



Laos People's Democratic Republic
Peace Independence Democracy Unity and Prosperity

Environment Protection Fund

Lao Environment and Social 2 (LENS2) Sub-project Application

General Instructions: Please refer to the Project Implementation Manual (PIM) Volumes 1 to 5 for subproject design, implementation and monitoring/evaluation (M&E). In summary:

- Applications should be submitted in both Lao and English to EPF Office. Translating the application is SDA's responsibility. It can be financed by the subproject preparation facility, if such facility has been mobilized, or pre-financed by EPF.
- Applications must demonstrate that the subproject meets the following eligibility criteria: (a) supports a Government of Lao PDR policy, strategy and/or an official plan; (b) contributes to at least one outcome indicator and at least one intermediate outcome indicator from the LENS2 results framework; (c) fits into either the PICE or CBI EPF funding windows; (d) excludes activities from the negative check-list in the PIM, and (e) aligns with project's geographical scope which includes the national/central level and the following provinces: Bolikhamxay, Khammouane, Houaphan, Xiengkhouang, Luang Prabang, Savannakhet, Vientiane and Xaysomboun.
- Applications for protected area and wildlife sub-projects must demonstrate that the subproject meets an additional eligibility criteria: contributes to a regional or global outcome such as cross-border cooperation, knowledge transfer or prevention of illegal wildlife trade.
- Sub-projects are approved for their proposed duration. However, implementation requires the prior annual approval of an Annual Work Plan and Budget (AWPB). EPF has the possibility to cancel an approved subproject if the annual performance is consistently unsatisfactory and the achievement of its objective has become unlikely.
- An SDA can only implement one subproject at a time although additional financing is possible.

EPFO Sub-project number:

1. Sub-project delivery agency (SDA) (name/address)	Faculty of Economics and Business Management (FEBM) National University of Laos Dong Dok Campus P.O.Box: 3722, Lao PDR Vientiane, Lao PDR
2. SDA focal point (name/function/contact details)	(1) Dr Phouphet Kyophilavong Associate Professor and Vice-Dean Phone: +856-21-770067 Email: Phouphetkyophilavong@gmail.com (2) Mr. Saysamone Phoyduangsy Lecturer, Research Division Phone: +856-20-78000109 Email: phosaysamone@gmail.com (3) Dr. Alay Phonvisay Lecturer, Deputy Division

	Phone: +856-20-2223579 Email: phonvisay@gmail.com
3. Geographic scope <i>(can be more than one option)</i>	<input checked="" type="checkbox"/> Central/national level <input type="checkbox"/> NPA. Please indicate name of target NPA: <input checked="" type="checkbox"/> Provincial/district level. Please indicate target provinces: Bolikhamsay Province; Vientiane Capital Province
4. Sub-project title	Learning by Doing: Implementing the Community Engagement Framework for Protection of Forest Resources and Enhancing Livelihoods.
5. Amount requested (US\$) <i>(estimation)</i>	\$ 799,997
6. EPF's eligible funding window <i>(please check only one window)</i>	<input checked="" type="checkbox"/> Policy Implementation and Capacity Enhancement (PICE) <input checked="" type="checkbox"/> Community Biodiversity Investment (CBI) please check if CEF applies ¹
7. LENS2 Project development objective	To help strengthen selected environmental protection management systems, specifically for protected areas conservation, enforcement of wildlife laws, and environmental assessment management.
8. Sub-project related sectoral and institutional context, challenges and priorities <i>(Describe role of SDA, current capacity and activities related to PA/wildlife/env. and social safeguards, challenges and priority needs and approach proposed to address priority needs/gaps).</i>	<u>Sector issues and background on PES and CEF</u> Issues: Lao PDR is rich in nationally and internationally important natural (e.g. water resources, biodiversity) and cultural resources. As the country is becoming a middle-income country, rapid development during the past 8 years has resulted in rapid degradation of forests, land, and environmental quality (water, air, and noise pollution), as well as increasing toxic and organic wastes. Most protected areas and protection forests are facing rapid degradation processes and increasing pressure from illegal activities such as wildlife poaching, logging, and agricultural encroachment, while the livelihoods of local communities (especially ethnic groups) who are living within and around these areas are also negatively affected. PES: To mitigate environmental degradation the Government of Lao PDR (GOL) has established legislation, policy, strategy, and/or action plans aimed to address and manage these issues. However, limited budget and capacity of agencies (including knowledge and experience of staff), has hampered implementation. Similar to other countries, GOL has been exploring the possibilities of applying various economic instruments (such as “environmental tax”, “polluter pay principles”, “payment for ecosystem services (PES)”, “carbon finance”, “REDD+”, and “carbon fund”) for enhancing effectiveness of natural resource uses and environmental protection. Application of PES concepts is anticipated to be an effective means of promoting sustainable conservation efforts that could directly benefit local community livelihoods and enhance their sense of

¹ Please follow the procedures outlined in the CEF document and ensure that details related to sub-project CEF implementation including implementation arrangements, activities, indicators and budget are correctly included in the related sub-project application sections (RF, budget, activities, M&E).

	<p>ownership of natural resources. There have already been some efforts to apply PES concepts in Lao PDR. In 2005, as part of Nam Theun 2 development, the project owner (NTPC) agreed to pay around \$1 million per year for protection and management of Nakai Nam Theun watershed and about \$16 million over an 8 year period for compensation of potential negative impacts in downstream of Xe Bang Fai and Nam Kading. There are also efforts to engage local communities in management of production forest in selected pilot areas (SUFORD), as well as the promotion of conservation activities (Environmental Protection Fund (EPF/LENS)).</p> <p>Since 2012, the Faculty of Economics and Business Management of the National University of Lao (NUOL-FEBM), in cooperation with MONRE and MAF, has made an effort to develop PES policy options for Lao PDR through the implementation of a technical assistance project (EIPES)². The activities are being implemented with the aim to develop practical models and/or strategies for PES application, and to conduct case studies so that the experiences gained from the proposed methodology on economic analysis (combined with biophysical modelling) and its applications including data collection and analysis are made available. Key issues being considered include the determination of the aggregate level of payments for each scheme, the design of a mechanism for distribution of the payments to the service provider, and the institutional structures under which PES schemes can operate. Below highlight project objectives and implementation progress³ over the past 3 years:</p> <ul style="list-style-type: none"> • <i>Objective 1:</i> To introduce the concept and practice of PES to Lao PDR policy makers and their advisers. Objective 1 was completed with the development of a second policy brief ('How to build a PES scheme') and the Australian field trip of a delegation of Lao PDR Government officials and NUoL staff that was conducted in November 2014. • <i>Objective 2:</i> To analyze and develop evidence-based policy options for the implementation of PES schemes appropriate to the Lao PDR context, covering the introduction of market-based instruments in comparison to alternative payment systems. The project developed a survey that was used to estimate the benefits generated through the PES scheme and is in the process to finalize the conceptual bio-physical models. The design of the 'virtual' PES scheme has been customised to the two case study sites in the Bolikhamxay Province i.e. Phou Chomvoy Provincial Protected Area (PCV-PPA) and
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² The project (namely the Effective Implementation of Payments for Environmental Services in Lao PDR or EIPES) is funded by the Australian Centre for International Agricultural Research within the Australian Government and is conducted in collaboration with the Ministry of Natural Resources and Environment (MONRE), the Department of Forestry (DOF) within the Ministry of Agriculture and Forestry (MAF), the National University of Lao PDR (NUOL) and the University of Western Australia.

³ The project web page (<http://ipesl.crawford.anu.edu.au>)

Vientiane Capital Province (Green Peafowl Conservation Zone within the Phou Khao Khouay National Protected Area (PKK-NPA). The project is proceeding with the implementation of PES schemes in both sites, has finalized the collection of baseline data for their assessment and is in the process of conducting community consultations.

- *Objective 3:* To increase the capacity of agencies to design and implement PES schemes, five short course were conducted: Introduction to PES Schemes (2013), PES Schemes: Mechanism Design (2013), Bio-physical Modelling (2014), and Non-Market Environmental Valuation (2015). Participants included representatives of agencies, NGOs, universities and the private sector from Lao PDR and the wider Mekong Region Opportunities for Lao staff to experience in-depth on-the-job training are being provided to students from NUOL through their engagement in the ongoing project activities and to government officials through their engagement in community consultations. A manual to train government staff at the national, provincial and district level as well as selected villagers in conducting community consultations has been developed.
- *Objective 4:* To promote community participation in policy making and resource management to enable implementation of land use programs and raise awareness of the importance of environmental improvements. The project is in the process of conducting community consultations as a first step in implementing the two PES schemes. These consultations are taking place at the village level. In addition, the techniques being employed in the valuation of PES scheme benefits involve surveying members of the general public in the larger cities of Lao PDR.
- *Objective 5:* To facilitate the sharing of experience in use of PES more widely in Lao PDR and across the Mekong region. This is being made through the project web page (<http://ipesl.crawford.anu.edu.au>) and project information is being shared.

CEF: Community Engagement Framework (CEF) is the social safeguard instrument designed to comply with the World Bank (WB) safeguard policies related to involuntary resettlement (OP/BP 4.12) and Indigenous Peoples (OP/BP4.10). It is being applied to all subprojects related to protected area management with support from the Second Lao Environment and Social (LENS2) project which is being financed by the WB through EPF. The CEF was designed to promote active participation of local community (including ethnic groups) so that the local community could benefit from the environmental conservation and avoid any negative effects on income through restriction of forest access.

Thus, the CEF is a type of PES by concept, which is consistent with GoL policy and has already been endorsed by GOL. LENS2 provides capacity building support for policy, planning, and operations of many agencies responsible for protected area management, wildlife enforcement, and environmental and social impact management both at the national and provincial levels. Therefore, implementation of LENS2 could provide the opportunity for NUOL to engage and strengthen technical capacity of key agencies and NUOL staff/students on environmental economic methodology, as well as demonstrating their applications on valuation of natural resources and environmental quality through action research (“learning by doing” approach) in Lao PDR.

Institutional context

FEBM: The FEBM is the lead educational and research institution in areas of economics and business management in Lao PDR. The main roles of FEBM is to teach undergraduate and graduate students, conduct policy and technical research considered important for policy makers, and provide training services to Government officials and general public on environmental and natural resource economics. So far, FEBM has produced qualified graduates who can contribute to economic and business development in Lao PDR and have also collaborated with various research institutes and universities at the regional and international levels, as well as with multilateral and bilateral organizations such as United Nations Development Program, the World Bank, Asian Development Bank, JICA, Mekong River Commission, and IUCN. FEBM researchers also provide advisory services to various government agencies including the Ministry of Finance (MOF), the Ministry of Industry and Commerce (MIOC), the Ministry of Natural Resources and Environment (MONRE), the Ministry of Education (MOE), the Ministry of Agriculture and Forestry (MAF), and the Bank of Lao PDR.

In 2013-2014, the FEBM has about 90 staff members (most of whom hold an MA/MS and six hold PhD degrees) reflecting high capacity to carry out training and research related to economics and management within the country. Currently, the FEBM has 8,152 students (of which about 60% are enrolled in regular and 40% in special courses). The Bachelor program in Economics and Business Management offers the following six courses i.e. Economics of Money and Public Finance, Economics of Development and Planning, Applied Economics, Commerce, General Business Management, and Accounting.

Recognizing the country’s need for the integration of environmental economic values into planning and decision-making processes, FEBM plans to (a) prepare curriculum for a Major in Environmental and Natural Resource Economics within the Master of Science in Economics by improving existing curriculum with the necessary approval of the Ministry of Education and Sport including revision of courses as needed, (b) develop appropriate methodology on environmental economics

and strengthening technical capacity of agencies, NUOL staff/students on its application in decision making processes in Lao PDR through “learning by doing” approach (action research), and (c) develop appropriate methodology to promote the applications to PES scheme in Lao PDR. Key specific challenges to achieve these objectives are:

- (i) Limited opportunity for FEBM staff to present field-tested experiences that can demonstrate the usefulness and urgency for setting up a special course on Environmental Economics;
- (ii) Limited opportunity of FEBM to effectively engage with key agencies and provinces and apply its technical capacity on environmental and natural resource economics in the decision making process due to the lack of opportunity to provide training to GoL officials and to influence policy makers during the planning and decision making processes.
- (iii) Limited knowledge and financial resources to improve capacity and skills of FEBM staff, graduate students, and key officials to engage with international institutes and improve understanding and experience with advanced methodologies being developed and/or applied internationally. At present some capacities and skills are being developed through the EIPES. However, EIPES is expected to be closed in mid2016.
- (iv) Limited capacity of sector agencies and staff to conduct economic analysis and apply economic instruments during the development of policies, strategies, and regulations during the decision-making processes related to natural resources and environment both at national and sector levels.
- (v) Lack of standard PES methodology that could be effectively applied at the Lao community-level as an incentive to engage communities in protection and conservation of natural resources and environment.

Subproject approach

To address these challenges, the subproject has been designed to:

- (1) Improve capacity of FEBM staff, graduate students, and qualified staffs of key agencies from MONRE, MPI, MAF, MEM by providing trainings on basic environmental economics as well as on undertaking 4-6 research activities on appropriate economic evaluation methodologies that could be applied during the development of policy and regulation planning related to natural resources and environmental conservation,

especially in the management and/or assessment of costs and benefits of development projects/activities related to natural resource uses and environmental quality. The training/activities will include a special course for senior managers to be aware of (a) the need for (and how to) incorporating cost/benefit analysis during the planning and decision making processes as well as (b) the opportunities and various economic instruments and advanced methodologies that are being practiced in other countries and/or acceptable worldwide.

- (2) To establish effective PES methodology that could be considered by the Government (DFRM/DPC) as an incentive to engage local communities in protection and conservation of forest/land/water resources and environment quality by undertaking 2 pilot studies (Phou Chom Voy (PCV); Phou Khao Khouay (PKK)) in close cooperation with Government staff at the central and local levels following the CEF principles and process. It is expected that outputs from the pilots will be able to demonstrate economic justifications and ways to apply PES principles in a way that is acceptable to central agencies as well as local authorities and communities. Through the CEF process, the subproject team comprising FEBM and staff from MONRE (DFRM, DPC, NERI, DESIA, and PCD), MAF, and MPI and the provinces (PONRE) will assess potential costs and benefits of the on-going PES practices in the Lao PDR, including its delivery mechanisms and potential impacts. The CEF principles, process, and details below will be applied.

Basic principles: The pilot CEF schemes will:

1. Pay local people (patrol teams) to patrol the pilot protected areas to reduce wildlife poaching and forest resource damaging actions.
2. Provide conservation grants to villages to support environmental conservation activities..
3. Be a 'class room' for the study of environmental and natural resource economics.
4. Generate data through research work by international standards, conducted by FEBM researchers that could be useful for other LENS2 funding recipients and the wider Lao PDR context.
5. Form the 'proving ground' for the development of policies, plans, and/or legislation relating to the application of Payment for Environmental Services (PES) schemes in Lao PDR.

CEF scheme design: The two pilot CEF schemes will act as "classrooms" in which FEBM academics, students and GoL officials will learn the application of environmental and natural resource economics in real-world contexts. It is expected that these schemes will also demonstrate the costs and benefits of forest resource protection and conservation, while concurrently

	<p>enhancing the livelihoods of local people. The pilot CEF schemes will seek to establish and sustain a financial link between those who benefits from the environmental services and the local people who can provide the services⁴.</p> <p>The two pilot CEF schemes will enable a cost-effective and efficient distribution of funds that are earmarked for environmental protection efforts. At present, the EIPES project is generating information on: (a) the cause-effect relationship between conservation actions and the production of environmental services (ES) (through bio-physical models); (b) marginal benefits of consumption (through non-market valuation methods); and (c) marginal costs of supply (through conservation tenders). This information on benefits and costs will enable the estimation of a 'market' price paid per unit of ES that will ensure that both buyers and suppliers are made better off. This is important in the context of the Lao PDR where the ES suppliers are expected to be mainly poor rural communities as well as securing livelihood improvements, forest resource protection goals are likely to be achieved⁵.</p> <p>The implementation of the two pilot CEF schemes to be carried out under the subproject will apply the basic principle proposed under EIPES as well as other PES experiences in Lao PDR. Through determining the process and procedures that could be cost-effectively implemented and socially acceptable to local authorities and communities, it is expected that this "PES model" could provide the information necessary to refine the CEF process for promotion of PES scheme in other locations.</p> <p>Specific goals of the pilot CEF schemes are (a) Protection of wildlife and forest resources in the selected protected areas and (b) improving the livelihoods of households located near or within the selected protected areas by paying them to protect wildlife and forest resources. However to ensure acceptability of local authorities and communities, the following concepts will be discussed with key agencies and local authorities/communities before the final concept could be applied in the pilot CEF scheme to be financed under LENS2:</p> <ul style="list-style-type: none"> (i) The ecosystem services (ES) are things that people enjoy from the environment. For example, the diversity of wildlife and forest resources in the Annamite Mountains. The pilot CEF schemes aim to provide the environmental service
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⁴ This link is established through one or multiple agents interceding between prospective ES buyers and ES suppliers to facilitate an exchange. Suppliers are those within the local communities who have control over the production of ES (e.g., villagers engaging in anti-poaching patrolling), whereas buyers are those who pay for their provision. Buyers may include developers (e.g., hydroelectricity companies) who are obligated by their concession agreements to contribute to environmental protection efforts, domestic and international tourists as well as international agencies representing broader world-wide community concern for environmental assets such as endangered species.

⁵ A rigorously defined conceptual framework for the implementation of the two pilot CEF schemes is detailed in: Scheufele, G, Bennett, J, Kragt, M & Renton, R (2014), Development of a 'virtual' PES scheme for the Nam Ngum River Basin, Research Report 3, Effective Implementation of Payments for Environmental Services in Lao PDR, ANU, Canberra (see Attachment 1).

'wildlife and forest resource protection'. People who want and are willing to pay for 'wildlife and forest resource protection' are ES buyers while local communities who have the local knowledge to become effective guardians of 'wildlife and forest resource protection' through performing wildlife protection actions. Local communities and their members who engage in wildlife and forest resource protection actions are ES suppliers and get paid for performing wildlife and forest resource protection actions. The CEF schemes link those people who are willing to pay for 'wildlife and forest resource protection' with those who are willing to perform wildlife and forest resource protection actions. Opportunities for participation can be made through (a) Community engagement (villagers refrain from performing wildlife and forest resource damaging actions specified in Community Action Plans and in Conservation Agreements) and (b) Individual engagement (villagers form patrol teams and engage in anti-poaching patrols performing wildlife and forestry resource protection actions as well as in monitoring activities as specified in Patrol Contracts). The wildlife conservation actions will be linked to an adaptive bio-physical model as much as possible.

- (ii) Baseline studies were performed under the EIPES project to enrich the available data that will populate the model. Under the pilot CEF schemes of the subprojects, more data will be collected through the management actions and incorporated into the adaptive bio-physical models.
- (iii) Payments to communities (into village conservation funds) as set out in the Conservation Agreements. Payments to villages will be comprised of a base payment (calculated on a household basis) and additional incentives that will be linked to the effort of the patrol teams.
- (iv) Payments to patrol teams as set out in the Patrol Contracts will be: (a) The price per unit of patrol effort is determined by taking into account how much it costs each team to perform a patrol and how much the buyers are willing to pay for it and (b) The costs to each patrol teams are worked out through conservation tenders: patrol teams are asked to submit a sealed bid that states the number of units of patrol effort they are each willing to complete over a range of given prices per unit of patrol effort. This reveals information about the patrolling costs of each patrol team and the costs of patrolling are expected to vary across patrol teams. Since the cost of patrolling might vary across patrol teams, some teams might be willing to do more patrolling than others for the same price per patrol. Each patrol team is offered to perform the number of units of patrol effort they are willing to provide at the price that is agreed to by both buyers and suppliers. Hence, it is a self-selecting process: patrol teams decide how many units of patrol effort they want to perform for the determined price

per unit of patrol effort. Patrol teams get paid an amount equal to the number of units of patrol effort they each perform multiplied by the price per unit of patrol effort. The agreement between each patrol team and the buyer would be legally binding through a service contract (in writing). This reduces the risk to villagers of being paid less than the amount agreed. Additional incentives will be linked into the scheme to encourage good performance.

- (v) Payment schedule to patrol teams will be: (a) A lump sum payment (as a 25% advance on the first regular payment) will be made immediately after signing Patrol Contracts (patrol teams) and Conservation Agreements (communities), respectively and (b) Subsequent payments will be made on a quarterly basis conditional on the compliance with the Patrol Contracts and the Conservation Agreements, respectively.
- (vi) Payment transfer mechanisms will be (a) The Conservation and Livelihood Improvement Managers calculates payments to the patrol teams and the village development funds based on performance and issues a recommendation to transfer of funds from the EPF; (b) The EPF will transfer payments directly into accounts held at a district bank (patrol team accounts; village conservation fund accounts)- the details will be decided by discussion with the EPF; (c) Patrol teams will withdraw money from the team bank account through checks (all team members will have to sign to withdraw money); (d) The payments will be distributed proportionally to each team member's effort; and (e) Community payments will be used in accordance to a village action plan specified by the village development funds.
- (vii) Environmental monitoring system will be (a) Patrol teams will get paid only if they perform the wildlife and forest resource protection actions they signed up for; (b) Performance will be judged on specified evidence provided by each patrol team (in-built monitoring system); and (c) Bio-physical models will be populated by data collected during patrolling to estimate the effectiveness of the scheme to protect wildlife.
- (viii) Penalty system will be that the payments will be reduced or withheld if wildlife and forest resource protection actions are not performed as agreed on.
- (ix) Conservation Agreements may include the following components: (a) Recognition of the boundaries of village lands and the selected protected areas; (b) Recognition of the legislation on biodiversity protection within the selected protected areas; (c) Specification of conservation commitments; (d) Specification of benefits provided to communities; and (e) Specification of the monitoring system used to verify compliance and the penalties to be

applied if conservation actions are not executed.

- (x) Patrol Contracts will be that each patrol team will sign a legally binding contract with the GoL. Interested participants will be briefed and consulted on the patrolling contract as well as the performance and payment conditions before signing (villagers can withdraw from engagement prior to signing at any time if they don't want to be involved). The Patrol Contracts may include the following components: (a) Definition of the wildlife and forest resource protection actions to be undertaken by each patrol team (quantity, quality, timing); (b) Payment amounts, payment type and payment schedule; (c) Provision for money withdrawal for team payment; (d) Statement that the negotiated payments are conditional on completing the contracted wildlife and forest resource protection actions as defined in the Patrol Contracts; (e) Statement that the conditionality of the payments will be assured through a monitoring system, a penalty system and enforcement mechanisms in case of non-compliance; (f) Description of the monitoring and penalty system; and (g) Statement that assigns the right to patrol teams to consult and file a complaint, and describing the appropriate process to manage grievance, conflict resolution and redress.

CEF scheme locations: The two pilot CEF schemes will be trialed in the Bolikhamxay Province and the Vientiane Capital Province. In each scheme, villagers (the ES suppliers) will be paid for restoring and protecting environmental conditions. The scheme in the Bolikhamxay Province will focus on the protection of a variety of endangered species, including the Saola, within the Phou Chomvoy PPA, and the Nam Chouan PPA located at the border to Vietnam. These PPAs are of high biodiversity importance and have been suggested to be considered first if a decision is to be made to add areas to the NPA system. The CEF scheme in the Bolikhamxay Province will be trialed within the Phou Chomvoy PPA and then extended to the other PPAs mentioned above if additional financing is made available. The CEF scheme in the Vientiane Capital Province will focus on the protection of the endangered Green Peafowl within the Green Peafowl Conservation Zone of the Phou Khao Khouay NPA.

Institutional arrangements: The pilot CEF schemes will be implemented through the close involvement of the central, provincial and district levels of the GoL as well as village authorities of the target communities. Key partners will be as follows:

- **Department of Forest Resources Management (DFRM)** of Ministry of Natural Resources and Environment (MONRE) will supervise and guide the implementation of the two CEF schemes; coordinate the Departments of Natural Resources and Environment (PONREs) of

	<p>Bolikhambxay Province and Vientiane Capital Province to ensure smooth implementation; and monitor and assess the implementation of the two pilot CEF schemes.</p> <ul style="list-style-type: none"> • EPF will sign the Village Conservation Agreements and Patrol Contracts; EPF will hold the funds earmarked for payments to the target communities and patrol teams; make payments to the target communities and patrol teams on the basis of the payment request from the Conservation and Livelihood Improvement Managers and the approval by PONRE; and liaise with MONRE in the monitoring and assessment of the two pilot CEF schemes. This to be discussed and agreed with EPFO. • The PONREs will provide the necessary information and data for the project formulation and planning; support the pilot CEF scheme implementation process; sign the Village Conservation Agreements and Patrol Contracts; coordinate with concerned districts; and maintain communications on technical issues with the NUoL. The DONREs will liaise with the villages targeted within the two pilot CEF schemes; and support implementation process of the pilot CEF schemes. • District Governor's Offices will support the implementation process of the pilot CEF schemes; approve the Terms of References of the patrol teams; and sign the Village Conservation Agreements and Patrol Contracts. <p>The Faculty of Economics and Business Management within the NUoL is the SDA delivering the sub-project; assist with and advise MONRE and the EPF in the monitoring and assessment of the two pilot CEF schemes; and coordinate all agencies involved in the delivery of the sub-project. This to be discussed with EPF there are more specific requirement to perform.</p> <ul style="list-style-type: none"> • Local consultant/The Wildlife Conservation Association (WCA) will be procured to provide the services to appoint and supervise two Patrol Team Managers who will be responsible for the day to day operations of the patrol effort; collate information from patrol teams regarding the status of wildlife and forest resources; make recommendations to the PONREs regarding payments to patrol teams; and report on a six-monthly basis to MONRE and the EPF on the performance of the two pilot CEF schemes. • International consultant/The Australian National University will provide technical support and research guidance; and support the capacity building process of the Faculty of Economics and Business Management within the NUoL. • It will be ensured that relevant government authorities at
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all levels as well as the Lao Front for National Construction, the Lao Women's Union and other formal organizations and representatives at the village level will be involved in the planning activities. The staffs/government officers from relevant government authorities will be included: DFRM/DCP-MONRE, National Economic Research Institute-Ministry of Planning and Investment (MPI), Ministry of Energy and Mine, PONRE.

CEF schemes as active 'classrooms': FEBM staff will be engaged in the development of a tendering process as a means of selecting those wildlife and forest resource protection actions that offer the greatest net social benefit. FEBM students will undertake field work in which villagers will competitively tender to provide ES through wildlife and forest protection actions in return for a payment. Those villagers who choose to participate in the pilot CEF schemes will then be paid (over time) to carry out the wildlife and forest resource protection actions (such as anti-poaching patrolling and collection of snares) they proposed in their tenders. This will ensure the provision of the required ES and establish a new source of income for the villagers. A percentage of the revenue generated through wildlife and forest resource protection actions will be allocated to the communities into village development funds. This in turn will be made available for investments and initiatives to the advantage of villagers, including those who may have previously benefited from poaching.

In both pilot CEF schemes, FEBM staff and students will conduct economic analysis of various PES models that were/being applied in Lao PDR including exploring if the bio-physical models⁶ of the 'cause-effect' relationship between proposed environmental protection actions (such as anti-poaching patrols) and the resultant condition of the environment (as measured by attributes such as species diversity or density) which is being developed under the EIPES project could be effective in the Lao context.

At present, under the EIPES support, FEBM staff and students are being trained in economic valuation techniques that will be used to estimate the environmental values of the impacts that the bio-physical models predict will arise from the proposed environmental protection actions. A baseline survey on ES buyers inherent to the application of these techniques was conducted by staff and students under supervision of the EIPES/ACIAR project staff (see details in Section 19).

⁶ The biophysical models will be used by students to predict the environmental changes caused by the management actions for which payments are made. The models will allow students to gain an understanding of what environmental services will be produced as a result of the environmental protection actions performed by the villagers participating in the pilot CEF schemes. A special feature of the bio-physical models will be their capacity to cope with 'data poor' contexts. The time frame of the project will only permit a limited collection of primary biophysical data to develop models prior to the commencement of the patrol scheme. Hence, conceptual models, existing data from Lao PDR and observations from other related sites in the Mekong region will be used additionally to inform the models. These models will be probabilistic because of the uncertainties involved and have an in-built mechanism to be improved in their predictive capacity by feeding in more data once it will become available (e.g., collected through monitoring activities under the pilot CEF schemes).

	<p>In the subproject, efforts will be made in combining the predictions gained from the bio-physical models and the information on economic benefits and costs to develop a CEF scheme which is grounded in sound ecology as well as maximizing the well-being of the Lao PDR society. Staff and students will learn to design CEF schemes that are voluntary, socially inclusive and transparent. In consultation with the agencies and provinces, the pilot CEF schemes will also explore the costs and benefits of making the payments based on a comparison between ‘business-as-usual’ scenario and the additional conservation achieved through environmental protection actions.. A monitoring system will also be established as integral part of the pilot CEF scheme designs.</p> <p>By being involved in designing and implementing the two pilot CEF schemes, staff and students will learn and have hand-on experience on actual application of environmental economic analysis and PES implementation through the CEF concept. They will gain an understanding that many ES are public goods, which in normal market settings generate little if any financial return to those who provide them and that the current incentive is usually for competing extractive goods (such as agricultural produce and timber) to be supplied instead. By engaging in the design and implementation of the two pilot CEF schemes, staff and students will learn that these schemes redress this imbalance of incentive provision by channeling of funds from those who benefit from ES to those who are able to provide the services. They will develop an understanding that participation in these schemes provides an additional, sustainable source of income to people whose alternative is often only to sell the extractive products of the environment (such as hunted wildlife). They will also learn that it is crucial for the success of such schemes that those people affected by the schemes through, for example, stricter wildlife law enforcement, will benefit from payments for ES.</p> <p>Staff and students will be engaged in assessing the social impacts of the pilot CEF schemes on participating communities. The importance of long term agreements to see that the provision of environmental services is on-going and the alternative livelihoods are sustainable will be emphasized. It will be stressed that, because payments under the envisaged pilot CEF schemes involve payments being made to villagers in return for the provision of ES through environmental protection actions, they do not encourage ‘dependency’ on the part of recipients. Staff and students, under the supervision of FEBM experts, will monitor the effectiveness and efficiency of the distribution of funds to local communities and individual households.</p>
<p>9. Sub-project objective <i>(only one sentence)</i></p>	<p>To build the capacity of NUOL FEB to test, monitor, research and incorporate in training a PES scheme in a representative sample of Laos protected areas.</p>

<p>10. GoL Policy/Plan/Strategy supported by Sub-project (including provincial if applicable)</p>	<p>By building technical capacity of agencies and FEBM staff and students, the sub-project supports the following policies, plans and strategies:</p> <ul style="list-style-type: none"> -The Environmental Protection Law of 2012; -Socio-economic Development Plan 2016-2020 by ; -National Growth and Poverty Eradication Strategy; -MONRE Strategic Plan 2016-2025), including the development of a Prime Ministerial Decree on Payment for Environmental Services schemes; -Forestry Strategy to the Year 2020. - Phou Chomvoy PPA Management Plan 2011-2015; and -Phou Khao Khouay NPA Management Plan 2010.
<p>11. Sub-project Regional or global outcomes (for protected area and wildlife related sub-projects only: e.g. cross border cooperation, knowledge transfer, prevention of regional illegal wildlife trade)</p>	<p>It is expected that the subproject outputs will improve basic knowledge on the application of environmental economics to key Government and FEBM staff. This will later increase the opportunities and effectiveness of knowledge transfer between Lao PDR and international experts in wildlife and protected area management. Additional contributions could be made through the following outcomes:</p> <ul style="list-style-type: none"> -Establishment of research networks between academics of Lao and neighboring countries facilitating an exchange of knowledge and sharing of experience. -Engagement with the international research community through presenting papers at international conferences and submitting journal articles for publication in international journals. -Initiation of collaboration with Vietnamese government agencies at the provincial and district levels responsible for management of protected areas bordering the Phou Chomvoy PPA.
<p>12. Sub-project Outcome Indicators Select and list the related outcome and intermediary outcome indicators from the PAW/LENS2 Results Framework and describe additional sub-project specific outcome indicators. Outcome/impact is the longer-term benefit of particular goods or services to a target group.</p>	<p>The subproject supports the following outcome indicators:</p> <ul style="list-style-type: none"> • Area brought under enhanced biodiversity protection measured by score of management effectiveness (annual) (Also LENS2 PDO indicator #1); • Percentage increase in the score of functional capacity of the FEBM (annual)⁷ (Also LENS2 PDO indicator #3); • Villages organizations within, or adjacent to, PAs supported by the subproject that meet the terms of a conservation agreement (CA) (cumulative) (Also LENS2 PDO indicator #5); • Number of direct project beneficiaries (of which at least

⁷ The index of functional capacity is a simple score provided through 10 capacity criteria each scored from 1 to 10 such as (a) existence of a functional board, (b) staffing, (c) fiduciary system, (d) budget, etc.

	<p>30% are women) as measured by additional staff of public and partner institutions having completed basic adaptive training (Also LENS2 Intermediate Indicator #1.1);</p> <ul style="list-style-type: none"> • Direct project beneficiary recipient of livelihood or conservation grants (of which women or women organizations) (cumulative) (Also LENS2 Intermediate Indicator #2.2).
<p>13. Sub-project main outputs <i>(Goods or services provided by the sub-project's intervention (supply-driven) e.g. x staff trained; guidelines on x developed)</i></p>	<p>Through Component 1 (Training and Research), key subproject outputs will include, but not limited to, the followings:</p> <ul style="list-style-type: none"> • 1 short course (training of trainers) in environmental and natural resource economics for GoL officials at the national level (25 staff trained, of which at least 30% are women), government officials from Vietnam (5 participants) and FEBM lecturers (15 staff trained, of which at least 30% are women) developed; • 1 short course (training of trainers) in research methods for environmental and natural resource economics for FEBM lecturers (30 staff trained, of which at least 30% are women) developed, including the establishment of a baseline of current teaching effectiveness of FEBM lecturers; • Short courses for GoL officials at the provincial and district levels (30 staff, of which at least 30% are women) developed; • Key issues to be considered may include, but not limited to, (1) cost/benefit analysis of PES schemes related to hydropower project (i.e. Nakai-Nam Theun conservation activities), (2) Estimation of demand- willingness to pay for protect wildlife and forest resources in National Project Area, (3) Estimation of economic values of National Protected Area, (4) cost/benefit analysis of mining project, (5) cost/benefit analysis of PES schemes related to EPF subprojects, and (6) cost/benefit analysis on plantation development such as rubber, banana, sugar cane, and/or other priority plants. Scope and location of the activities will be discussed and agreed with key agencies and the responsible provinces. <p>Through Component 2 (Operationalization of two pilot CEF schemes), key outputs will include, but not limited to, the following:</p> <p>8 villages and about over 7,000 villagers adjacent to the Phou Chom Voy PPA will directly benefit from the payments to village development funds and additional payments for village patrolling. Large amounts of patrol hours in Phou Chom Voy PPA will also be delivered during the lifespan of the sub-project.</p> <p>6 villages and up to 6,880 villagers adjacent to PKK NPA will directly benefit from the payments to village</p>

	<p>development funds and additional payments for village patrolling. Large amounts of patrol hours in PKK NPA will be also delivered during the lifespan of the sub-project.</p> <ul style="list-style-type: none"> • 20 students (of which at least 30% are women) with field work experience through engagement in CEF scheme development and implementation. . • Field equipment to support patrol teams (GPS, cameras, radios, uniforms, first aid, kits, boots, hats, backpacks).
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14. Sub-project Components and Activities:

List the components and main activities to produce outputs above. Do not use more than 5 components. Details will be in Annual Work Plan and Budget (AWPB) annex attached.

Component	Main activities
Component 1: Training and Research	<p>Subcomponent 1.1: Training of Trainers (GoL officials at the national level, government officials from Vietnam, FEBM academics and high level) in Environmental and Natural Resource Economics :</p> <p>Key activities include:</p> <p>Develop and deliver a joint training course in environmental and natural resource economics for GoL officials, government officials from Vietnam and FEBM lecturers by overseas academics. The resulting increased capacity of the GoL officials and lecturers will enhance policy making. It will also enable the FEBM lecturers to develop and deliver short courses in environmental and natural resource economics for GoL officials at the provincial and district levels.</p> <p>The training course will additionally improve the quality of the tertiary education at the FEBM, and will thus accelerate and enhance the development of tertiary students in natural resources and environmental economics.</p>
	<p>Subcomponent 1.2: Engaging FEBM academics and students into research activates</p> <p>Remove access barriers to relevant literature by training FEBM academics in the use of highly ranked international academic journals concerned with environmental and natural resource economics through AGORA or OARE (zero access fees). Knowledge about international research results in environmental and resource economics is crucial to develop research proposals and conduct research projects.</p> <p>Provide grants to FEBM students and academics to engage in research on topics in environmental and natural resource economics and present research papers at international conferences.</p> <p>Provide opportunities for FEBM academics and students to engage in two currently conducted research projects ('learning by</p>

	<p>doing'). The two research projects involve the design, implementation and assessment of CEF schemes that involve payments being made to local communities and their members to supply ES in the Bolikhamxay Province and the Vientiane Capital Province. The two projects offer FEBM academics and students the opportunity to write conference papers, journal articles, and Master theses.</p> <p>Subcomponent 1.3.: Training of Provincial and District Level GoL Staff in Environmental and Natural Resource Economics</p> <p>Develop and deliver a short course in environmental and natural resources economics for field staff drawn from about 7 provinces by FEBM lecturers. The training provided through the short course will increase the capacity of provincial and district GoL officials to better manage protected areas and implement environmental and social policy through enhanced knowledge of environmental and natural resource economics.</p> <p>Provide opportunities for GoL officials at the provincial and district levels to engage in two currently conducted research projects ('learning by doing'). The two research projects involve the design, implementation and assessment of CEF schemes that involve payments being made to local communities and their members to supply ES in the Bolikhamxay Province and the Vientiane Capital Province. The two projects offer GoL officials the opportunity to increase their capacity to better manage protected areas and implement environmental and social policy through enhanced knowledge of environmental and natural resource economics.</p>
<p>Component 2: Operationalization of Pilot CEF Schemes</p>	<p>These activities have been designed considering PES experiences applied by EPF and other projects in Bolikhamxay (BKX) and Vientiane Capital (VTCP), as well as those being applied through the EIPES project (see Section 19). Design of the activities has been made through consultation with key agencies (DFRM, DPC, NREI, etc), the provinces (BKX and VTCP), and EPF, with the design being further developed at the beginning of subproject implementation. The following activities will be carried out in each proposed pilot areas (Phou Chom Voy-PPA in BKX and PKK-NPA in VTCP):</p> <p>(2.1) Training of the subproject team and PONRE/DONRE regarding the CEF process and the CEF manual being developed by EPF/VFI. The subproject teams will have been trained through the EIPES project.</p> <p>(2.2) Finalize the approach and implementation plan to carry out the CEF process in the two pilot sites (PCV and PKK) in line with the principles and approach described in Section 8 above in close consultation and in agreement with the agencies, the provinces, and EPF team. The plan will also include the implementation arrangement, specific activities to mitigate potential negative environmental impacts (ESMP), and detailed arrangement on fund flow and procurement plan and M&E activities.</p>

	<p>(2.3) Undertaking the pilot activities in the two pilot sites according to the agreed implementation plan obtained from (2.2) and reporting results from the M&E.</p> <p>The subproject funds will be used for (a) facilitating the CEF process including testing the draft operation manuals as well as for making the payments for the community conservation grants including the local individual who take actions on protection of endangered wildlife species under the pilot CEF schemes. An estimate of about \$10,000/village per year has been allocated in the budget, while actual payments will depend on the actual cost to be determined during implementation (bidding scheme).</p>
Component 3: Subproject management	The activities will ensure timely implementation of subproject activities described in Component 1 and 2, including ensuring achievement of the agreed targets indicated in Section 26 below, reporting, and quality of subproject implementation, fund flows, and procurement as agreed with EPFO. FEBM will be responsible for administration, technical arrangement and procurement as agreed with EPFO.
15. Sub-project direct beneficiaries	<input checked="" type="checkbox"/> Governmental staff <i>Central level (55) of which women (30%)</i> <i>Provincial level (15) of which women (30%)</i> <i>District level (15) of which women (30%)</i> <input checked="" type="checkbox"/> Rural communities (8 in Bolikhamxay Province; up to 6 in Vientiane Capital Province); Number of people (over 7,000 in Bolikhamxay Province; about 6,880 in Vientiane Capital Province), of which women (at least 30%). <input checked="" type="checkbox"/> Students (20) of which women (30%) <input type="checkbox"/> General public <input type="checkbox"/> Private sector
16. Proposed Start Date	July 2016
17. Proposed End Date <i>(duration in years)</i>	December 2019 (3.5 years)
18. Co-financiers <i>(source and amount (US\$) including in-kind contribution; per component if possible)</i>	<p>The NUoL will provide in-kind contribution supporting Components 1, 2, 3, costing about US\$80,000.</p> <p>In parallel, there are ongoing parallel financing provided under the project 'Effective Implementation of PES in Lao PDR' (Oct 2012 – Oct 2016) funded by ACIAR (AUS\$1,408,150) and MAF, MONRE, NUoL, UWA, ANU (AUS\$713,584).</p>
19. Complementary ongoing or planned projects/programs/initiatives (name/ source of funding/linkage)	<p><i>ACIAR</i>: Component 2 will be implemented in co-ordination with the EIPES project being financed by the Australian Centre for International Agricultural Research (ACIAR) and conducted by the NUoL, DFRM of MONRE, MAF, and Australian National University, and University of Western Australia (see section 8). Below highlights the activities that are being implemented and fully financed through ACIAR.</p>

- Conduct workshop at the provincial level to inform and consult with GoL officials about the two pilot CEF schemes and their implementation process.
- Conduct workshop at the district level to inform and consult with GoL officials about the pilot CEF schemes and their implementation process.
- Investigate the legislation on biodiversity protection within the NPA (Green Peafowl Conservation Zone)/ PPAs and incorporate the findings into CEF scheme design.
- Train facilitators in conducting community consultations (3 project team members of the FEBM; 1 staff from MAF; 1 staff from MONRE; 2 staff from PONRE; 4 staff from DONRE; about 25 villagers acting as facilitators).
- Train staff and students from FEBM (NUoL) in the collection and analysis of environmental value data to estimate the benefits of wildlife and forest resource protection actions (conducting surveys of ES buyers to collect choice experiment data; analysis and interpretation of choice experiment data).
- Conduct community consultations to inform village leaders and villagers about the goals and concepts of the pilot CEF schemes and opportunities for participation, as well as to consult with village leaders and villagers about the elements of the CEF scheme design and the proposed process of community engagement.
- Customize elements of CEF scheme design to the local conditions, concerns and ideas by incorporating community inputs collected through the consultation process.
- Collect and analyze environmental value data to estimate the benefits of ES supply.
- Train facilitators from FEBM (NUoL), PONRE and DONRE in conducting conservation tenders and in training villagers as potential suppliers of ES.
- Conduct household socio-economic baseline surveys in target villages of Bolikhamxay and Vientiane Capital provinces to establish community profile, including on their forest resource use.
- Assist villagers in the development of Community Action Plans (CAP) and Conservation Agreements (CA).
- Train villagers the skills necessary for them to be environmental service suppliers so that they can participate in the conservation tenders as well as appreciate the rights, responsibilities and risks of participation.
- Conduct conservation tenders to estimate the costs of ES supply.
- Estimate the efficient price per unit of patrol effort through analyzing

	<p><i>the data generated through the conservation tenders and distribute patrol effort across patrol teams.</i></p> <p><i>-Organize signing of CAs and Patrol Contracts and make first payments. The funds to make payments will be provided through LENS2 Financing.</i></p> <p><i>-Train patrol teams in wildlife monitoring and law enforcement (training conducted through the Conservation and Livelihood Improvement Managers). The funds to employ the Conservation and Livelihood Improvement Managers will be provided through LENS2 Financing.</i></p> <p><i>-Organize and commence environmental management effort. Conduct CEF scheme assessment through village surveys and record keeping.</i></p> <p><i>-Invite representatives of Vietnamese government agencies responsible for protected area management at the provincial and district level to participate in the joint training course in environmental and resource economics. It is expected this will initiate an exchange of knowledge, sharing of experience, and cross border cooperation in the future.</i></p>
	<p><i>WCA: The subproject will collaborate with the Wildlife Conservation Association (WCA) in designing and implementing the two pilot CEF schemes. WCA (Dr Chanthavy Vongkhamheng) has been contracted through the ACIAR funded project 'Effective implementation of PES in Lao PDR' as a consultant to assist in the development and implementation of wildlife and forest resource protection actions within the two pilot CEF schemes. To ensure a long-term technical assistance in managing the patrolling schemes, two Conservation and Livelihood Improvement Managers will be contracted through WCA.</i></p>
	<p><i>WWF/GMS: The subproject will collaborate with WWF/ Greater Mekong carbon, biodiversity and livelihood program to incorporate their rich experience in wildlife law enforcement into the pilot CEF schemes. WWF has offered to provide feedback on the design of the anti-poaching patrolling schemes.</i></p>
	<p><i>LuxDev: The subproject will collaborate with the Luxembourg Agency for Development Cooperation (LuxDev) who has agreed that community conservation grants provided through the pilot CEF schemes will be paid into and managed through the village development funds established through the Livelihood and Governance Project. LuxDev has offered to assist the sub-project to establish similar village development fund structures in those villages that have not been part of that project.</i></p>

20. Implementation Arrangements

a. Project Management Structure / Sub-project Implementation Team

The sub-project will be implemented by the Faculty of Economics and Business Management (FEBM) of the National University of Laos (NUoL). The subproject focal point and the Project Director will be Dr Phouphet Kyophilavong. The main subproject implementation team includes Dr. Alay Phonvisay, Mr Saysamone Phoyduangsy and A/Prof. Sengchanh Chanthasene and they will be responsible for subproject management and monitoring and evaluation. The subproject team has received full support of FEBM Dean Somchith Souksavath.

b. Additional Staffing/Technical Assistance (TA)

International technical assistance: short-term to provide technical support to Component 1 activities and 1 long-term (WCA) to assist in the management of the patrolling scheme and capacity building of community (Component 2).

Component 2 activities will also be supported by 1 full-time junior research assistant to assist FEB researchers to conduct research on proposed topics.

Support for Component 3 –two full time Conservation and Livelihood Improvement Managers (one for the scheme in Bolikhamxay and one for the scheme in Vientiane Capital Province) will be contracted through the Wildlife Conservation Association (WCA) for the duration of the Patrol Contracts. Their responsibilities include the management and monitoring of the patrol schemes as well as technical assistance to two CEF scheme liaison officers located within PONRE (one for the scheme in Bolikhamxay and one for the scheme in Vientiane Capital Province).

Support for overall project- full time national consultant will be hired to provide coordination, management, and assistance to FEBM. One accountant will also be contracted.

Note: the *TORs will be prepared for all consultants.*

21. Summary Budget

Detailed activity plan and budget for total period and year one must be attached in annex. *Provide a summary of the budget as part of the proposal. Note that the sub-project will be approved for the entire duration but the sub-grant agreement will be signed on a yearly basis based on previous year performance (and agreed triggers as defined in section 24). For approved sub-projects, a procurement plan will be developed by EPFO.*

Note: Budget will be modified based regulations of government and EFP.

Components	Total	FEBM/NUoL (\$)	Parallel co-funding ACIAR project (\$)	LENS2 Financing (\$)
Component 1: Training and Research	116,970	14,000	36,700	66,270
Component 2: Operationalization of two pilot CEF schemes	2,006,530	0	1,475,930	530,600

Component 3: Subproject Management	229,400	74,000	45,000	130,400
Subtotal	2,372,900	88,000	1,557,630	727,270
General contingency (2%)	14,545	0	0	14,545
Insurance contingency (8%)	58,182	0	0	58,182
Grand Total	2,445,627	88,000	1,557,630	799,997

22. Sustainability

Please explain how the benefits of the project will continue or be maintained once the sub-project is complete.

This project has been designed with sustainability as a guiding principle. This is achieved through the 'train the trainers' approach outlined in Section 8.

The sustainability of the two pilot CEF schemes will be achieved through the broader goals of the ACIAR funded project. The project has been invited by the GoL to draft a Prime Ministerial Decree on PES that identifies long-term funding sources for such schemes from 'ES buyers' such as developers through concession agreements (hydro-electricity power companies, mining companies) and international tourists through a departure tax. If the GoL - based on input provided through a draft PES Prime Ministerial Decree and the experience gained through the two pilot CEF schemes - decides to implement finance mechanisms that support such schemes in the long-term, the Conservation Agreements could be extended and the Patrol Contracts renewed.

Furthermore, the patrol schemes will be designed such that it complements the wildlife law enforcement activities undertaken by DOFI/ POFI (e.g. through the establishment of practical communication channels between patrol teams/ manager and DOFI to report wildlife crimes). Ongoing technical support will be ensured through patrol managers contracted through WCA, a leading institution in wildlife monitoring and support in law enforcement. The Conservation and Livelihood Improvement Managers are technical advisors to the CEF scheme liaison officers located within PONRE and will provide ongoing support to build capacity within the GoL.

23. Environment and Social Management Plan (ESMP)

Check if an Environmental and Social Management Plan (ESMP) needs to be prepared (see guidelines in the Environment and Social Management Framework (ESMF) to be obtained from EPF website).

Some of the subproject's activities to be identified through the CEF process trigger World Bank safeguard policies and require the preparation of an Environmental and Social Management Plan (ESMP) consistent with the ESMF of LENS2. An ESMP has been prepared as part of the implementation plan of the CEF pilot scheme. A consultation process with relevant stakeholders and affected communities has been initiated and will be completed within the scope of the ACIAR funded project.

24. Community Engagement including gender issues at community level

Check if compliance with the Community Engagement Framework (CEF) is needed and follow guidelines on steps to be obtained from EPF website.

The subproject supports, through Component 2, the implementation of the CEF. The lessons learned from developing and implementing the pilot CEF schemes will provide the GoL with the information necessary to refine the CEF for application in other locations. The Component 2 activities of the subproject will be implemented following the CEF process agreed with the EPFO team and the World Bank. Below highlights the on-going CEF process being implemented under the EIPES.

Stage 1: Selection of participating villages

The villages have been selected based on the following criteria:

- Nomination by the GoL;
- Proximity to the NPA (Green Peafowl Conservation Zone)/ PPAs;
- Potential to become guardians of wildlife and forest resource within the NPA (Green Peafowl Conservation Zone)/ PPAs;
- Some village use of wildlife and forest resources within the NPA (Green Peafowl Conservation Zone)/ PPAs; and
- General willingness to participate in the pilot CEF schemes (assessed through initial village information and consultation sessions).

The selected villages have been consolidated (no further consolidation is anticipated) and the Participatory Land Use Planning (PLUP) has been completed. A document will be submitted to the Bank that validates the PLUP and the boundaries of the NPA (Green Peafowl Conservation Zone)/ PPAs, ensuring that no village land located within the NPA (Green Peafowl Conservation Zone)/ PPAs will be affected by restrictions on the use of wildlife resources supported by the pilot CEF schemes.

Orientation workshops were held at the provincial and district levels with relevant GoL authorities in attendance. These workshops served to orient and inform staff from relevant GoL authorities with the CEF scheme objectives and the implementation process. MoUs (financial, technical and logistical cooperation) were signed between PONRE Bolikhamxay/ Vientiane Capital Province and the ACIAR funded project.

Relevant demographic, socioeconomic and cultural data of participating villages were collected and assessed to form part of the baseline data for the CEF scheme design and the preparation of the Community Action Plans and the Conservation Agreements.

Stage 2: Community awareness and resource diagnostics

In the first step, the ACIAR project team met with community leaders of target villages and informing them about the CEF scheme and its purpose as a first step in establishing broad community support (November 2014 – May 2015). During these initial meetings, the ACIAR project team has started to collect further socio-economic data through interviews with villagers.

In the second step, the ACIAR project team conducted a community survey through household interviews regarding current demographics, social, and economic factors related to economic survival, living standards, and wildlife resources use within the protected areas in all target villages surrounding the Phou Chomvoy PPA (June 2015)

and the Green Peafowl Conservation Zone within the Phou Khao Khouay NPA (November 2015).

The data collected through these surveys complemented the data collected under Stage 1. They will be used to identify vulnerable households, assist the communities to develop their respective Community Resource Profile with respect to the use of natural resources within the NPA (Green Peafowl Conservation Zone)/ PPAs.

In the third step, the target communities will be (1) informed in more detail about the goals and concept of the pilot CEF schemes and opportunities and benefits of participation; and (2) consulted about the elements of the CEF scheme design and the proposed process of implementation. These community consultations were conducted in October 2015 for the target villages surrounding the Phou Chomvoy PPA and are scheduled for October 2016 for the target villages surrounding the Green Peafowl Conservation Zone. The communities were/ will be approached in the spirit of honest and constructive collaboration. They were/ will be engaged in an inclusive and culturally relevant manner on the basis of a free, prior and informed consent aimed at establishing broad-based and sustainable community support for the project. Villagers were/ will be approached regardless of their ethnic group or social status, and had/ will have the opportunity to participate in and benefit from the CEF schemes as well as to take on the responsibility to adhere to sustainable protected area management. At the end of the consultations villages/ villagers were/ will be invited to submit an expression of interest to engage in the CEF schemes. Expressions of interest were/ will be accepted up to two weeks after completion of the consultations to allow communities to discuss internally.

Stage 3: Participatory planning: consultations and agreements

The PLUP has been completed for all target villages (see Stage 1). Nevertheless, a participatory process will be used to develop Community Action Plans. The Community Action Plans should demonstrate broad community support and the endorsement of locally recognized leaders, ethnic group elders and vulnerable people including women and ethnic groups in mixed villages established based on free, prior and informed consent. As such, the Community Action Plans serves as the Plan of Action as required under OP/BP 4.12 with regard to restriction of access, and the Ethnic Group Plan required under OP/BP 4.10 where ethnic groups are affected by the project. The involved communities are envisioned to become agents rather than victims of wildlife and forest resource conservation. The pilot CEF schemes aim to instill in villagers a sense of pride in and co-ownership of the NPA (Green Peafowl Conservation Zone)/ PPAs along with a real understanding of and support for wildlife and forest resource conservation.

Community Action Plans will include the following:

- Documentation of current sources of income generated through wildlife resource use within the NPA (Green Peafowl Conservation Zone)/ PPAs;
- Recognition of the boundaries of the NPA (Green Peafowl Conservation Zone)/ PPAs;
- Recognition of the legislation on biodiversity protection within the NPA (Green Peafowl Conservation Zone)/ PPAs;
- Conservation commitments (support of anti-poaching patrol schemes engaging villagers within the NPA (Green Peafowl Conservation Zone)/ PPAs; list of wildlife damaging

actions villages agree to refrain from within the NPA (Green Peafowl Conservation Zone)/ PPAs).

- Estimation of the extent of potential livelihood losses that may result from the CEF schemes;
- Specification of alternative income streams and their potential to sustainably enhance or at least restore income (such as payments for anti-poaching patrolling and community grants to improve the livelihoods of villages that agree to conservation commitments and might be affected by CEF scheme supported restrictions on the use of wildlife resources).
- Implementation arrangement and schedule;
- Grievance mechanism; and
- Arrangements for participatory monitoring and evaluation.

The EIPES project aims to submit the CAPs for the target villages surrounding the Phou Chomvoy PPA and the Green Peafowl Conservation Zone (Phou Khao Khouay NPA) for WB and EPF review and approval in June 2016 and Feb 2017, respectively.

Based on their respective Community Action Plans, the communities will be assisted in formulating Conservation Agreements. Conservation Agreements have to comply with the respective Protected Area Management Plan. They may include the following components:

- Recognition of the boundaries of the NPA (Green Peafowl Conservation Zone)/ PPAs;
- Recognition of the legislation on biodiversity protection within the NPA (Green Peafowl Conservation Zone)/ PPAs;
- Specification of conservation commitments;
- Benefits provided to communities; and
- Monitoring system used to verify compliance and the penalties to be applied if conservation actions are not executed.

Villagers who will engage additionally in anti-poaching patrolling will have to sign a Patrol Contract that specifies relevant entitlements, rights and responsibilities.

Stage 4: Implementation of CAP

The implementation of the Community Action Plans will be supported with financial and technical assistance only after signing of the Conservation Agreements. Community grants will be managed through the village development fund structures that have been established by the livelihood and governance project supported by LuxDev. Villages that have not been part of that project will be assisted in establishing similar village development fund structures. LuxDev has offered to assist the sub-project in this effort. According to the provisions of the village development funds, money will be made available for investments and initiatives to the advantage of villagers. The sub-project will encourage that funds are made available for special assistance to sub-communities and people whose livelihoods might be negatively affected through the pilot CEF schemes. The sub-project will additionally apply the PAW 'negative checklist' that specifies livelihood activities that will be non-eligible for funding through the village development funds.

All involved communities will be informed throughout the project implementation using appropriate means of information, education and communication. Communication will respond to issues of language and ethnicity, literacy/illiteracy, gender, and social vulnerability using appropriate information, education, and communication materials.

25. Gender issues (mainstreaming)

Please explain how the sub-project is compliant with GoL commitment to gender issues under the project.

Overall, the subproject aims to improve the gender ratios to meet the PAWP gender objectives of at least a 30% female to male gender ratio of sub-project beneficiaries.

The development and implementation of the two pilot CEF schemes will follow the principles of the CEF to comply with the GoL's commitment to gender mainstreaming. The sub-project will give sufficient attention to encourage women to play an active role in the consultation process. During implementation, women will be: (a) part of the student group from FEBM who will use the pilot CEF schemes as a 'hands-on' learning experience; (b) consulted and their concerns addressed; (c) consulted and trained to be able to participate in the pilot CEF schemes¹ (d) given the opportunity to participate in community group meetings, discussions, planning and implementation as well as in the pilot CEF schemes as a member of a supplier team; and (e) represented equally in the Grievance and Redress Committees (GRCs).

Additionally, many of the coordinators and facilitators at the provincial, district and village level will be females. The village-level Lao Women's Union will be involved in all information, consultation, and training sessions to ensure the inclusion of women in all participatory and consultation processes.

¹ However, it is likely that female participation in anti-poaching patrolling will be limited because in the target communities this activity is usually an exclusively male activity.

26. Agreed Annual Performance Triggers

For information find below the list of agreed targets that must be achieved to trigger approval of next year's funds:

Agreed triggers:

- Compliance with fiduciary and safeguard requirements (at least Moderately Satisfactory in year 1 and Satisfactory in subsequent years)
- Compliance with reporting requirement (number, quality and timeliness) (at least Moderately Satisfactory in year 1 and Satisfactory in subsequent years)
- Year 1, at least 50 % of activities in AWPB completed. Year 2 and after, at least 75 % of activities in AWPB completed
- All outcome targets for current year are measured, evaluated and show progress toward target
- AWPB produced for the new fiscal year cleared by WB and approved by EPF Board

27. Document Checklist

Please ensure to attach the following based on templates (excel file) provided:

- Sub-project results framework (entire period)
- Sub-project detailed budget entire period (2a. per component and 2b. per category)
- Sub-project detailed activity work plan per component year 1

- Sub-project Environmental and Social Management Plan (ESMP) **if applicable**

Signature

Submitted by: Dr. Phouphet Kyophilavong Date: 16/06/2016
Approved by: Associate Professor. Somchit Souksavath, Dean
(Head/DG of SDA or equivalent)

Edits to a submitted application prior approval not requiring re-submission, accepted by SDA and EPF, are summarized below: *(Please list application form reference number (e.g. #20) or annexes and date of EPFO communication on accepted changes to SDA).*