

Terms of Reference (TOR)

Consulting Firm (International or National) for an Economic Evaluation and Payment for Ecosystem Services Assessment of National Protected Areas and National Protection Forests in Lao PDR, with the Department of Forest Resource Management (DFRM)

A. INTRODUCTION

1. Protected Areas and wildlife in Lao PDR face threats including habitat loss driven by encroachment for agriculture and shifting cultivation, illegal logging and selective off take of high value timber, and, increasingly, by road construction, hydropower, and mines. Wildlife is additionally threatened by over hunting, largely driven by the domestic and international market for illegally sourced wildlife and wildlife products.

2. As to address the issue the Government of Lao PDR (GOL) and its partners to increase capacity of agencies and people to improve protected area management and address threat issues and ensure sustainable development, for the purposes of sustained economic growth, local livelihood retention, and nature conservation. Key agencies related to sustainable use of natural resources include Departments under the Ministry of Natural Resources and Environment (MONRE), Ministry of Agriculture and Forestry (MAF), and the National University of Laos (NUOL), amongst others.

3. GOL has accessed \$6.83 million of GEF funding (from Biodiversity, Land Degradation, and Sustainable Forest Management focal areas) and \$17 million IDA funds (national and regional funding) to implement the Protected Areas and Wildlife Project (PAW). The PAW Project was approved on April 2, 2014 and became effective on July 5, 2014. The Project began in the Lao financial year 2014/15 (i.e. from October 1 2014) and to end on June 30, 2021. The project development objective (PDO) of PAW is: *to strengthen the management systems for national protected areas conservation and for enforcement of wildlife laws*. The PAW Project aims to create wildlife and PAs enforcement standards, develop good practice applications for PA management and reduction of illegal wildlife trade at the central level and at key NPA sites. It builds on bilateral initiatives between Lao PDR, Thailand and Vietnam to control illegal wildlife trade, as well as strengthens Lao PDR's capacity to collaborate with regional centers of knowledge and with international organizations addressing wildlife trafficking.

4. The World Bank is currently processing additional financing (AF) to PAW, at \$15 million from national IDA. This was originally earmarked for the Lao Environment and Social Project 2 (LENS2). Under this AF, the PAW project is being restructured to: include the LENS2 scope, have a new project name, and have a new PDO. Given the PAW was made effective around the same time as AF processing, PAW and the AF is now considered a single, consolidated project, named LENS2. The new PDO is: *to strengthen the country systems for managing protected areas¹, enforcing wildlife law, and complying with environment and social standards*.

5. The LENS2 executing agency is the Environment Protection Fund Office (EPFO). The project will function as a financing mechanism for a suite of sub-projects implemented by various sub-project delivery agencies (SDAs), within the framework of three project components: Component

1. National Protected Areas (NPA) is a generic term for National Conservation Forests as defined in the Forestry Law. In the original project, only NPAs are eligible for financing. With the AF increased scope, additionally Provincial, District and Village Conservation Forests as well as National, Provincial, District and Village Protection Forests are eligible for support. For the purpose of the LENS2, all these categories are bundled together under the generic term 'protected areas' (PAs). These forests are under the jurisdiction of DFRM.

1: Institution development and capacity building; Component 2: Adaptive management of natural resources, environmental and social issues; and Component 3: Project administration and EPF capacity building. Around 40 sub-projects have been identified during preparation of PAW and LENS2. There is additional reserved funding for scaling up successful sub-projects or for new sub-projects.

6. The DFRM sub-project objective is: *to strengthen the policy and institutional framework and DFRM's capacity to sustainably manage protected areas*. This will be implemented through the following components:

- **Comp 1- Institution development for NPA and PF system**, to investigate to recommend optimal institutional arrangements for protected area management nationwide; feed into PA planning in development landscape; prepare a PA Status Report and external threat assessment; update of the list of Lao protected species; develop a national master plan for protected area management; prepare an economic evaluation of PAs in Laos; as well as preparation and dissemination of a suite of guidelines and manuals for protected area and protection forest management;
- **Comp 2 - Operation of NPA and NPF System**, the protected area system will be improved by reviewing land use types in national protected areas and national protection forests, re-categorizing them, then to establish and implement a database of investment projects that impact nationally designated PAs and a system to monitor them; develop a NPA supervision matrix and a reporting system for DFRM monitoring of PA management activities; activate the MoUs with Vietnam on transfrontier PAs through annual meetings and joint monitoring of selected transfrontier PAs (at least NEPL and NNT); supervise implementation and safeguards compliance of the LENS2 sub-projects by the PA Management Authorities (WMPA, NEPL MU), the project PONREs and the project DONREs, including provincial protection forest sub-projects. At the same time, a tiger survey will be conducted for specific site conservation planning.
- **Comp 3 - Improved sub-project management and capacity building**, to support the improved protected area system which requires strengthening national and provincial capacity building through a wide range of training including English and GIS, based upon a training needs assessment. It also includes appropriate mechanisms in place such as the Advisory Technical Working Group and improved coordination with others stakeholders including neighboring countries. It also includes improved DFRM capacity in project performance including preparing TORs as well as managing consultants, preparing procurement plans with EPF, as well as monitoring, evaluation, and associated reporting for the sub-project.

7. As part of Component 3, DFRM is to obtain (i) an estimate of the economic value of the protected area system and assess the applicability of PES in Lao PDR. These comprise (a) an economic evaluation of National Protected Areas and (b) an assessment of payments for ecosystem services (PES) in both the National Protected Areas and the National Protection Forests. The results of these two studies will be an important tool to demonstrate how NPAs and NPFs contribute to the national economic growth and sustainability, particularly for hydro-power development and watershed values including local livelihoods. This PES study will assist to identify the potential of PES for conservation in Lao P.D.R. and recommendations on legal revisions.

B. SCOPE OF THE SERVICE AND METHODOLOGY

8. The first part of the consultancy relates to an economic evaluation of National Protected Areas. Identifying the goods and services from protected areas, determining who values those goods and services as well as measuring these values, is not always a straightforward process. The goods and services include benefits from forest resources in sustaining local livelihoods, tourism-related benefits, as well as watershed values and water supplies, but also include plant and wildlife habitat, genetic resources, protection against natural disasters, and so on. Many of these goods and services are not traded on commercial markets and therefore have no evident market value. The values of these

non-market goods and services need to be measured and expressed in monetary terms, where possible, so that they can be weighed on the same scale as other economic sectors.

9. The concept of total economic value (TEV) is now a well-established and useful framework for identifying the various values associated with protected areas. The total economic value of a protected area consists of its use values and non-use values. A protected area's use values are in turn made up of its direct use values, indirect use values, and option values. Non-use values include bequest values and existence values.

10. The difference between an economic evaluation and financial analysis should be made clear. Economic evaluation, based on economic value, measures market and non-market values that people hold for a protected area. Financial analysis is a subset of economic valuation and measures the flow only of money through a protected area.

11. It would be valuable to have an overall assessment of the economic evaluation of the NPA system, as well as drawing out examples from the protected area network of good examples, relating to an economic assessment. The economic evaluation will involve a detailed economic evaluation of three selected National Protected Areas, with interesting economic dimensions.

12. The second part of the consultancy involves an assessment of payments for ecosystem services. The Government of Lao P.D.R. recognizes that the payments to local landholders to provide ecosystem services are a prospective mechanism for achieving environmental management goals and improving the livelihoods of landholders. Previously, the Ministry of Agriculture and Forestry, in its Agricultural Master Plan 2011-2015, specifically identified payments for ecosystem services (PES) schemes as a mechanism for achieving forestry, conservation and livelihood goals. Support for PES schemes has also come from the hydro-electricity suppliers and mining companies. However, the practicalities of how to implement PES schemes in the Lao P.D.R. context still need to be investigated further, and identifying the enabling factors to ensure payments for ecosystem services delivers payments effectively into the conservation forest sector. These application practicalities constitute one focus of this consultancy.

13. Thus, the assessment should evaluate the current status of PES in Lao P.D.R., with the aim of providing policy makers with practical policy recommendations for achieving effective, efficient and equitable outcomes. The first part of this PES assessment will include a review of the successful PES implementation in Vietnam following Decree 99, and the enabling conditions, which is generating vast sums of finances for forest protection in that country. The PES consultancy will involve a general review of PES in both NPAs and NPFs in Lao P.D.R.. The PES study will involve an investigation on the contribution of Lao forests for water supplies. It will also assess PES options in three selected National Protected Areas. The consultant will work in consultation with the Faculty of Economics and Business, with whom LENS2 is funding PES. This part of the consultancy should particularly focus on three aspects of PES: (1) institutional setting; (2) benefit-sharing mechanisms; and (3) monitoring and evaluation.. It will be important to assess whether PES funds should be solely allocated to enforcement, or to community outreach and livelihood development for forest conservation in the Lao context.

14. Consequently, DFRM seeks to employ a consulting firm including an NGO, a private institute, a private university faculty) to provide a qualified team to assist DFRM to conduct two studies related to financial aspects of the National Protected Areas and National Protection Forests systems in Lao P.D.R.

C. OBJECTIVE OF THE SERVICES

15. The objective of the consultancy is for DFRM to hire a Consulting firm, (comprising either an NGO, a private institute, or a private university faculty) to provide a qualified team to assist DFRM to conduct two studies related to financial aspects of the National Protected Areas and National

Protection Forests systems in Lao P.D.R, namely an economic evaluation and a Payments for Environmental Services assessment.

D. TASKS AND RESPONSIBILITIES

16. The main tasks and responsibilities of the Consulting firm will be detailed in the Technical Proposal. They are summarized as follows, though are not necessarily in chronological order and are not necessarily comprehensive:

- Conduct a literature review relating to existing Economic Evaluations and PES assessments in Lao P.D.R. and the region, as appropriate.
- Conduct investigations and consultations with relevant stakeholders including the project team and consultants about both components.

For the economic evaluation:

- Collate relevant financial data, human resources data and management data relating to the three selected National Protected Areas.
- Conduct interviews and collate socio-economic data in target villages around the three selected National Protected Areas on NTFP utilization.
- Collate case study data on established hydropower projects or other development projects inside the selected National Protected Areas and place in the national context, and in relation to existing laws, as relevant.
- Collate case study data on tourism activities in selected National Protected Areas and place into the national context and existing national legislation, if relevant.
- Provide other economic evaluation data relevant to the values of the National Protected Area system.

For the Payments for Economic Services assessment:

- Review the Payments for Environmental Service (PES) system in Vietnam.
- Evaluate the application of implementing a similar PES system in Lao P.D.R. and the constraints to effective delivery of PES with regards to both the National Protected Areas system and the National Protection Forest system, based upon an assessment of the (i) institutional setting; (ii) benefit-sharing mechanisms; and (iii) monitoring and evaluation.
- Organize an orientation/training workshop for DFRM staff on these two studies.
- Prepare two separate technical reports on the economic evaluation in NPAs and the PES assessment in NPAs and NPFs with sufficient supporting data, references and case studies.
- Participate in relevant national and provincial workshops.

E. EXPECTED INPUTS

17. The Consulting firm will develop an indicative work plan, including the number of working days, working with DFRM/project team, in Vientiane, within eight months of signing the contract. They (he or she) may provide some short-training related to the principles, approach and application of EE/PES. Travel to the provinces and selected NPAs should be expected. DFRM will provide transport, translators as necessary, information and data, office space and facilities. The number of person-days (c. 80-120 days) will be determined by the expertise of the hired consultants.

F. EXPECTED OUTPUTS

18. The Consulting firm will prepare and submit the following products:

- An inception report (one month after contract signature)
- A technical reports with the economic valuation
- A technical report on PES

- Two communication pieces for each studies (e.g. posters, PPT, etc.) for DFRM to communicate the study results to decision makers
- End of assignment report on consultations, field missions, short-training for DFRM staff, etc. with recommendations for further steps

The reports and related documents will be prepared in English. However, some materials will be required in both Lao and English, including the reports on workshops and training.

All reports will be delivered in draft to DFRM. DFRM will have a month to make comments after which the consultant will have a month to incorporate comments.

G. QUALIFICATION AND EXPERIENCES

19. Individual consultants within the consulting firm shall meet with the requirements of qualifications and experience as follows:

- A team leader who is an environmental economist or protected area economist with a PhD or very significant experience in similar work
- Minimum of 10 years working experience in assessment of economics, environment, environmental economics;
- Other team consultants need a Bachelor Degree (or higher) in environmental economics, economics or environmental science;
- Have some sound understanding of protected areas and forest conservation, particularly ecosystem services;
- At least two similar assignments successfully completed;
- Some experience in relevant training and working with government staff;
- Excellent speaking and writing skills in Lao and English.

The process for team selection will be as follows: Interested teams or individuals will prepare an Expression of Interest. Based upon these results, a short list of qualified firms, NGOs, institutes, and/or faculties will be drawn up. These teams will then be sent a Request for a Proposal, comprising technical and financial components.

The work will start from 1st Jan 2017. Only Lao applicants should send his/her CV with a covering letter of interest to: **Department of Forest Resource Management (DFRM)**, Ministry of Natural Resources and Environment (MoNRE).

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Dateline for submission is due date on 31th September 2016.