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**Report No. 22325**

IMPLEMENTATION COMPLETION REPORT  
(IDA-25860)

ON A

CREDIT/GRANT

IN THE AMOUNT OF US\$ 20.3 MILLION

TO THE

LAO PEOPLE'S DEMOCRATIC REPUBLIC

FOR A

FOREST MANAGEMENT & CONSERVATION

PROJECT

06/21/2001

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective November 1, 1994)

Currency Unit = Kip  
1 Kip = US\$ \$0.0014  
US\$ 1 = 715 Kip  
At ICR: US\$1 = 800 Kip  
FISCAL YEAR  
October 1 - September 30

## ABBREVIATIONS AND ACRONYMS

CTA	Chief Technical Advisor
ERR	Economic Rate of Return
FOMACOP	Forest Management and Conservation Project
GEF	Global Environment Fund
GET	Global Environment Trust
GOF	Government of Finland
GOL	Government of Laos
ICAD	Integrated Conservation Area Development
IDA	International Development Association
JFM	Joint Forest Management
Lao PDR	Lao People's Democratic Republic
LSFP	Lao Swedish Forestry Program
MTR	Mid-Term Review
NBCA	National Biodiversity Conservation Area
SAR	Staff Appraisal Report
SIDA	Swedish International Development Agency
TA	Technical Assistance
TFAP	Tropical Forestry Action Plan
VFA	Village Forestry Association

Vice President:	Jemal-ud-din Kassum
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**LAO PEOPLE'S DEMOCRATIC REPUBLIC  
FOREST MANAGEMENT & CONSERVATION**

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<i>Project ID:</i> P004196	<i>Project Name:</i> FOREST MANAGEMENT & CONSERVATION
<i>Team Leader:</i> William B. Magrath	<i>TL Unit:</i> EASES
<i>ICR Type:</i> Core ICR	<i>Report Date:</i> June 21, 2001

## 1. Project Data

*Name:* FOREST MANAGEMENT & CONSERVATION      *L/C/TF Number:* IDA-25860  
*Country/Department:* LAO PEOPLE'S DEMOCRATIC REPUBLIC      *Region:* East Asia and Pacific Region  
*Sector/subsector:* AT - Forestry; VM - Natural Resources Management

### KEY DATES

	<i>Original</i>	<i>Revised/Actual</i>
<i>PCD:</i> 07/28/90	<i>Effective:</i> 09/27/94	01/10/95
<i>Appraisal:</i> 11/08/91	<i>MTR:</i> 04/30/98	04/27/98
<i>Approval:</i> 03/25/94	<i>Closing:</i> 09/30/2000	11/30/2000

*Borrower/Implementing Agency:* GOVERNMENT OF LAOS/MAF/DFE  
*Other Partners:*

STAFF	Current	At Appraisal
<i>Vice President:</i>	Jemal-ud-din Kassum	Gautam Kaji
<i>Country Manager:</i>	Ian Porter	Calisto Madavao
<i>Sector Manager:</i>	Mark D. Wilson	Pamela Cox
<i>Team Leader at ICR:</i>	William B. Magrath	Yves Wong
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## 2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

*Outcome:* U  
*Sustainability:* UN  
*Institutional Development Impact:* N  
*Bank Performance:* S  
*Borrower Performance:* U

*Quality at Entry:* QAG (if available) ICR  
HU  
*Project at Risk at Any Time:* Yes

### 3. Assessment of Development Objective and Design, and of Quality at Entry

#### 3.1 Original Objective:

1. The Forest Management and Conservation Project (FOMACOP) attempted to bring order to the forestry sector by attending to fundamental issues and problems identified by the Tropical Forestry Action Plan (TFAP) exercise concluded in 1991. The project preparation and appraisal took a long time, from 1991 to 1994. The project was originally designed as two projects, which were combined late in project formulation. The National Biodiversity Conservation Area (NBCA) sub-program was originally designed in 1991 as a Global Environment Facility (GEF) project, entitled Wildlife and Protected Areas Conservation Project, and received a Global Environment Trust grant on 29 June 1994. It was incorporated into the overall project in the 1994 Staff Appraisal Report.

2. The SAR states that the project would aim at: "assisting the Government to implement a new resource management system in LAO PDR to better achieve the sustainable economic development and conservation of the country's forest resources". This broad objective is further specified as: (i) establishing an appropriate institutional framework and legal environment; (ii) implementing national programs, including forest resource inventories and management plan preparation; (iii) instituting a sustainable forest management system; and (iv) establishing protected areas and initiating their management. The project design was intended to be flexible, with a "process-oriented approach to project implementation." As a result, the original project design included neither a logical framework nor performance indicators.

#### 3.2 Revised Objective:

1. After the first year of project implementation, the Bank, the Government and co-financiers agreed that the project's immediate objectives were overly ambitious, and the project resources inadequate to implement the desired development programs. Following the joint decision by all parties at the March 1996 Supervision Mission, the project was refocused through the preparation of the Five-Year Work Plan (1995-99), which was drafted in July 1996 and endorsed by all in January 1997. The project, under the revised objectives, aimed:

***"To have sustainable forest management and bio-diversity conservation system in place and implemented throughout the country, which will involve and benefit villages and other stakeholders, as well as utilise the experiences gained by various national and donor-funded projects. Priority will be given to community-based forest management and biodiversity conservation, the latter being based on integration of conservation and development (ICAD) efforts."***

2. Based on this revised objective, the project aimed at "developing a replicable community based-forest management systems for economic as well as conservation purposes, testing them in pilot areas and developing appropriate institutional capacity and operational procedures for their expansion when the systems proven effective." The project activities were scaled down to: (i) piloting a village-based forest management system and (ii) exploring the feasibility of integrating socio-economic development of the forest-based communities with the bio-diversity conservation programs. The Five-Year Work Plan included a logical framework and performance indicators, as well as a implementation timetable. With these changes, the project's focus was sharpened and its structure was tightened, but the project's original claim for effective involvement in policy and legal development and influencing sustainable forest management at the national level was practically lost.

3. All these changes were reported in the various supervision reports. Nonetheless, the staff continued to believe that the project's broad long-term development objective remained unchanged and that the changes made meant only changing the pace of the envisaged sector reforms along the 10- to 15-year development perspective as foreseen at the appraisal. Therefore, the changes in both the project's

objectives and its structure were not reported to the World Bank Executive Directors.

### *3.3 Original Components:*

The original project design was poorly structured and internally inconsistent. The project cost summary showed five project components: (1) Inventory and Planning; (2) Management and Protection; (3) Protected Areas; (4) Human Resource Development; and (5) Technical Assistance. The SAR, however, identified a different structure under "Detailed Futures": (1) Implementation of Forest Policy Reforms; (2) Field Program Implementation (2.1) Forest inventory and management planning; (2.2) Management and protection program; (2.2.1) Village forestry development sub-program; (2.2.2) Forest management and protection sub-program; (2.3) Protected areas program; (3) Human Resources Development; and (4) Technical Assistance.

### *3.4 Revised Components:*

1. After the Five-Year Work Plan revisions, the project was essentially reorganized into two components, or sub-programs - the Forest Management Sub-program and the National Biodiversity Conservation Area (NBCA) Management Sub-program. This scaling down was unavoidable considering the initial overly ambitious objectives, lack of design details, and the TA resources of the project, which were inadequate for the original project design. Agreement of all parties in this revision process confirms the appropriateness of the revisions made in 1996.

2. Further project revisions were made during the Mid-Term Review Mission in April-May 1998, in reducing the scale of activities. For the village forestry activities, the original target of 300,000 ha and 120 villages was reduced to 145,000 ha. and 60 villages. For the NBCA management activities, it was agreed that efforts to develop a model ICAD system and management plans would focus on two of the four NBCAs. The Mid-Term Review Mission also recommended a one-year project extension, through 30 September 2000.

### *3.5 Quality at Entry:*

1. **Highly Unsatisfactory.** The project's design was inadequate. Its development objective was too broad. Even if such a broad aim is considered appropriate - given the visualized development perspective for the sector was 10 to 15 years - the lack of clarity of the project's immediate objectives cannot be excused. Components were not supported with clearly defined and implementable programs. The TA resources were inadequate to attain the initial project targets. The sloppy structure of the project and a lack of clearly designed components/programs cannot be justified on the grounds of "flexibility" or a "process-oriented approach to implementation." The project lacked a clear logical framework and indicators. Moreover, the internal inconsistency of SAR in defining project components goes beyond the design fault and reflects on the inadequate quality of the Bank's review process applied to this project.

2. The project design assumed that Government would implement its declared agenda on legal, institutional and market related reforms. This optimism is illustrated by the various dated covenants included in the Credit Agreement, and setting milestones for Government to adopt various key policy decisions. The optimism for Government's commitment to declared reforms, in the absence of tangible programs and in-depth policy analysis by the Government, was an unreasonable assumption. Some of the dated covenants were unrealistic. Although the apparent government policy seemed appropriate, the Government did not have an implementation program to attain these declared goals. Therefore, at the time of appraisal, contrary to appraisal statement, the Government did not yet have "a new resource management *system*" in place, which the project could help Government to implement. The project did not have a structured program for effective involvement in the policy dialogue and the formulation of new laws and regulations, nor did the project have resources to be effective in such intended assistance to Government.

3. The intended interactions between the Forest Management Sub-program and National Biodiversity Conservation Area (NBCA) Management Sub-program was hard to materialize since the two sub-programs were to be implemented in separate areas far from each other, funded by two separate grants, from GET and GOF, assisted by two separate TA teams, with different strategies, such as for training, villager participation, rural development, and biodiversity conservation, separate procurement procedures, different government units responsible, etc. The project had a third funding source (IDA credit) subject to separate requirements. These arrangements were counter-productive.

#### 4. Achievement of Objective and Outputs

##### 4.1 Outcome/achievement of objective:

**Unsatisfactory.** The project, as originally designed, aimed to address the fundamental problems of the sector, with respect to sustainable management of production forests and conservation forests. The recent report, entitled "Production Forestry Policy", dated October 27, 2000, prepared jointly by the Bank, SIDA and the Government of Finland, states that: "Lao production forestry, one of the country's few potential sources of sustainable economic growth, is in disarray." This statement echoes the gloomy picture drawn by the TFAP in 1991. The future for NBCA management is currently unclear. Therefore, if the achievement of the project is assessed in relation to its original objectives, the verdict is an obvious failure.

In terms of the revised objectives, the project achievements were more successful. The project developed, tested and implemented a very successful, village-based sustainable forest management model and demonstrated that it is replicable at a reasonable cost. The project also achieved part of its objectives in developing a protected area management program, but it failed to develop a viable Integrated Conservation and Development (ICAD) model.

##### 4.2 Outputs by components:

1. **Implementation of Forest Policy Reforms. Unsatisfactory.** This original component mainly referred to formulation of a new Land Law and a Forest Law; a Forestry Decree to introduce incentive system for sustainable resource use; contemplated government actions to correct market imperfections and to introduce a transparent concession allocation system. It sets milestones as dated covenants for conclusion and adoption of Law, Decree and other policy measures. The component, however, did not include any project activities related to these processes. Nonetheless, in 1997-98, project staff and advisors participated in working groups drafting implementing regulations for the Forestry Law, pertaining to village forestry, conservation and NBCA management, and other issues. The project generated numerous background policy analyses, i.e., drafting a national village forestry strategy, proposals on revising forest royalties, training needs assessment for NBCAs, an options paper on a Conservation Trust Fund, etc. Unfortunately, however, Government did not make use of these contributions. The project's only successful contribution to the policy development was limited to demonstrating the feasibility and desirability of village-based forest management as a significant resource management option where the economy of the local communities is strongly integrated with the adjacent forest resources. Government adopted a Forestry Law in 1996, and fulfilled its commitment to issuing a forestry decree after considerable delay, three years later in 1999. Subsequent Orders by the Prime Minister, however, eroded or reversed the initial policy directions.

**2. Field Program Implementation (Forest Inventory & Management Planning). Unsatisfactory.**

The original component aimed to reorganize and reactivate the Forest Inventory and Planning Unit of the Department of Forest to commence forest resource assessment and land and forest allocation, demarcation of permanent forest estate, and preparation of forest management plans. Inventories and management plan preparation have taken place only in two selected areas, covering about 300,000 ha in Savannakhet and Khammouane provinces, under the project as a part of the formulation of a village forestry model. Implementation of this model has improved management of 145,000 ha. of land, of which 100,000 ha. natural forest was brought under sustainable forest management plans. Currently, the only production forests in Lao PDR that have sustainable forest management plans are the FOMACOP Village Forestry and Lao-Swedish Forestry Program (LSFP)-supported Joint Forest Management (JFM) pilot forest areas, covering less than 110,000 ha. of forest.

**3. Field Program Implementation (Management and Protection Program -Village Forestry Development). Highly Satisfactory.**

The FOMACOP Village Forestry activities have focused on the development and testing of a model system, and intensive training of both government forestry staff and villagers (over 26,000 person-days of training). The training program focused on three key elements: (1) village organizing, (2) participatory forest management, and (3) village development. Villagers began with the organization of Village Forestry Core Groups, many of which have evolved into formal Village Forestry Associations (VFA). Currently 33 VFAs have been formed, with members from 41 villages. Over 5000 villagers are VFA members, of whom about half are women. The VFA members have worked with DAFO staff to prepare forest management plans, and then have signed 50-year contracts with the provincial authorities to manage areas of forest according to the approved management plans. The VFAs have established their articles of association, which specify revenue use, established bank accounts, and received financial management training. Villagers and DAFO staff have undertaken boundary demarcation, prepared land use maps and 10-year land use plans in 60 villages. They have undertaken forest and pre-harvest inventories, prepared ten-year forest management plans and operational plans, tree marking, supervision of log felling and grading, and post-harvest assessments. A limited number of village development projects (school rehabilitation, road repairs, tubewells, fish ponds, etc.) were undertaken initially with project support, then with villagers' timber harvest revenues.

4. The project has developed an excellent model for villager participation in sustainable management of production forests, linked to community development. The model incorporates participatory resource planning, management and utilization; promotes sustainable resource use because of its technical base, incentive structure and control mechanisms; decentralizes funding for local development; and maximizes the government rent capture. It constitutes one of the best examples of community forestry worldwide. This model has been field tested and implemented, and successfully replicated to a second province using primarily local Lao staff as trainers, with minimal external assistance. Although the model itself is highly satisfactory, the reluctance of Government, due to its disagreement on giving direct incentives to the participating villages, to more strongly support and to replicate this model is clearly unsatisfactory.

**5. Field Program Implementation (Forest Management and Protection). Highly Unsatisfactory.**

The original component aimed to establish a surveillance and enforcement system for forest protection at national level. It also included identification of environmentally sensitive areas within the production forest and integration of conservation measures into standard forest management planning and plan-implementation. The Government at national level has taken no activity. The project's contribution was limited to the areas where the pilot activity was implemented. Even these comprehensive biodiversity assessments were not undertaken until late in the project period, after the initial forest management plans were prepared.

**6. Field Program Implementation (Protected Areas Management). Unsatisfactory.** Overall implementation of the NBCA management activities never recovered from a very slow and uncertain start. Even when the four target NBCAs were selected, a new Chief Technical Advisor (CTA) mobilized, a detailed Five Year Plan adopted and project completion extended for a year, project implementation experienced delays and obstacles from a variety of causes and sources from both within and beyond the project's control. Together these combined to prevent achievement of the principal objective, the successful development of a pilot ICAD model or management system, with potential for replication or implementation elsewhere. Nonetheless, a wide range of activities was undertaken and certain components show considerable potential. ICAD development projects (schools, water supplies, irrigation, agricultural and primary health projects) were carried out in border villages of each NBCA. Planning frameworks were developed, including comprehensive monthly, quarterly and annual work planning processes and detailed Management Plans for Phou Hin Boun and Xe Pian NBCAs. Consultative processes were developed for participatory biodiversity, village assessments and infrastructure development. Field bases were designed and constructed in each NBCA. The Management Plans for Phou Hin Boun and Xe Pian are comprehensive in scope, highly professional in content and format, but they are strategies, not conventional management plans, as they lack timetables and budgets. In the current context, these strategy plans are considered to be very useful documents for future management of these NBCAs in the absence of any knowledge of the availability of future financial resources. They provide a firm foundation from which any management initiative (donor project, annual work plan etc.) can be derived. A comprehensive Project Performance and Evaluation Log-frame was developed and regularly reviewed. Innovative rapid biodiversity assessment systems were developed, and a biodiversity monitoring system and capacity developed in Xe Pian NBCA.

**7. Human Resources Development. Satisfactory.** The project's training activities focused on villagers and the Forest Department staff involved in Village Forestry activities and, to a lesser extent, NBCA Sub-program staff. Although the Village Forestry training program was extremely effective in elevating the professional capabilities of the staff and the self-confidence and skills of villagers, the project's initial intent to establish a national training program was not achieved. The project did prepare a Village Forestry Handbook and Village Forestry Training Manual, which could be used for training elsewhere in the future.

**8. Technical Assistance. Satisfactory.** Two separate TA teams were involved in implementation. Both teams experienced delays in start-up, as the initial CTAs for both teams had to be replaced. The Forest Management Sub-program team was effective at developing, testing and implementing the Village Forestry model with full participation of the villages and the forestry staff. The final FOMACOP Village Forestry model was comprehensive, including the technical, social, organizational and financial standards and guidelines. Both the village organizations and the department staff gained experience and confidence to sustain and expand the system. The NBCA Sub-program was involved in a comprehensive Training Needs Assessment and associated review of protected area systems and organizational structures. These analyses, along with the Sub-program's own plan, provided a firm foundation for the training carried out for NBCA staff. Nonetheless, the team involved in NBCA development was less effective in delivering a comprehensive replicable ICAD model, due to delays in fielding, funding problems and complexities of socio-economic issues in the conservation areas. The NBCA sub-program sub-contracted several assessments and training programs to NGOs: the latter experienced considerable difficulties with delays in financial payments.

*4.3 Net Present Value/Economic rate of return:*

At appraisal, the economic rate of return (ERR) was not calculated, as the data were not available

following the adoption of a flexible process-oriented approach to implementation. The SAR expected a number of economic benefits, however, through: (a) the introduction of parity pricing and taxation of forest products; (b) regulation and control of logging and log transport; and (c) the reduction of wastage and degradation of timber. These benefits are generally linked with the expected forestry sector reforms. As FOMACOP has focused primarily on Village Forestry and NBCA management, with limited impacts on policy and institutional reform, the SAR's expected benefits did not materialize under this project. Furthermore, while benefit (c) could be considered as economic benefits, benefits (a) and (b) are only transfer of payments from the private sector to the GOL treasury. The ERR of the FOMACOP type investment, based on an indicative optimal model, has been estimated at about 9% (Appendix D). At 10% opportunity cost of capital, the NPVs of the benefits of the without and with project have been estimated respectively at US\$432 million and US\$422 million. This indicates that even without taking the social and environmental benefits into consideration, the FOMACOP type investment is equally attractive to the Government.

#### *4.4 Financial rate of return:*

The project did not include any specific financial goals. The village forestry model demonstrated that it is capable of paying all management and production costs and government royalties and taxes (US\$75-140/ha/annum) and still generate significant income for village development (US\$13-24/ha/annum). Out of total revenue to the GOL, about US\$16-30/ha/annum would otherwise have been lost in the "without project" situation. Villagers have also benefited from employment in forestry activities. This approach to rural development has the potential to impact improvement of the rural economy for the participating villages.

#### *4.5 Institutional development impact:*

**Unsatisfactory.** By completion of the project, the Forest Department in two provinces had established offices with well-trained, adequately equipped and experienced staff able to sustain and expand the village-based forest management program. In the provinces where the four NBCAs were located, offices were established and staff equipped and trained to undertake some of the protected area management activities. The project had no other impact, however, on the overall institutional development of the sector in terms of organizational efficiency, appropriateness and technical capability. Moreover, after the completion of the project most of the NBCA management staff members have been reassigned to other duties. Most of the village forestry staff currently remain in their posts, however, the future decision of the government when the current twelve-month assistance by the GOF ends, is not known.

## **5. Major Factors Affecting Implementation and Outcome**

### *5.1 Factors outside the control of government or implementing agency:*

The regional financial and economic crisis (1997-8) had repercussions on the Lao economy, which adversely affected GOL performance especially regarding the counterpart financing. However, the impact of this external factor cannot be considered as a significant hindrance, which has caused the outcome of the project implementation

### *5.2 Factors generally subject to government control:*

Government's signing on, without adequate analysis, to supply driven development programs contributed significantly to the unsatisfactory achievements of the project. Highly centralized decision-making, evolving administrative procedures between central and provincial government, and a confused and changing policy framework significantly contributed to the unsatisfactory outcome of the project. Although the Forest Management sub-program was initially given a free hand to develop and implement the village forestry model, the NBCA sub-program suffered due to delayed funding, staff allocation and decision-making by the Government

### *5.3 Factors generally subject to implementing agency control:*

The Forestry Department was not a hindrance to project implementation during the development of the village forestry model. The national Project Director facilitated at a reasonable speed the budgetary and staff related requirements. The NBCA Sub-program, however, suffered numerous delays in project implementation of project activities due to delays in funding, which was not controlled by the department

### *5.4 Costs and financing:*

The project was appraised from 1991 through 1994. The IDA credit became effective on January 10, 1995, with an eight-month delay after Board approval. At appraisal, the total project costs were estimated at US\$20.3 million. These costs were to be financed by the International Development Association (IDA) of the World Bank (US\$8.7m), Government of Finland (GOF)(US\$5.6m), Global Environment Trust (GET) (US\$5.0m), and Government of Lao PDR (GOL) (US\$1.0m). At the Credit closing date of September 30, 2000, the project costs were preliminary re-estimated at US\$12.88 million (60% of SAR), which was financed by IDA US\$2.50 million, GOF US\$5.38 million, GET US\$4.46 million, and GOL US\$0.54 million. Disbursement under IDA credit is less than 30% of the amount originally planned at appraisal. Technical assistance is the largest expenditure item, representing more than 60% of total project costs.

The project included US\$4.5 million IDA funds as a grant for participating villages (both for village forestry and NBCAs) for general community development activities and equipment, of which it was assumed that villages could each absorb US\$10,000 in development projects. The IDA grant funds for village development were under-utilized, due to inadequate coordination between the project support to village development and annual district development programs, the limited absorptive capacity of both the villages and the government agencies, and the reduction in the number of villages.

The project had also intended to assist Government to establish a Conservation Trust Fund. Due to the apparent lack of Government interest, however, funding for this activity was reallocated.

## **6. Sustainability**

### *6.1 Rationale for sustainability rating:*

**Unlikely.** If Government can develop the necessary political will, the village forestry program can be sustained and expanded. It is well developed, tested, and successfully implemented in two provinces. In the absence of a clear policy and especially administrative procedures and regulations, however, its legal base is subject to dispute. Moreover, the Government erroneously considers it time-consuming, too expensive, inequitable and risky. The Government is already searching for alternative forest management systems, which would give all management responsibilities to the state institutions. The Government does not consider the allocation of direct financial benefits to the villages from the management of the adjacent forest areas as an important incentive for participation in better and sustained management, resource protection and especially as an effective instrument for maintaining governance.

Given the current status of the ICAD model development, the absence of a clear regulatory framework for NBCAs and an evolving GOL policy framework, which appears to be increasingly antipathetic to biodiversity conservation, the sustainability of the achievements of the sub-program is also **Unlikely**. Although some well-trained personnel, professional systems and well-constructed infrastructure are currently in place, to varying degrees in each of the NBCAs, there can be little confidence in sustained, conservation and protected area management. In the absence of a well-defined and strong regulatory and administrative framework that provides due recognition to NBCA management, the current protected area personnel are unlikely to command sufficient respect or resources in the provincial GOL hierarchy.

### *6.2 Transition arrangement to regular operations:*

GOL, project staff and advisors had expectations that the project was only the first phase of 10-15 years of support. The 1998 Mid-Term Review had recommended a possible second project to follow on immediately after completion of the first project, in October 2000. Subsequently, the Bank and its partners decided that it was vital to first work with Government to address certain key sector policy issues. Government, for its part, was reluctant to begin planning a second project until it had conducted its own evaluation of the first project (which did not occur until July-September 2000).

In 1999, a Supervision Mission instructed the project to prepare plans for project phasing out by 30 September 2000. The Government and the project, however, did not establish clear transition arrangements, to move from project funding of activities to regular operational funding by Government. The provincial and district levels of government have inadequate funding to sustain field operations. For the village forestry activities, the Government of Finland is providing 12 months of limited transitional financial support and technical assistance, from October 2000 through September 2001.

The Bank is currently engaged in a policy dialogue with Government to prepare a comprehensive development perspective for the forestry sector. Fundamental issues have been highlighted, which require Government's commitment to major reforms. One key element in this dialogue is the role of the forest communities in the management of the forest resources. Although the Bank is favorable to the FOMACOP village-forestry model, the Government, however, is reluctant to adopt it and is yet undecided on the modalities for sustainable management of production forests.

Although donor support for most NBCA projects is ending, Government has not yet developed a clear strategy for how it wishes to proceed in the management of the 20 National Biodiversity Conservation Areas, which represent 12.8 % of the country's land area (3.2 million hectares). An additional 2.1 million ha. are provincial or district conservation or protection forest, including some areas that have been proposed for inclusion in the NBCA system.

## **7. Bank and Borrower Performance**

### ***Bank***

#### *7.1 Lending:*

**Unsatisfactory.** Although the project's development objectives were consistent with Bank's assistance strategy and Government's declared development strategy, they were too ambitious vis-à-vis Government's capacity and shallowness of the Government's sector development policy. As previously discussed (Section 3.5), the project design was poor. The SAR identified the risks correctly but failed to introduce remedies, which could have been employed effectively for corrective actions.

#### *7.2 Supervision:*

**Satisfactory.** Bank's supervision was satisfactory and systematic, with accurate reporting and diligent monitoring of financial reporting and auditing. The major 1996 project revision was supported by the Bank's supervision. This revision made the project manageable, by balancing the resources and the Government's implementation capacity with achievable goals. Such a major change, however, should have been reported to the World Bank's Executive Directors. The Bank maintained close coordination with the co-financiers and carried out joint supervision missions, including the Mid-Term Review.

#### *7.3 Overall Bank performance:*

**Satisfactory.** Despite the initial design errors, the Bank took action early in project implementation to revise the project. This revision gave clear goals to the project and made it compatible with the capacity of the Government and the available resources. The project outcomes within the revised targets are

satisfactory. The project's Village Forestry model is one of the best community forestry systems developed worldwide, in terms of incorporating participation, sustainable use, improving governance and integrating natural resource management and rural development through introduction of an effective incentive system. Initially Bank supervisions rated the progress of the project satisfactory vis-à-vis revised objectives and down-scaled structure but later Bank corrected its rating in view of the original objectives and goals of the project

### **Borrower**

#### *7.4 Preparation:*

**Unsatisfactory.** Between 1990 and 1994 the Tropical Forestry Action Program and subsequent Bank involvement in addressing sector problems involved the Government in the formulation of a comprehensive development program for the forestry sector. Although Government response to TFAP recommendations was very positive, the Government made an uncalculated commitment for the implementation of an overly ambitious development program and failed to attain its goals

#### *7.5 Government implementation performance:*

**Unsatisfactory.** The Government provided staff and allocated land for the implementation of the two sub-programs. While the Village Forestry activities had no adverse effect from funding delays, due to the availability of bilateral grant aid, the NBCA program suffered constantly because of funding problems. Government also acted very slowly or constantly delayed in developing and adopting implementing regulations for the 1996 Forestry Law to demonstrate its sincere commitment for sector reforms.

#### *7.6 Implementing Agency:*

**Satisfactory.** The Forest Department's support for the project was adequate in terms of establishing and maintaining a project office, retaining the same project director throughout the project implementation, and allocating adequate staff, which performed very well, for field implementation. As most staff members remained throughout the project period, their training and capacity building were effectively utilized. Financial management and reporting was marginally satisfactory involving delays in the submission of audit reports and contributing to slow release of counterpart funds. This improved significantly with installation of an adequate recording keeping system and a Bank assisted training program.

#### *7.7 Overall Borrower performance:*

**Unsatisfactory.** The Government should have followed more closely the project's progress and used the project innovations and developments as a part of its policy and program development. If this had been done, the current impasse for deciding on the modality of forest resource management would have been avoided. Furthermore, such an active involvement would accelerate the formulation, adoption and implementation of the urgently required administrative procedures and establishment of an effective institutional base for the sector.

## **8. Lessons Learned**

The main lessons learned from the project, in order of importance, are as follows:

- ***Project Design.*** Project formulation needs to adequately consider realistic targets for the project period, and linkages among project components or sub-programs. In designing a large sectoral project with multi-donor funding, especially when combining different components (projects) into one large project, it is essential that the institutional, administrative and financial arrangements are uniform and fully compatible, and functional linkages among the components are established. Even for a process-oriented project, it is vital that a logical framework, with clear objectives and indicators, be part of the project formulation, and adequately appraised. Project design needs to be realistic with respect to the time and

resources required to effect natural resource management initiatives involving rural communities, other non-government stakeholders, and government. It is also imperative that the project design provides realistic time-frames for achievement of objectives within the project period, and not be premised on the assumption of future project support, i.e., subsequent projects.

- ***Policy and Institutional Reform.*** It is vital that the initial Government policy framework and institutional arrangements be adequately analysed during project design, to fully understand the implications of proposed model development and ensure willingness to modify policy in light of pilot experience. For policy and institutional changes to be successful it is essential that key stakeholders "buy into" the process. Providing finance, through an investment project, as a means to facilitate policy and institutional changes will not work. When key stakeholders do not want changes, delays and poor implementation are likely to result. If a project is designed to pilot new policy reforms, it is essential that Government is fully aware of the implications at the onset and the project involves continual dialogue with the Government and supervisory missions to ensure readiness for implementation when system development is completed. If the project involves contribution to the development of a policy and legal framework, the project design needs to include resources to assist this process and milestones that will reflect on-going government commitment. If the project focuses on development of limited area-based pilot models, it is unlikely to result in overall policy reform.

- ***Participatory Forest Management.*** Village-based forest management benefits not only rural communities, but also the Government, through more efficient collection of royalties and taxes, improved forest protection and sustainable management, and enhanced rural development. This system is appropriate and sustainable for forest management in many developing countries. The collaboration among villagers, district and provincial forestry staff makes efficient use of relatively scarce trained technical staff, which can function as trainers and supervisors for the work undertaken by the villagers. The emphasis on a step-by-step, modular training program, reinforced by immediate field activities (*learning-by-doing*) proved highly effective. The pilot system not only provides a realistic mechanism for achieving sustainable forest management, but also has enormous potential to contribute to larger objectives of rural development and poverty alleviation.

- ***Integrated Conservation and Development (ICAD) of Protected Areas.*** Much greater awareness of the needs of people in addition to the need for biodiversity conservation is required. In piloting ICAD processes, less attention should be paid to the academic and philosophic intricacies of ICAD conceptual models and more attention should be paid to winning the confidence of the community and local government through a limited number of short-term ICAD initiatives. Where a flexible, process-oriented approach is to be adopted, as in ICAD projects, project design must make a structured allowance for reformulation of sub-objectives and outcomes. As the national execution of the NBCA sub-program provided very inflexible administrative and inefficient funding arrangements, independently executed projects, under clearly established policies, may be far more suitable for the complexities of the ICAD processes.

## **9. Partner Comments**

*(a) Borrower/implementing agency:*

Letter from Mr. Xeme Samoutry, Director General, Department of Forestry, Ministry of Agriculture and Forestry, Lao PDR to Mr. Mark Wilson, Sector Director of EASRD

As authorized by the Vice Minister of the Ministry of Agriculture and forestry, I would like to express our appreciation for the valuable draft implementation Completion Report on the Forest

Management and Conservation project (FOMACOP) prepared for the World Bank by a UN FAO Investment Center Mission that visited Lao PDR in last November 2000.

In the report's constitution, we find that the recommendation provides a basis for our continuing work in development the production forest management and conservation plans.

Our judgment to the report's concept will focus on instituting a sustainable forest management system in which points related to the actual Forestry Policy as:

We agree that the project's design and development of its objective was inadequate because at that time we did not yet have "a new resource management system."

During the FOMACOP's implementation period, the project convened the village forestry training program for over 26,000 persondays of training and even the village forestry association and DAFOs staff was fully participated with technical assistance in developing, testing and implementing the village forestry model, but we find that most of them still lack of capacity to be involved with full responsibility in every planning activities and actual operation, and both would need strengthening.

For the community participation in forestry policy, we aim that villagers in forest areas organized in village forestry association, should participate and would be involved in every planning activity and actual operation, working together with the District Agriculture and Forestry Offices (DAFOs), with remuneration commensurate with their effort. Actual operation would be carried out under the forest management plans drawn by both the villages and the DAFOs. Regarding to this, we have prepared a preliminary strategy for implementing it within the framework of the disposition of Prime Minister's order 01/2000 on Decentralization. Therefore, DAFOs will be the management units and preparation of management units. The establishment of forest management units and preparation of management plans as well as the joint responsibility of the DAFOs and villages in planning and carrying out harvesting operations would facilitate prevention and detection of unplanned and uncontrolled activities.

Regarding to the NBCAs management, as you are well aware that it is a very complexity socio-economic issue which needed full participation of community, especially, our field staff as well as financial are inadequate to undertake the works. Nevertheless, we have to follow the Prime Minister Office's Decree No.164 defined in the article 4 that logging, hunting, fishing, NTFP collecting, encroachment etc.. all are ban to be conducted in the protected area. For the future of NBCAs management and development activities will be refer to our Strategy for Forest Resource Management for 2020.

By taking this opportunity, I would like to thank you very much for your effort carried out and assistance for developing our forestry sector.

*(b) Cofinanciers:*

Global Environment Trust (GET); Government of Finland (GOF)

*(c) Other partners (NGOs/private sector):*

**10. Additional Information**

Not applicable

## Annex 1. Key Performance Indicators/Log Frame Matrix

### Outcome / Impact Indicators:

Indicator/Matrix	Projected in last PSR <sup>1</sup>	Actual/Latest Estimate
Government to provide forest regulatory services at the national level.	By September 30, 1997	Forestry Law was enacted in 1996 but only partially implemented. Implementation limited due to delay in preparing implementing regulations.
Emphasis on community mobilization and the provision of incentives to communities for resource management, including the development of a clear system of use rights and local land use and management contracts.	not specified	A village-based sustainable forest management model was developed and applied to 60 villages as a pilot. But by the completion of the project, the Government was hesitant to adopt the system.
Forest estate will be zoned, demarcated and managed according to management plans	not specified	140,000 ha was completed only for village forest management pilot areas
A forest protection and surveillance system will be established and conservation areas within the production forest would be identified and managed accordingly	not specified	No activity was undertaken.
Reform of post-harvest marketing, pricing and taxation system, establishment of Forest Management Fund, Design and Award of a new transparent concession contracts.	not specified	By the completion of the project market imperfections were still exist. Government decided to abandon concession system and is contemplating to replace it by a state-owned and operated production system yet to be defined.
Department of Forestry would be given national jurisdiction over forest resources.	not specified	Government decided to decentralize forest management at Provincial level, but the system is yet to be defined and developed
Institution of a new system of natural resource planning and management for protected areas.	not specified	Only two out of four project areas received intensive attention and two management plans prepared. Moreover, the intended ICAD model was not developed fully.
A national level training program will be developed and implemented on a wide scale.	not specified	Training program very successful but limited only to pilot village forestry areas and four conservation areas.

### Output Indicators:

Indicator/Matrix	Projected in last PSR <sup>1</sup>	Actual/Latest Estimate
A forest Decree will be issued to recognize customary rights of the villagers, to take measures for controlling illegal logging, establishing a forest management fund, to eliminate log export tax, to establish uniform pricing and taxation system	by June 30, 1995	Customary Rights Decree was issued in March 1996. In November 1999, Decree was issued to implement the 1996 Forestry Law, but no effective measures were implemented to attain the given targets or objectives.
Forest estate will be zoned, demarcated and managed according to management plans	not specified	140,000 ha was completed only for village forestry management pilot areas
Protected areas will be planned and managed as a part of the national Biodiversity Program	Four protected areas	Only two areas received some intensive attention. Two management plans were prepared but they had neither a detailed and phased program nor a budget
Two new concession contracts would be issued	by March 31, 1996	Government abandoned the concession system.

<sup>1</sup> End of project

## Annex 2. Project Costs and Financing

Project Cost by Component (in US\$ million equivalent)

Project Cost By Component	Appraisal Estimate US\$ million	Actual/Latest Estimate US\$ million	Percentage of Appraisal
A. Inventory and Planning	1.30	3.21	247
B. Management and Protection	6.60	0.68	10
C. Protected Area Establishment	2.50	0.76	30
D. Human Resource Development	0.70	0.35	50
E. Technical Assistance	6.30	7.88	125
<b>Total Baseline Cost</b>	17.40	12.88	
Physical Contingencies	0.30		
Price Contingencies	2.50		
<b>Total Project Costs</b>	20.20	12.88	
<b>Total Financing Required</b>	20.20	12.88	

Project Costs by Procurement Arrangements (US\$ million Equivalent)										
Expenditure Categories	Procurement Method					Procurement Method				
	Appraisal Estimate					Actual/Latest Estimate				
	ICB	NCB	Other	NBF	Total	ICB	NCB	Other	NBF	Total
A. Civil works		1.20	4.10		5.30	-	0.39	1.06		1.45
B. Vehicles & Equipment	3.90	0.60		0.40	4.90	1.55	0.25			1.80
C. Fuel & Materials	0.60	0.40		0.50	1.50		0.29			0.29
D. Salaries & Allowances			1.20		1.20		1.14			1.14
E. Human Resource Development			0.60		0.60		0.36			0.36
F. Technical Assistance	1.60			5.20	6.80				7.84	7.84
<b>Total</b>	6.10	2.20	5.90	6.10	20.30	1.55	2.43	1.06	7.84	12.88

Project Financing by Component (US\$ million Equivalent)												
Project component	Appraisal Estimate 1/				Actual/Latest Estimate				Percentage of Appraisal			
	IDA	GOL	GOF	GET	IDA	GOL	GOF 2/	GET	IDA	GOL	GOF	GET
A. Inventory and Planning	1.27	0.23			2.08			1.13	164	-		
B. Management and Protection	7.42	0.62			0.41	0.27			6	44		
C. Protected area establishment		0.19		2.73	-	0.27		0.49		142		18
D. Human Resource Development			0.19	0.60	0.01			0.34				57
E. Technical Assistance			5.40	1.70			5.38	2.50			100	147
Total Baseline Costs					2.50	0.54	5.38	4.46				
Physical contingencies												
Price contingencies												
Total Project Costs	8.69	1.04	5.59	5.03	2.50	0.54	5.38	4.46	29	52	96	89
1/ SAR's Financing Plan gives information including contingencies ( annex 9 page 1)												
2/ Estimate; actual expenditures by GOF were not available												

**Annex 3: Economic Costs and Benefits**

<b>Present Value of Flows</b>				
	<b>Economic Analysis</b>		<b>Financial Analysis</b>	
	<b>Appraisal</b>	<b>Latest Estimates</b>	<b>Appraisal</b>	<b>Latest Estimates</b>
<b>Revenue/ha to GOL (US\$)</b>			Not specified	75-140
<b>Benefits/ha to Villages (US\$)</b>			Not specified	13-24
<b>FOMACOP Costs/ha (US\$) 1/</b>			Not specified	20
<b>ERR (%) 1/</b>	Not specified	9		
1/ based on optimal benefit areas.				

## Annex 4. Bank Inputs

### (a) Missions:

Stage of Project Cycle		No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating	
Month/Year	Count	Specialty	Implementation Progress	Development Objective	
<b>Identification/Preparation</b> 5/1991					
<b>Appraisal/Negotiation</b> 9/91 2/93					
<b>Supervision</b> 9/93	4	Ecologist, Forester	HS	HS	
10/94	3	Ecologist, Forester, Agriculturist	S	S	
3/95	2	Ecologist, Forester	S	S	
6/95	3	Ecologist, Private Sector Dev. Specialist, Anthropologist	S	S	
11/95	3	Ecologist, Forester, Environment Specialist	S	S	
4/96	4	Ecologist, Forester, Environment Specialist, Anthropologist	S	S	
11/96	4	Ecologist, Forester, Environment Specialist, Anthropologist	S	S	
6/97	5	Ecologist, Forester, Community Forestry Specialist, Anthropologist, Private Sector Dev. Specialist	S	S	
11/97	4	Ecologist, Anthropologist, Environment Specialist, Biodiversity Specialist	S	S	
6/98	5	Ecologist, Anthropologist, Environment Specialist, Private Sector Dev. Specialist, Forester	S	S	
12/98			S	S	
5/99	6	Ecologist, Community Forestry Specialist, Forester, Biodiversity Specialist, Senior Program Officer, Procurement Specialist	S	S	
12/99	3	Economist, Forester	U	U	
2/00	3	Economist, Forester	U	U	
<b>ICR</b> 11/00	4	Forester, Community Forestry Specialist, Economist, Biodiversity Specialist	U	U	

### (b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US\$ ('000)
Identification/Preparation	158	178.6
Appraisal/Negotiation	66	176.4
Supervision	82	209.0
ICR	10	85.2
Total	316	649.2

## Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	<i>Rating</i>
<input type="checkbox"/> <i>Macro policies</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Sector Policies</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<input type="checkbox"/> <i>Physical</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<input type="checkbox"/> <i>Financial</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Institutional Development</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<input type="checkbox"/> <i>Environmental</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<i>Social</i>	
<input type="checkbox"/> <i>Poverty Reduction</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<input type="checkbox"/> <i>Gender</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<input type="checkbox"/> <i>Private sector development</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<input type="checkbox"/> <i>Public sector management</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA

## Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

### 6.1 Bank performance

#### Rating

- Lending
- Supervision
- Overall

- HS  S  U  HU
- HS  S  U  HU
- HS  S  U  HU

### 6.2 Borrower performance

#### Rating

- Preparation
- Government implementation performance
- Implementation agency performance
- Overall

- HS  S  U  HU

## **Annex 7. List of Supporting Documents**

World Bank/Sida/Ministry of Foreign Affairs, Government of Finland. Lao PDR- Production Forestry Policy, Status and Issues for Dialogue Vol.1 and 2 June 11, 2001. World Bank: Washington.