December 2017, TC and EPF Board approved for five PPAs projects (NNT2, NEPL, PFRM\_VTE, PFRM\_BLX and PFRM\_SVK). Unfortunately, only 4 sub-projects (except NEPL) are now under implementation. For other four PFRMs (XK, HP, LPB and KM) expect to submit to TC meeting in September 2017 and will be affected in December 2017. For PAFO\_VTE, the target sets for 1,000,000 ha and could achieve XXX For PAFO\_SVK, the target sets for 600,000 ha and could achieve XXX For PAFO-BKX, the target sets for 2,000,000 ha and could achieve XXX NNT2 is too early to track and measure this indicator (Data to be updated once the Annual report has been submitted.

Revised intermediate results indicator 7 “Area within selected PAs where the status of selected wildlife population and threats are measured (hectare) (annual)”

## Baseline 242,000 ha and EOP targets is 634,000 ha.

* The achievements for year 2017 is too early to track this indicator because the Protected Area portfolio just moved to full implementation in October 2017.

Revised intermediate results indicator 8 “Area within selected Protected Areas where the gross forest loss rate is measured (hectare)”

## Baseline calculated in 2016 is 305,000 ha and EOP targets is 1,250,000 ha.

* The achievements for year 2017 is too early to track this indicator because the Protected Area portfolio just moved to full implementation in October 2017.

21. IOI **2.3. Number of POFI patrols and inspections that include wildlife crimes (of which, in border areas or to control international trade)**

* Baseline 48 / 0; Current 65/0; 2021 Target 120 / 12
* POFIs (BLX, KM and HP) contributed to this indicator. Out of 3 POFIs, POFI\_KM achieved over targeted indicator (Target: 24 patrols; Actual: 29 patrols), followed by POFI-BLX achieving the target indicator as well (Target: 24 patrols; Actual: 24 patrols). On the other hands, POFI\_HP did not achieve as target indicator for FY14/15 (Target: 24 patrols; Actual 14 patrol). Update through 31 December 2016 did not have any additional achievement during the 3 months (Oct-December 2016).
* As of December 2017, overall the progress of this indicator could achieve the 2017 target (2017 Target: 108/3 and 2017 Actual: 112/3). For the year 2017, all POFIs (BLX, KM and HP) could achieve their own annual target indicators. Here is the detailed results each POFIs; POFI\_BLX (2017 Target: 36; Actual: 36); POFI\_KM (2017 Target: 36; Actual: 37) and POFI\_HP (2017 Target: 36; Actual 39) and there were 1 case of international crimes have been found for each province (BLX, KM and HP).

**Revised Intermediate results indicator 9. Wildlife crime cases detected by law enforcement officers of SDAs supported by the project (number)”**

* This indicator will include 3 POFI, LCD, DCNEC, NEPL, WMPA, NUOL-FEB and the 7 PAFO from year 2018 onwards.
* Baseline calculated in 2016 is 188 and EOP targets is 3100.
* The achievements for year 2017 is 428 cases detected: 7 cases detected by Customs, 92 cases detected by POFI Kha, 93 cases detected by POFI BLX, 90 cases detected by POFI HUA, 22 cases detected by Environmental Police and 124 by DOFI (this interim information will be revisited prior the next LENS2 mission planned in April 2018).
* Additional 250 cases detected by WMPA during the period 2016 and 2017 can be reported. But at this stage, it is not reported as achievement for this indicator owing to the subproject have started recently.

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

22. **Financial management by SDAs:** 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. Fund has been transferred/advanced to SDAs on a quarterly basis based on approved quarterly work plan. During July to Nov 2017, nine sub-projects are newly approved by EPF Board, sub-grant agreements have been signed and implemented. The total subprojects approved by board are now 38 subprojects are implementing. Number of implementing subprojects remains unchanged as in previous period. Fund has been transferred to 38 SDAs’ bank account. Due to delay in opening of bank account in some subproject, activities are not fully implemented during this period causing the subproject payment is behind schedule. Opening bank account for SDAs have been processed very quickly cause EPFO Finance Unit assist in submitting request for all newly sub-projects to MOF National treasury seeking on No Objection for opening bank account at BCEL or other bank in Lao.

23. To build SDAs capacity, EPFO has organized two time of refresh training on financial management, procurement and M&E were provided in March 2017 in Vientiane Capital and in June 2017 in Vientiane and Luang Prabang provinces. In addition, EPFO also provided training to newly signed 7 PONRE sub-projects during 22-24 August 2017, newly signed 7 PAFO sub-projects during 17-19 October 2017. It is noted that in some subprojects the accountant is still civil servant who has no knowledge and experience on financial management and accounting. Even though, subproject accountant was hired from out sources, but they still take some time to learn more and getting understanding about project financial system. In LENS2 project accounting system, the accounting transactions are recorded in the US Dollars in parallel with Lao Kip (local currency) and entered into the Project financial accounting system. At this point, some sub- projects accountant do not understand how to calculate the average exchange rate, even though they have already been trained on this. Several subproject accountant are not capable to use the accounting software. So entering of some subprojects’ accounting transaction into accounting software is the EPF LENS2 accountant task. This is one reason for causing delay in submitting of project financial report. The same weakness are still occurred in sub-projects financial management such as late submission of monthly report, inadequate supporting document, use the wrong exchange rate… Based on SDAs’ performance (EPFO finance unit has assessed their performance and classified (please see ***Annex 3***).

24. Follow EPF policy regarding the “one EPF agenda”, the accounting software needs to be the same and use for all SDAs funded by EPF and other donors. Hiring of consultant to upgrade the accounting software is under processing and will fall under AWPB 2018. The audit report for Fiscal year 2015-16 has been submitted. The next audit for year 2017 will cover 15 months (01 October 2016 to 31 December 2017) and it is expected to start in February 26, 2018.

25. **Procurement:** Procurement by the SDAs continues to be a major challenge that often leads to slower implementation of subprojects.The reasons are the reassignment of subproject staff responsible for procurement which often change over a short period of time while unfamiliarity with WB procurement procedures has been seen as troublesome and EPFO procurement team has to provide training and re-training to new staff. For selection of consultants, key issues included the selection criteria such as experience and qualification on Terms of Reference is too high for the available budget, the lack of information on local labour market, and no qualified candidates. Status of EPFO staff and procurement of LENS2 subproject is provided in ***Annex 4.***

### 2.4) Implementation Issues of LENS2 Subprojects

26. **Weak capacity of SDA and subproject management:** As discussed in the previous annual progress report, the WB MTR and Mission report, there are many key factors affecting time and effectiveness of LENS2 subprojects implementation and the key issues under the responsibility of SDAs and EPFO were also discussed during the MTR and the Mission. For each subproject, an action has been established as the subproject brief and this is included in the aide memoire for the MTR. EPFO team are working closely with the SDAs to forge timely implementation of the subprojects.

27. **Organizational changes between MONRE and MAF and within MONRE:** GoL policy to move DFRM and PFRM from MONRE back to MAF has resulted in delay in preparation of the 7PFRM subprojects during mid 2016-March 2017 and also increase the number of subprojects for LENS2 (from 41 subprojects to 49 subprojects). Final decision regarding organization of PFRMs and the MTR reactivated the preparation and appraisal of 3 PFRMs subprojects (VTP, SVK, and BKX) and they have been endorsed by TC in March 2017. The remaining 4PFRMs submitted for TC endorsement the end of September 2017. 3 PFRMs could be implemented in late 2017 and the rest in early 2018. As for MONRE, during April-June 2017, there was an internal reorganization of MONRE agencies which may further affect the implementation of MONRE subprojects, especially DESIA and DEQP. Nonetheless, it is expected that the process were completed in December 2017 and the activities will be continued and accelerated as much as possible.

1. LENS2 SUBProject Administration

### 3.1) EPF-specific Results Indicators in LENS2 Project

28. Sections III and IV present the implementation progress of Component 3 according to the expected outcome described in the Results Framework and the functional capacity index (FCI) established for EPFO.

<LENS2 Results Framework Monitoring as of 30 June 2017[[6]](#footnote-6)>

29. **(LENS2 IOI 3.1) Amount in US$ of funds mobilized originating from (a) public sources and (b) private sources remitted to EPF**

* Baseline (a) $350K (b) $450K; Current (a) $500K (b) $305K; 2021 Target (a) $700K (b) $900K.
* Overall during 01 October 2015-30 September 2016, this indicator was not met per the target ($USD 850,000), however, as of end December 2016 (15 months), EPF received a total of $1,023,874 from the private sources of $647,040 (mining: $447,040 and hydro: $200,000) and public source of $376,834. There were delays of interest payment and reduction of the bank interests from 6% to 5%.
* During January-December 2017, the overall progresses of this indicator is considered satisfactory. This indicator has been achieved 86% of the 2017 target. As of 31 December 2017, EPF received a total of $1,319,822 out of $1,100,000 from both public and private sources. (Private: Annual Target: $600,000; Actual: $1,013,480 (Mining: 813,480 and Hydro: 200,000). Public: Annual Target: $500,000; Actual: $305,982) (see figure below). It was noted that in 2017, there is a total of 165 eligible mining companies and 1 hydropower companies (out of 19) that have to pay contribution to EPF. As 01 January – 31 December 2017, EPF received $813,480 from 70 mining companies and $200,000 from 1 hydro company. Of these companies, 52 mining companies made the payment on time while 18 mining companies delayed in payment. Main reasons for the delays was the delayed in receiving the payment notification letter from the hydropower and mining departments.

30. **(LENS2 IOI 3.2) EPFO positions initially funded by the project which are funded by EPF own funds**.

* Baseline 0; Current 0; 2021 Target 8
* EPF staffs recruitment has been initiated and continued from the beginning of the project in 2014. As of 30 December 2017, there is a total of 38 positions (Male: 24 staff and Female: 14 (including office cleaner). EPF promoted one of the LENS2 procurement officer to be the head of procurement division, and has been effective since October 2017.
* Remark: During MTR, the World Bank agreed to remove this indicator from LENS2 Result Framework and this is expected to be effective after the MTR.

31. **Increase in the Score of EPF's functional capacity (annual)** *\*See Section IV of this report for detailed discussion.*

* Baseline 25; Current 37; 2021: 54; 2017 Target: 36; 2021 Target 97;
* During FY2015/2016, the score of EPF's functional capacity was slightly increased (2%) from FY2014/2015 (from 35% - 37%), and the target (58%) was not achieved.
* During FY2017, the score of EPF’s functional capacity was slightly decrease (3%)(Actual score 33) from the target (score 36). EPF planned to provide 11 trainings to support and technical staff to improve 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, however, 5 trainings were completed while the remaining 6 trainings (TOT, marketing management skills, Personnel Resource Management, Leadership Development and Website Development) have been postponed due to time schedule was not available for EPF staff. Total 16 EPF staff received the benefit of the 5 trainings. EPF has no difficulty to keep the administrative costs under 15% of total budget.
* During the MTR in April 2017, with assistant from WB, EPF has reviewed the indicator 3 “Increase in the Score of EPF's functional capacity” in order to make it more realistic and align with new changes in government and EPF. The reviewed version was broken down into eight main parts namely, (1) Governance (Decree and Decision Making), (2) Vision, Strategy, Business Plan, (3) Operation-Planning, Implementation and M&E, (4) General Administration, (5) Administration – HR Management, (6) Fundraising and Communications, (7) Financial Management and (8) Procurement. The 2021 ended target for this indicator is set at 58%. In the end of 2017, the actual score is 33%.

32. **Financial management, monitoring and evaluation and procurement ratings at or above "satisfactory" (exception FY2014/2015)**

* Baseline N/A; Current MS; 2021 Target (S)
* The average of second year for EPF project implementation performance rate "MS" The other action plans for EPF including the Finance, Procurement from previous mission have been improved and done. EPF could submit the semester and annual reports to WB.
* As of 30 December 2017, the overall progress of this indicator was achieved as annual target for 2017 (2017 target: MS and 2017 actual: MS)

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| --- | --- | --- | --- | --- | --- | --- |
|  | **March 2017** | | | **November-December 2017** | | |
|  |  | | |  | | |
|  | Subprojects | Comp.3 | LENS2 | Subprojects | Comp.3 | LENS2 |
| Outcome | MS | MS | MS | - | MS | MS |
| Implementation | MS | MS | MS | - | MS | MS |
| Planning, M&E | MU | S | MS | - | MS | MS |
| Procurement | MS | S | MS | - | MS | MS |
| FM | MS | S | MS | - | MS | MS |
| Safeguard | S | N/A | S | - | S | S |

33. **Deliverables proposed in the EPF’s AWPB completed**

* Baseline N/A; Current 62%; 2021 Target 90%
* Overall, this indicator has been achieved as 62% of the 58 activities types evaluated as completed, in progress, or no progress. Important to note is that some tasks were still given the score of 2 (meaning completed), even when the task completed was of insubstantial quality that the task would have to be conducted again.
* As of 31 December 2017, EPF achieved 33 % of total 82 activities types evaluated as completed (2), in progress or ongoing (1) and no progress (0). As the 2017 target 90% of total 82 activities.

***Summary project implementation from Jan – June 2017, Total: 82 tastes (one activity has been cancelled)***

### 3.2) Financial Management and Disbursement Progress

34. ***Disbursement and expenditure for PICE and CBI subprojects.***  In *year 2017*, as of 31 December 2017 (it is 15 months starting from 1/10/2016 to 31/12/2017) total expenditures to the subprojects during the period is about $5.89 millions comprising $3.74 million of PICE subprojects, $1.41 million of CBI subprojects, and $0.74 million of EPF. As of 31 December 2017, the total cumulative project disbursement (amount withdrawn from WB) reached $10.10 millions or about 26% of WB fund for LENS2 (see IFR in ***Annex***).

35. ***Disbursement and expenditure for Project administration and EPF capacity building.*** In year 2017, expenditures is $741,267 (it is 15 months starting from 01/10/2016 to 31/12/2017) and the cumulative expenditures is $1,672,580 million for C3.1 and C3.2 (see IFR in ***Annex***).

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| --- | --- | --- | --- | --- | --- | --- |
| (US$) | Cumulative Total on 31 December 2017 | | | Current Year (1 Oct 2016 – 31 December 2017) | | |
| Budget | Expenditure (including fund transfer + direct payment by EPF | % executed | Budget | Actual Expenditure | % executed compare to Yearly budget plan |
| Component 1 | 17,000,000 | 5,673,463 | 33% | 7,913,563 | 3,736,448 | 47% |
| Component 2 | 16,400,000 | 2,075,852 | 13% | 1,236,344 | 1,412,729 | 114% |
| Component 3 | 4,656,827[[7]](#footnote-7) | 1,672,580 |  | 1,159,776 | 741,267 | 64% |
| *PAWPPA (refin)* | *310,000* | *310,000* | *n/a* | *n/a* | *n/a* | *n/a* |
| *LENS2PPA (refin)* | *434,173* | *434,173* | *n/a* | *n/a* | *n/a* | *n/a* |
| TOTAL LENS2 | 38,800,000 | 10,166,067 |  |  |  |  |

36. **Key outputs from the FM unit are as following:** completion of audit reports for LENS2 fiscal year 2015-2016, withdrawal of 20 applications (16 for IDA and GEF), and upgrading of LENS2 accounting system. Key findings suggested that more extensive training on FM and more effective mechanisms on fund flows will be necessary to facilitate timely implementation of subproject activities. Supervision suggested that there are concerns on FM capacity of most SDAs (especially those related to documentation, calculation of exchange rate, timely submission of monthly report) and more training and close supervision will be necessary. In order to ensure fund sufficiency and smooth flow of funds at central and sub- project level, the replenishment of DA is done once a month. Fund has been transferred/advanced to SDAs on a quarterly basis based on approved quarterly work plan. Given a number of subprojects under implementation in 2018, FMU made a formal request to increase the ceiling of DA in November 2017 as part of LENS2 restructuring.

### 3.3) Operations – Support to SDAs

37. **Supervision, monitoring, and training of SDAs:**In additional to participating with the WB implementation support missions, EPFO team has also conducted supervision and monitoring mission to the subprojects about 3 times in 2017. During January-June 2017, in addition to the MTR mission, EPFO conducted 2 supervision and monitoring missions, 2 extensive trainings on FM, PM, M&E, AWPB, and safeguards. As of 30 June 2017, 24 SDAs were monitored through 4 field visits by the senior management team together with the M&E and Sub-project Coordinator to address the implementation delays of subprojects. During the field visit, Deputy Executive Director of EPF and team met the project management team and project supervisors committees of PONRE\_VTE, PONRE\_BLX, PONRE\_KM, PONRE\_SVK, PFRM\_VTE, PFRM\_BLX, PFRM\_KM and PFRM\_SVK to provide clarity on the LENS2 objectives, the subproject objectives and the processes before submitting the subproject proposal to TC. During 29 October to 4 November 2017, EPFO team conduct supervision and monitoring for SDAs in BKX, KM and SVK to support project implementation and report writing. In addition, EPFO provided three trainings to SDAs in Q1 (PAFO Workshop Training in METT Evaluation, on 08 Feb 2017 in order to assist SDAs understanding on how to evaluate the METT and to fill in the METT Evaluation Form) and Q2 (Training in Reporting Writing for SDAs from south and center, on 7-8 June 2017 and Training in Reporting Writing for northern SDAs, on 14-15 June 2017) in order to train on how to use the new template for SDA Narrative Report (Semester and Annual). The outcomes of these trainings include improved understanding of the SDAs on how to use and filled in the new narrative semester report, submitting processes and all attached files that must completed and submit together with narrative report as well as how to break the annual budget into quarterly plan. However, the key challenges regarding SDA staff turnover rate was still high. Some SDAs recruited new team and have never participated the LENS2 training. In addition, many SDA staff do not have confident to ask questions during the training, particularly, about technical term such as on how to report the progresses of each indicator. Some SDAs were not able to submit the Annual report on time (as deadline) and some are still confused in the filling the right document and/or apply the final version forms.

38. **Training of SDAs on procurement:**Procurement training to SDAs was also conducted as part of EPFO training for the SDAs. On-the-job training has also been provided and sharing of lessons learnt between EPFO staff and SDAs are a regular practice.

### 3.4) Operations – Safeguards

39. **Community Engagement Framework (CEF) manual and the Environmental and Social Management Plan (ESMP):** During January-June 2017, the CEF manual (both Lao and English) were finalized and the Lao version was published for a total of 100 copies and they were sent to the relevant SDAs, particularly the 7PFRMs. These manual has been applied during the preparation of PFRM proposals and NNT-WMPA and NEPL-MU subprojects. For PFRM subprojects, the DFRM safeguard consultant and the EPFO safeguard officer conducted a number of field visits and provided guidance to SDAs on baseline data collection on the environment and socioeconomic of the potential target villages to be engaged in the subprojects. During this period, five ESMPs for NNT-WMPA, NEPL-MU, and 3PFRM were prepared and submitted to WB for comments and they were cleared by WB. The remaining ESMPs will be subject to post-review in 2018. During implementation, safeguard training, mainly emphasis on CEF and ESMF, will be provided to DOF, related PFRMs, and NNT-WMPA staff in February-March 2018 in Vientiane and Khammoune provinces.

### 3.5) Operations – WB Implementation Supports

40. ***Midterm Review (MTR) and WB Mission:***  The WB conducted the MTR during 27 March -7 April 2017, The mission conducted field visits to the north and the south as well as a kick off workshop and specific workshops to discuss specific issues on the Results Framework and Component 3. Results of the MTR is summarized in Annex 1 (b) and briefly highlighted in Box 3.1 while the implementation progress of the subprojects are summarized in Table 2.1 in Section II and Annex 2.

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| Box 3.1: Performance of Subprojects (reference: WB Aide Memoire issued in late April 2017) | |
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41. The WB carried out the seventh joint implementation support mission (the Mission) of the LENS2 from November 20 to December 1, 2017. The objective of this Mission is to assess the progress made since the MTR mission towards PDO and the overall performance of LENS2 project, to evaluate the improvement of EPF’s implementation capacity and to determine the level of WB implementation support, to engage with SDAs and EPF by providing implementation and capacity building support to refine AWP, budget, and adjusted RF, as well as to discuss with the EPF on the allocation of remaining LENS2 budget to new or existing subprojects. Result of the Mission is summarized in Box 3.2. The Mission visited 27 sub-projects. The Bank and EPF visited Bolikhamxay and Khammouane and Savannakhet Provinces to provide implementation support to Nakai Nam Theun National Protected Area (NPA) and 7 other sub-projects. In addition, the team visited all 19 Vientiane City and Province based sub-projects.

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| Box 3.2: Performance of Subprojects (reference: WB Aide Memoire for 20 November to 01 December 2017 mission) | |
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### 3.6) AWPB Achievement

42. **Evaluation of AWPB performance for Component 3 (Annex 6. C3 Annual Work Plan FY2017 Evaluation):** During January-December 2017, evaluation on the implementation progress of 2017 AWPB for C3 was conducted. Evaluation of C3 performance as of 31 December 2017 suggested that this indicator has been achieved as 85% and exceeded the target of 70%. There were 92 activities agreed under Subcomponents 3.1 and 3.2 and 75 activities were completed, 7 activities are on-going, and 10 activities were not yet implemented**.**

43. **EPF team and institution building:** With assistance from PTMA, efforts were made to bring all new staff to understand the Project, clarifying roles and responsibilities of staffs and units, building team work, and ensuring that all staff understands the AWPB and the need for moving forward the one EPF agenda. A team retreat was organized during 24-28 July 2017 in Rayong Province, Thailand. This team retreat helped EPF team members to work together as a team, utilizing available resources and focusing on achieving their shared goals as well as some skills needed for personal development and for EPF.

### 3.7) Administering FM

44. **Project disbursement and expenditures:** Given that more subprojects are under implementation and they need more advance fund for the activities, it is necessary to increase the ceiling of the Project Designated Account and also find ways to facilitate quick withdrawal from WB and make payment to SDAs. Given an increasing number of subproject under implementation, limited number and capacity of EPFO staffs, and heavy workload due to limited capacity of SDAs, EPFO is making an effort to update project disbursement by preparing the subproject disbursement plans based on the approved AWPBs, the quarterly budget plans (Q Plan), and the actual payment so that the subproject coordinators could supervise and follow-up the subproject activities properly. The first disbursement plan based on the approved AWPB of the 34 subprojects endorsed by TC (valued about $23 million) suggested that about $6 million of fund will be needed for year 2016 ($1.5 million/Q); $7.7 million for year 2017 ($1.9 million/Q); $6 million for year 2018 ($1.5 million/Q); $4.4 million for year 2019 ($1.1 million/Q); $2.6 million for year 2020 ($0.6 million/Q); and $0.2 million for year 2021 ($0.06 million/Q).

45. **FM staffing and one EPF agenda for FM:** After the resigning of the LENS2 Financial Officer in August 2016, the new staff has been on board in Q1 of 2017, and there are 7 staff in FMU as of June 2017. However, the FM unit head resigned in Q3 of 2017 and the position has been assigned by promoting the EPF FM officer, and this will be effective in early 2018. EPF will also phase into a single software for all sources of funds and their disbursement and the recruitment of an IT to provide assistance is on-going.

### 3.8) Procurement for EPF staff recruitment and consultancy services

46. P**rocurement management:** procurement activities have been continued both for EPFO and SDAs per the procurement plans approved by WB. There are 4 staff of the Procurement Management Unit (PMU), the procurement officer was promoted to Procurement head in July 2017, and the new procurement officer had been recruited. WB provides training to PMU staff (as well as selected SDAs) on procurement and a specialized training early 2017. EPFO sent 4 procurement officers to train at WB office during October 2017.

47. **EPF and SDA consultants:** during report period, there were 2 international consultant recruited to fulfill the need of EPF, there were thirteen consultant recruited for SDAs, NUOL-FFS; 2; DPC: 1; NUOL-FSS: 2; NUOL-FEB: 4; NUOL-FNS: 1; NUOL-FES: 1

48. **Consultant Mobilization for EPF:** during report period, two positions recruited (Operation Division Head and fund raising and communication officer), four positions recruited to replace those whom resigned (OPU Head, 2 subproject coordinators, M&E assistant). In the same time, the selection of an international consultant for establishing a M&E was completed in September 2017. The International consultant was not able to fulfill his obligation and resigned. The new TOR for international M&E is now under reviewing by WB.

1. EPF Capacity Building

49. **EPFO capacity and aggregate index:** This indicator is established based on the following 8 parameters: (i) human resources capacity; (ii) governance; (iii) budget, financial resources, and efficiency; (iv) business strategy; (v) sector relevant alliance; (vi) fiduciary setup; (vii) reporting, monitoring, and evaluation; and (viii) fund raising and outreach. Review of the activities and follow-up discussion after the EPFO retreat in late July 2016 suggested that adjustment of some detailed activities and assigned score and the year-end targets will be necessary to reflect reality and time required for each output to be completed and the total score should also be adjusted to 100. The revised detailed activities and scores was used for preparation of the AWPB of 2018 and this has been discussed with WB during the implementation support mission in November-December 2017.

### 4.1) EPF Staffing and Human Resources Capacity

50. **EPF organization and staffing:** EPFO’s organization comprises 4 units i.e. Financial Management Division (FMD), Procurement Management Division (PMD), Administration and Personnel Division (APD), and Operations Division (OPD) and 38 full time positions and one part time Project Technical and Management advisor (PTMA) are identified, 2 positions related to communication and fundraising assistant has been recruited. As of end December 2016, there was 32 full time staff and the PTMA are on board. During January-March 2017, the head of APU resigned in January and this position was replaced by shifting one subproject coordinator. The M&E assistant for EPF has been promoted to be the M&E Officer for EPF while the M&E assistant for LENS2 has been promoted to be the LENS2 subproject coordinator, and one procurement officer for LENS2 has been promoted to be the unit head of PMU. There were also additional 6 new staff comprising the head of OPU, one new subproject coordinator, 2 M&E assistants, one communications and fundraising officer, and finance officer. As of December 2017, a total of 38 full time staff (female 14) are on board. However, it is expected that staff turnover rate will be high throughout the remaining years due to strong competitive demands for national consultants in Lao PDR market. There were 4 staff resigned in 2017.

51. **EPF staff training and career development:** To ensure that all new staff understand the EPF and LENS2 project and subprojects, EPFO provide basic training to all new staff while PTMA provides technical guidance and on-the-job training to OPU staff periodically. In-house training on procurement, FM, safeguard, and M&E was also conducted periodically. EPFO manager and human resource officer has also been developing a human resource development plan (HRDP) as well as provide opportunities for specific training courses for individual staff and conduct a yearly retreat to encourage cooperation and team work. When possible, opportunities will be provided to EPFO staff and managers to attend appropriate conference and/or workshops and/or conduct specific research as much as possible.

52. **Capacity building through part time advisors/specialists.** As recommended by WB during the MTR, given limited EPFO staff capacity and the need to ensure timely implementation and quality of M&E and reports for LENS2, additional international consultants are discussed and/or being mobilized. It is expected that the M&E advisor would be on board in early 2018. Given the need to complete all ESMPs for the 7PFRMs subproject, the PTMA provided inputs on the preparation of the ESMPs and additional input of PTMA during 2018-2020 will be discussed[[8]](#footnote-8).

53. **LENS2-EPF staff transfer:**  Achieving indicator on staff transfer for EPF financing is part of the “one EPF agenda.” And this is expected to begin in 2018.

### 4.2) EPF Governance and Business Strategy

54. **EPF Board and EPF Decree:** The new EPF decree was approved by the Prime Minister on 08 March 2017 and this achievement has contributed to GOL achievement as indicated in the GG-DPO. The EPF Board is playing an active role in providing policy guidance to EPF operations and there was one Board meetings during January-June 2017. It is Board policy to bring all EPF subproject for Board approval. It is also expected that by end December 2017 EPF will revise the Bylaw in line with the revised EPF decree including procedures and reporting requirements (PIMs).

55. **EPF Vision/Strategy/Business Plan (BP), Communication/Fund Raising (CFR), and Human Resources Development (HRD):** During January-June 2017, EPF make extensive efforts to draft and/or finalize these plan and strategy. Under direct guidance of EPFO Executive Director, the OPU head is responsible for finalizing the EPF BP while the communication and fund raising officer (CFRO) is responsible for CFR, and the human resources officer is responsible for the HRD plan. The first drafts were reviewed and discussed during the MTR in March 2017 and finalization is on-going. These plans were submitted to EPF Board in October 2017 and these plans are now waiting for the signature from EPF Board to officially publish.

### 4.3) Budget and Financial Resources Efficiency

56.**The FM and Procurement team efficiency is assessed as Moderately Satisfactory.** The two aspects are rated by the World Bank mission team in November-December 2017 as *Moderate Satisfactory* and many challenges need to be sorted out. For Financial Management, the challenges include the timely submission of accurate monthly financial reports, the transferred assets back to SDAs and the recruitment of new FM head. For Procurement, the challenges fall in possible delays in procurement and contract delivery, capacity gaps at sub-grants level, and sub-grants managers have limited time to handle the workloads.

### 4.4) Sector relevant alliance

57. **Sector relevant alliance as institution has advanced.** As part of the environment financing mechanism for Lao PDR under green growth, EPF has been in discussion coordinating with MOF, but much more needs to be clarified with ministries that are involved in revenue collection. For example, ministry of energy and mines, ministry of agriculture and forestry, ministry of planning and investment interact with investors and industrial developers to collect contributions (as per concession agreement) to protect the environment. Appropriate regulations are requires ensuring that these collections are systematically and transparently channeled to the EPF.

58. **Engagement with peer organizations and partner organizations.** Building network with peer organizations (other environmental funds) and partner organizations (technical institutions or academia) are required to build EPF to have a broader network of alliance. The communications and fundraising strategy is being finalized taken into account the WB recommendations during the MTR (public, donors, peer/partner organizations, etc).

### 4.5) Fiduciary Setup

59. Fiduciary setup currently still lacks some of the tools that have been in plan. For example, a streamline software system for the financial management is underway with an expert. On procurement, work flow remains to be a challenge causing delayed processing. The procurement team is developing a roadmap for increasing coordination while using EPF own funds to mobilize of an international procurement specialist (as recommended by WB during the MTR) is on-going.

### 4.6) M&E and Reporting

60. **Progress on Monitoring and Evaluation (M&E) and reporting:** This performance was reviewed by WB during the Mission between November 20 to December 1, 2017. This Annual report present the implementation progress of activities during January-December 2017. The M&E and EPFO team provided support to SDAs on the results-based M&E and AWMP reporting requirements including the proposed revised M&E reports as agreed with WB during the MTR. During January-June 2017, EPFO provided three trainings to SDAs in Q1 (PAFO Workshop Training in METT Evaluation, on 08 Feb 2017 in order to assist SDAs understanding on how to evaluate the METT and to fill in the METT Evaluation Form) and Q2 (Training in Reporting Writing for SDAs from south and center, on 7-8 June 2017 and Training in Reporting Writing for northern SDAs, on 14-15 June 2017) in order to train on how to use the new template for SDA Narrative Report (Semester and Annual). From 22 to 24 August 2017, EPFO provided training to 7 PONREs on Project Implementation, on 17-19 October 2017, EPFO provided training to 7 PFRMs (now calls PAFOs) on Project Implementation, especially on the usage of PIMs. Experience during the training and reviews of the Annual reports of the subprojects revealed that some sub-projects faced some difficulties in report writing, and some sub-projects delayed in submitting their annual reports, especially NAPA, FES, DEQP, and PONRE\_LPB.

61. In terms of results indicators M&E, the M&E team has monitored 36 sub-projects within 10 key LENS2’s indicators and the results are discussed in Section II.

### 4.7) Communications and Fundraising

62. **EPF Functions on communications and fundraising**: In addition to the communications and fundraising assistant, the Communications and Fundraising Officers has been on board in February 2017 and is playing an active role in drafting the communication and fund raising strategy and plan under direct supervision of EPFO ED. In 2017, EPF Fundraising team could collect 1,013,480 USD from 70 companies, of which 69 are from mining companies and 1 from hydropower company. For communication, the team organized Environmental raising awareness on Wildlife conservation day in March 2017, 1 EPF Magazine was published. EPF Stakeholder meeting 2017 is delay and is waiting for EPF Board approval. The Communication and Fundraising strategy will be finalized by EPF Board and a specific sub-set of AWPB dedicated for the C&F functions of EPF was created as part of AWPB 2017.

63. **EPF involvement with GoL’s green growth development policy operation (GG-DPO).** As part of the effort to develop and strengthen the environmental financing mechanism for Lao PDR, during January-December 2017, EPF has been taking part to establish clear regulatory framework and instrument to operationalize its eligible revenue sources as listed in Article 66 of the Environment Protection Law 2012 and the revised EPF Decree. An additional budget of $200K was proposed to be allocated to EPF C3 from a cancelled component of former DFRM to undertake this work. This funding will be used for undertaking research activities to help EPF on this work.

64. **Indicator on funds raised (LENS Component 3.1):**As reported in Section III, as of end December 2017, EPF achieved a total of $1,319,822 out of $1,100,000 target from both public and private sources.

1. CONCLUSION AND NEXT STEPS

### 5.1) Achievements and Challenges

65. **EPF operations:** During December 2017, achievement regarding EPF organization and operations are significant. On 08 March 2017, the 2005 EPF decree was revised and approved by the Prime Minister in 10 March 2017. The EPF Board is now chaired by the Minister of MONRE and the TC is chaired and co-chaired by the Director General of DPC of MONRE and DPC of MAF. EPF organization is closely connected to MONRE while EPF budget are being managed as a State Fund and EPF operations is being reviewed, revised, and/or developed. For EPF portfolio (valued about $4.2million)[[9]](#footnote-9), most activities focus on follow-up with the on-going subprojects while reviewing of new subproject remain under discussion with the EPF Board. Key achievements during the report period can be highlighted as follows:

* ***LENS2 Project:*** Key achievements include (a) TC endorsement 7 PONRE, 7 PAFO, WMPA and NEPL subprojects (valued about $10,900,000 million). However WB clearance only 7 PONRE 7 PAFO and WMPA subprojects (valued about $7,900,000 million). EPF BOD approved 7 PONRE, NEPL, WMPA and 3 PAFO (4 PAFO: HP, LPB, XK and KM are waiting for BOD approval). Therefore during reporting period a total of 38 subprojects are under implementation; (b) in terms of disbursement, during January to December 2017 (12 months), project disbursement was $5.89 million comprising $3.76 million of PICE subprojects, $1.41 million of CBI subprojects, and $0.74 million of EPF. This results in cumulative disbursement[[10]](#footnote-10) of $10.16 million or about 26-27% of WB Fund; (c) in terms of staffing, four new additional staff are on board making a total of 38 full time staff; (d) procurements of consultants, vehicles, and equipment for EPFO and SDAs have been continued according to the procurement plans approved by WB; and (d) in term of fund raising, during the reporting period, the EPF receive $1.31 million which is about 118% of the $1.1 million target for 2017. Development of a fund raising plan begins and is on-going. The LENS2 project was reviewed for restructuring and completed in December 2017.
* ***EPF Subprojects:***  Implementation of the on-going subprojects is conducted as planned. Board approval of the remaining subprojects are expected after February 2018.

66. **EPF operations at a cross road:**  2017 marked the major change on EPF operations according to the new EPF decree and organization reporting. Key challenges are to ensure effective, efficient, and sustainability of EPF include (a) ensuring staff capacity and timely implementation of the “One EPF Agenda”, (b) ensuring adequate funding sources for EPF operations, and (c) effective engagement with key constituencies. Key EPF operational challenges can be highlighted as follows:

* ***Staff capacity, management cost, and quality deliverables:*** 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. Moreover, given the objective and nature of EPF operations, EPF staff have to also build their capacity to enhance coordination and on report writing (both in English and Lao) so that they can provide effective support to the SDAs. Need for good translation between English and Lao at EPF remains high. However, it is considered that given the nature of proposal changes and discussion during preparation and finalization, this role has to be played by the SPCs.
* ***EPF Sustainability:*** EPF policy regarding timely implementation of “the one EPF agenda”, human resource development, EPF plan, and communications and fund raising strategy/plan are important to strike the right balance between reality and expectation both in terms of quality outputs and operational costs. Actions are on-going under the direct leadership of the EPFO Executive Director. Effort is being made by the EPFO Deputy Executive Director with assistance from the PTMA to initiate discussion with MOF and other related agencies to address the issues and GOL obligation to establish funding mechanism for new EPF funding sources as identified as an indicator for the GG-DPO.

67. **SDAs performance and capacity building:** The LENS2 mid-term review was conducted during 20 March to 07 April 2017 and the Implementation Support Mission for the LENS2 was conducted during November 20 to December 1, 2017. The results were described in the World Bank aide memoire (see summary in Annex 1(b) of the fourth semester progress report and this report). Most of the total allocation of WB budget ($33.4 million) has been allocated. However, difficulties with many key subprojects related to protected area management, Lao-WEN, and environmental subprojects including some subprojects of the National University of Lao remain a major challenge for LENS2 implementation. Key challenges can be highlighted as follows:

* ***Need for effective coordination among related SDAs and active involvement of DPF of MAF and MONRE.*** This issue was discussed during the MTR in March while EPFO has been playing an active role in enhancing coordination and cooperation among related subprojects. However, given limited capacity and nature of the SDAs issues and various institutional constraints and follow-up meetings, with DPF of MAF and DPC of MONRE suggested that it is necessary to mobilize qualified consultants to assist DPF of MAF and DPC of MONRE to assist EPF staff to improve quality and performance of LENS2 subprojects during 2018-2020. In addition, EPF plans to provide funds for DPF MAF to enhance their capacity and to support planning and collaboration to protect environment resources and wildlife under LENS2 MAF sub-projects.
* ***Need for speeding up disbursement:***  Given that project disbursement and actual expenditures to subprojects are quite low during the 2015-2016 and slightly increased during 2017, it is necessary for both EPFO especially the subproject coordinators and the SDAs to take proactive actions to speed up the implementation of subproject activities and facilitate timely payment.

### 5.2) Next Steps towards Year 2018

68. Key activities to be carried out after 2017 can be highlighted as follows:

* ***TC meetings and Board meetings***: Two TC meetings are planned for the end of March 2018 and June 2018, while 1-2 Board meetings are expected during Q1 and Q2 of 2018. It is expected that the EPF Bylaw and the EPF 5 year plan, the human resource development policy, and the communication and fund raising strategy/plan will be approved by the EPF Board and publish in Q1-Q2 2018. EPFO will continue to implement the “one EPF agenda” including a transitional plan of staff transfer.
* ***2017 EPF stakeholder workshop:*** It is also expected that the EPF stakeholder workshop that planned to be hold in October 2017 will be cancelled due to Board policy to design/conduct the workshop differently. This will be further discussed in 2018.
* ***SDAs training:*** All subprojects that already signed the agreement and are expecting to sign the agreement (7 PONRE, 7 PAFO and WMPA) already received training on PIMs in 2017. The NEPL and other sub-projects will receive training on PIM in early 2018. The series of training program for 2018 including operation training, FM, C&F, APU, P, M&E and other leadership training to all SDAs and EPF are expected to be held in 2018.
* ***EPF LENS2 restructuring and AWPB2018:*** Given that EPFO already submitted the letter for LENS2 restructuring to MOF, and MOF already sent to WB on 24 November 2017, it is expected that with WB approval, the new Results Framework will be applied to the subprojects starting 2018. The subproject AWPB 2018 will be revised as needed in close consultation with the WB team. The next semester progress report (January-June 2018) and the next annual progress report (January-31 December 2018) will be prepared in accordance with the new Results Framework.
* ***Possible AF and/or new subprojects.*** Follow-up discussion after the MTR suggested that there are needs for allocation of budget for (i) training on safeguard implementation as well as on technical/management of the PAs according to DFRM guidelines for 7PFRMs, (ii) fund for DPC-MAF to help forging timely implementation of all MAF subprojects, (iii) additional fund for DPC-MONRE to be more proactive to forge MONRE subprojects and to PCD and NREI of MONRE to strengthen pollution control and meeting GG-DPO target, and (iv) a possibility for FFS/FEB to assist MOF and EPFO to address funding source issues related to natural resources and environment. In light of MONRE internal organization and postponement of the TC meeting in December 2017, all new and additional financing subprojects will be finalized, approved, and implemented in 2018.
* ***High priority for GG-DPO targets.*** LENS2 play a key role in achieving the GG-DPO targets. In this context, EPFO and PTMA will pay due attention to work closely with WB team and the SDAs to ensure achievement of the agreed results targets for the GG-DPO project, especially those for year 2018.

1. EPF has been financing subprojects through LENS2 project, which became effective in April 2014. LENS2 financing is used to fund subprojects through two of the five financing windows of EPF: Policy and Institutional Capacity Enhancement (PICE) (Component 1 under LENS2) and the Community Biodiversity Investments (CBI) (Component 2 under LENS2). Project administration and EPFO capacity building is also supported by LENS2 financing (Component 3). Of the total LENS2 budget of $38.83 million from WB, $33.4 million have been allocated for PICE and CBI subprojects and about 40 eligible Subproject Delivery Agencies (SDAs) have been identified in 2015. For more description about LENS2 project, please see Annex I. [↑](#footnote-ref-1)
2. Summary of the key findings from the WB mission in November 2017 is provided in Annex 1(b) of this report while those for the MTR mission was provided in the fourth Semester Progress Report (4th SPR) submitted to WB on 15 August 2017. [↑](#footnote-ref-2)
3. It is expected that these PFRM subprojects (KM, LPB, XK, and HP) will be endorsed by EPF Board in early 2018. [↑](#footnote-ref-3)
4. In September 2017, DESIA was separated into the Department of Natural Resources and Environmental Policy (DNEP) and the Natural Resources and Environment Inspection Authority (NEIA). [↑](#footnote-ref-4)
5. Some of these indicators are subject to change after restructuring as recommended in the Mid-Term Review. [↑](#footnote-ref-5)
6. Some of these indicators are subject to change after restructuring as recommended during the Mid-Term Review. [↑](#footnote-ref-6)
7. Based on MTR, WB agreed to allocate the fund from both PAWPPA and LENS2PPA to component 3 (PAWPPA: $220,000 and LENS2 PPA: $465,827)

   Based on the request for restructuring the LENS2 Project from the Ministry of Finance dated 24 Nov 2017 to allocate Component 1,2,3 to be 17,000,000 US$ and 16,400,000 US$, respectively. [↑](#footnote-ref-7)
8. PTMA current input is expected to be completed by end of 2017. [↑](#footnote-ref-8)
9. [↑](#footnote-ref-9)
10. [↑](#footnote-ref-10)