

Public-Private-People Partnerships in Lao PDR Forestry Sector

Policy Note





Cover photo is People planting tree in Hinherb district, Vientiane province. Photo credit: Phoosab Thevongsa.
Workers sawed logs at sawmill of wood processing factory, Phouvong District, Attapeu Province. Photo credit: Dalaphone Sihanath.

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Advisory services and analytics on sustainability of Lao PDR's forests

Introduction

Successive National Socio-Economic Development Plans have identified the private sector as the main engine of growth and the Government of Lao PDR (GoL) is committed to fostering a transition to a private-sector-led market economy. In line with that approach, the GoL has pursued an increased role of Public-Private-People Partnerships (PPPPs). However, the GoL's ambitions are challenged by: no approved PPPP policy; there are still gaps in legal and institutional frameworks; there is a lack of a dedicated funding mechanisms to fund project development costs; there is no formalized mechanism to provide GoL technical and financial support; the institutional capacity is weak; and protracted approval processes are required to the highest levels of Government. As a result, few PPPP projects have been developed and implemented by GoL agencies. This policy note therefore lays out a path to achieve the long-term objectives of the GoL and the detailed policy actions required to realize its vision for PPPPs.

PPPP potential in forestry

The GoL target is to achieve 70% forest cover by 2030 and the highest levels of governance have made the call for immediate action to accelerate forest restoration and reforestation through improved partnerships between the GoL, the private sector and communities to achieve that goal. The Prime Minister's Office's Order number 9 (PMO), July 2018, and the new Forestry Law, July 2019, allow private sector access to Production Forest Areas (PFAs) to invest in restoration and reforestation. The new legislation called for immediate actions to assess and make available appropriate PFA lands and to enter into land concession agreements with qualified companies. Concurrently, reputable companies with appropriate corporate social and environmental records of socially and environmentally responsible investing have raised funds to respond to the forest restoration and reforestation opportunity in collaboration with local communities. The

stage has been set for timely delivery of an expanded restoration and reforestation program embracing partnerships between the GoL, private sector and communities.

The forestry sector has undertaken types of PPP in Lao PDR in forest restoration and reforestation and wish to strengthen and scale-up these partnerships. These include

- Fast growing industrial plantation forests;
- Smallholder outgrower fast-growing industrial plantation forests;
- Smallholder valuable hardwood plantation forests (e.g. teak) and restoration of indigenous forests through assisted natural regeneration.

Other opportunities exist for partnerships to share the costs, risks and benefits with forest management and chain of custody certification and forest industries development.



People planting tree in Hinherb district, Vientiane province. Photo credit: Phoonsab Thevongsa

Transformations for PPPs

The GoL recognizes the need for new policy, legal and regulatory frames; clear and consistent implementing guidelines and contractual agreements; and well-defined procedures to support the new PPPP approach. Additionally there is a need for new knowledge and technologies for restoration, reforestation of PFAs and harvesting and utilization of wood products; a favorable legal/regulatory environment to encourage private sector investment; clear and consistent land-use, crop ownership, harvesting, transporting and marketing rights; strengthened social and environmental safeguards; clear procedures to access land in the PFA and other areas; and encourage investors to provide social services and alternative livelihoods options to the communities with whom they work.

At this stage, the GoL does not have forestry specific PPPP enabling legal, policy, strategy or implementation regulations in place. However, this does not prevent assessing the level of clarity to carry out PPPPs under the existing policy and legal frames and to gauge if there are features that could be incorporated into the framework through amendments in existing legislation/regulations/rules, or through new/additional legislation or adequate guidelines.

Institutional frameworks for PPPP

Without a clear institutional framework either PPPPs will not happen, or they will be slow to develop. Additionally, the risk is that entities entrusted with specific roles and responsibilities under legislation will be unable to fulfill their responsibilities effectively. An assessment of the influence, authority, and maturity of the institutions and processes and the level of standardization, as well as an evaluation of the government communication and stakeholder engagement strategy are important pre-conditions to embarking on a PPPP partnership agreement. Stakeholder engagement in various aspects at all levels at central and local (province, district and village) level. is required to ensure clear communication, engagement and transparency and ensure that the roles and responsibilities are clearly understood.

Consistency in Governance

Sustainable Forest Management (SFM) in PFAs, including restoration of degraded or harvested natural forests and reforestation is the mandate of the Ministry of Agriculture and Forestry (MAF) through the Department of Forestry (DOF) to the provinces through

Provincial Agriculture and Forestry Offices (PAFO) and at the district level through the District Agricultural and Forestry Office (DAFO) and ultimately to villages through Village Forest Committees. The policy, legal and regulatory framework for SFM has not always been applied consistently from central, provincial, district to the village level and excessive delays in decision-making have resulted. Particularly relating to substantial private sector investment in restoration and reforestation, this inconsistency has caused strained relationships, undermined confidence, added a significant investment risk and slowed expansion of restoration and reforestation in the past. There are instances of unclear and contradictory responsibilities of authorities at the central, provincial and district levels and across sectors between Ministry of Planning and Investment (MPI), MAF, Ministry of Industry and Commerce (MOIC) and Ministry of Natural Resources and Environment (MONRE) that have been barriers to private sector investment at scale.

Working together for a common goal

PPPP partnerships require partners to earn and embrace mutual trust, understanding and respect and to exercise transparency and clear communication across institutions. Private sector investors need to offer commitments/assurances of compliance with national laws and international best practices accompanied by appropriate levels of transparency. Private sector investment, whether corporate or smallholder, is about confidence to invest and achieve expected outcomes. Partnerships are about sharing risks and rewards.

New Skillsets

In the past the work emphasis was strongly oriented towards “harvesting concessions” rather than “forest management” concessions. As a result, there was a heavy emphasis in expertise and experience that reflected unsustainable practices with limited focus on SFM, including forest restoration and reforestation. The new skills required include post-harvest silviculture, assisted natural regeneration, enrichment or supplementary planting, forest protection and nurturing of the regenerating forest to full health and productivity.

New Research and Education

There is a realization that more focus of research and forest education is required on forest restoration in different forest types, indigenous forest silviculture, reforestation mechanisms and range of species, forest genetic resources, tree breeding for improved

genetic stock for planted forests; and permanent sample plots (PSP) for monitoring growth and yield. Additionally, the GoL recognizes that for a major thrust in green growth in the forestry sector in Lao PDR, a greater role is needed for the private sector and communities that requires new research and education for more people-centred approaches, provision of technical and extension services; new social skillsets to facilitate free, prior and informed consent, social and environmental monitoring and a better understanding of the business functioning of companies, communities and smallholders. A long term re-focus of education and training at all levels will require changes to curricula and strengthening of teaching-learning capacity.

International Support

The GoL, with support from the Asian Development Bank (ADB) prepared a three phased PPPP Road Map that included a pilot phase within 2 years, an implementation phase within 4 years and a mainstream phase within 6 years.

The World Bank, the IFC, Australian Aid, Australian Center for International Agriculture Research (ACIAR), GIZ, SIDA and others have been working with the GoL, the companies and other stakeholders to identify the opportunities for scaling-up restoration and reforestation in PFAs and neighboring land and providing technical advice on reforms necessary in the policy, legal, regulatory and institutional frames. The GoL has expressed urgency to scale-up restoration and reforestation, so awaiting set up of a PPPP framework and mechanism is not an option. However, this does not discount the adoption of the key principles, guidelines and actions consistent with the proposed PPPP frame. The World Bank will continue supporting GoL institutions to build operational capacity for implementation of environmental and social sustainability principles in PPPP arrangements. The International Finance Corporation (IFC) has been supporting private companies to pilot and demonstrate partnerships with smallholders in reforestation, through a range of outgrower mechanisms.

PPPPs have proven viable mechanisms under different governance contexts in many countries similarly investing in forest restoration and reforestation. Important lessons can be learned from reviewing PPPP agreements that have been used in similar contexts in other countries to understand the formats, roles and responsibilities and legal requirements that are used.

Suggestions to Enhance PPPP for Restoration for Lao PDR

The GoL has demonstrated the political will to partner with reputable domestic and international private sector investors to achieve increased forest cover, restore natural forest condition, produce plantation wood for the wood industries sector, and create new jobs through a greener and more sustainable pathway for development. Through pilots, communities have demonstrated that they can benefit from these investments if social and environmental safeguards are upheld. Suggestions to consider for enhancing incentives, institutions, investments and information related to achieving PPPP for restoration and reforestation are outlined below.

Investments

1. Introduce simple, consistent and clear enabling policies, laws, regulations, guidelines and operational procedures to encourage investment in SFM in PFAs and unlock private sector plantation investment (both corporate and smallholder) within the wider social, environmental and economic landscape to benefit the GoL, private sector investors and the local people especially in affected communities.
2. Promote industrial plantation forest investment by the private sector in PFAs under forest concession agreements that includes Public-Private-People principles and social and environmental safeguards that help to provide employment, reduce poverty and improve food security and assist restoration of natural forest riparian areas.
3. Expanding industrial plantation forest and restoration investments into PFAs requires strengthening of land concession agreements, social and environmental impact assessments and Government-Company and Company-Community (People) partnerships that clearly articulate commitments, legal obligations, risks and benefits, including land-use and crop ownership rights; harvesting, transporting, processing and marketing rights; benefit sharing, and issues relating to sustainability and localization at project or program end.
4. Encourage scaling-up of pilot outgrower investment demonstrations in company-smallholder partnership investments in a range of models tailored to local contexts and needs.
5. Encourage smallholder (family or farmer) plantation forest investors in valuable indigenous species hardwoods (e.g. Teak) to seek partnerships with reputable forest industries investors to share risks, support forest management and chain of custody

certification and provide market access.

6. Support investment in the forest industries and manufacturing sectors to modernize technology and knowledge, enhance labor skillsets, improve designs to meet international standards for manufactured products; and provide access to international markets.

Institutions

1. Strengthen the Forestry Law, the supporting regulations and governance to:
 - Recognize and implement the Timber Legality Assurance System (TLAS) as a proof of legality through the supply chain.
 - Encourage Forest Management and Chain of Custody Certification as proof of SFM through the supply chain from Participatory SFM in PFAs and from Plantation Forests, particularly smallholder plantation forests.
 - Promote industrial plantation forests, including in severely degraded PFAs by adopting Public-Private-People partnerships, principles and social and environmental safeguards in concession agreements for plantation forest investments.
 - Clarify and simplify regulations across jurisdictions within GoL, streamline supply chains and support smallholder plantation forest investors, whether for long rotation, indigenous species valuable hardwoods; or short rotation indigenous or exotic species for a range of forest products.
 - Strengthen capacity in social and environmental impact assessment, including monitoring, review and enforcement.
2. Increased research and development capacity at National Agriculture and Forestry Research Institute and professional, technical and vocational training at colleges and universities.

Incentives

1. Revise regulations that impede investment in industrial plantation forests, including the use of fast-growing exotic species, procedures to access degraded and barren

PFA land, and consistent forest concession agreements, including environmental and social risk management consistent with Lao law and international best practices.

2. Remove the perverse incentives that cause uncertainty, increased costs and decision delays (registration or certification of land, harvesting permits, transport permits, costs for environmental inspections) for smallholder plantation owners, particularly those growing indigenous species.
3. Undertake macro-level planning using satellite imagery to identify severely degraded forests in PFAs, with reasonable topography, ready accessibility and low pressure from local villagers, to provide potential areas for industrial plantation development for private companies to follow-up with micro-level planning (ground verifications, forest condition, social and environmental impact reports, participatory planning, soils and site analyses, unexploded ordinance etc) to prepare proposals to the responsible governmental entity/organization and to local communities.
4. Continue to support the new generation outgrower pilots to encourage smallholder investments in fast growing plantation forests to complement and support industrial forest plantation and forest industries expansion.
5. Encourage wood producers, wood processors and wood manufacturers to access international markets that respect sustainability and legality of wood and pay higher prices than buyers from China, Vietnam and Thailand.
6. Encourage MOIC and MAF, MONRE and MPI to consider support to forest industries sub-sectors, as well as universities and technical colleges, to upskill labor, introduce new technology, redesign new wood products, adopt chain of custody certification to access international markets.
7. Explore opportunities to encourage small and medium enterprises and service providers, such as traders, to comply with regulations through, for example, reduced fees.

Information

1. Strengthen the knowledge about the different dimensions of SFM and the complementary roles that natural and plantation forests and their functions play in contributing positively to the social, environmental and economic landscapes.

2. Strengthen the knowledge about the potential roles, scope and productivity of fast growing, industrial plantation forests can contribute to support major scaled wood industries and manufacturing sectors, the foreign investment that is brought into the country, and the added-value and foreign currency earnings to the Lao economy.
3. Strengthen the DOF/PAFO/DAFO technical knowledge and extension support to smallholder plantation forest investments, including provision of improved genetic stock, site/species/clonal matching, silviculture, harvesting and marketing.
4. Strengthen technical knowledge within MONRE, MPI and MOIC to ensure that decision-makers are knowledgeable about and responsive to the needs of the forest industries.
5. Strengthen monitoring, evaluation and follow-up actions regarding compliance with PPPP agreements and social and environmental impact assessments, management plans, TLAS, forest concession agreements and other key forestry governance guidelines.
6. Further research on PPPP agreements and guidelines used around the globe that are suitable for the Lao context of forest restoration and reforestation.



Forest in Phoukhoun District, Luangprabang province. Photo credit: Phoonsab Thevongsa.



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