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PROJECT PERFORMANCE ASSESSMENT REPORT

WHAT WORKS

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Sustainable Forestry for Rural Development Project

Report No. 125929
MAY 3, 2018

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PROJECT PERFORMANCE ASSESSMENT REPORT

LAO PEOPLE'S DEMOCRATIC REPUBLIC

SUSTAINABLE FORESTRY FOR RURAL DEVELOPMENT PROJECT (IDA-38020 IDA-H4460 TF-95057)

May 3, 2018

Financial, Private Sector, and Sustainable Development
Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Lao Kip (KN)

2002	US$1.00	KN 10,770
2012	US$1.00	KN 8,000

Abbreviations and Acronyms

DOF	Department of Forestry
FOMACOP	Forest Management and Conservation Project
FSC	Forest Stewardship Council
IEG	Independent Evaluation Group
PFA	production forest area
PPAR	Project Performance Assessment Report
SUFORD	Sustainable Forestry for Rural Development Project

All dollar amounts are U.S. dollars unless otherwise indicated.

Fiscal Year

Government: October 1–September 30

Director-General, Independent Evaluation:	Ms. Caroline Heider
Director, Financial, Private Sector, and Sustainable Development:	Mr. José Carbajo Martínez
Manager, Sustainable Development:	Ms. Midori Makino
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Contents

This report was prepared by John Heath and Pallavi Sengupta (consultants), under the guidance of Christopher Nelson. The consultants visited Lao PDR to assess the project in June 2017. The report was peer reviewed by April Connelly and panel reviewed by Lauren Kelly. Vibhuti Narang Khanna provided administrative support.

Box

Tables

Appendixes

Principal Ratings

	*ICR**	*ICR Review**	*PPAR*
Outcome	Moderately Satisfactory	Moderately Unsatisfactory	Moderately Unsatisfactory
Risk to Development Outcome	Significant	Significant	High
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory

* The Implementation Completion and Results (ICR) report is a self-evaluation by the responsible World Bank global practice. The ICR Review is an intermediate IEG product that seeks to independently validate the findings of the ICR.

Key Staff Responsible

Project	*Task Manager/Leader*	*Division Chief/ Sector Director*	*Country Director*
Appraisal	William B. Magrath	Mark D. Wilson	Ian C. Porter
Completion	Peter Jipp	Julia M. Fraser	Annette Dixon

IEG Mission: Improving World Bank Group development results through excellence in independent evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the World Bank's self-evaluation process and to verify that the World Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25 percent of the World Bank's lending operations through fieldwork. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or World Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, interview World Bank staff and other donor agency staff both at headquarters and in local offices as appropriate, and apply other evaluative methods as needed.

Each PPAR is subject to technical peer review, internal IEG Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible World Bank country management unit. The PPAR is also sent to the borrower for review. IEG incorporates both World Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the World Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEG Rating System for Public Sector Evaluations

IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: http://ieg.worldbankgroup.org).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current World Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, and Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension is not applied to development policy operations, which provide general budget support. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

World Bank Performance: The extent to which services provided by the World Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for World Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Preface

This is the Project Performance Assessment Report (PPAR) for the Lao People's Democratic Republic (Lao PDR) Sustainable Forestry for Rural Development Project **(P064886),** or SUFORD. (A follow-on project, SUFORD Scale-Up [P130222]—operating from 2013 to 2018—lies outside the remit of this assessment.) The World Bank's Board of Executive Directors approved SUFORD on June 24, 2003. The total project cost at appraisal was $16.45 million, which consisted of $9.9 million from an International Development Association (IDA) credit, $6.0 million from a government of Finland grant, and $0.6 million from the borrower. Additional financing of $10.0 million in IDA credit and $13.5 million from the government of Finland was approved on December 18, 2008. The actual project cost at the closing was $40.45 million. The IDA credit closed on December 31, 2012, exactly four years later than originally anticipated.

Method. This evaluative assessment of SUFORD drew on a variety of sources. The borrower's completion report (DOF 2013) provided a wealth of detail that is not in the final document produced by the World Bank (World Bank 2013a). The SUFORD technical assistance team has generated invaluable reports, including a review of timber production control (Jonsson 2006), social assessments (Chamberlain 2008; DOF 2015), and a social impact study (Piechotta 2012). Operational analytic reports available to the evaluation team included a comprehensive review of production forestry potential (World Bank, Sida, and MOFA Finland 2001), an insightful environmental and social assessment (Dick and Williams 2002) and an examination of community-driven development in Lao PDR (World Bank 2008). Additionally, academic studies shed light on the allocation of forestland and land governance (Dasgupta et al. 2005; Fujita and Phanvilay 2010; Fujita and Phengsopha 2008; Hirsch and Scurrah 2015; Lestrelin 2010; Lestrelin et al 2011, 2012, 2013) and community forest management (Hodgdon 2010; Mustalahti and Lund 2010; Mustalahti et al. 2017; Sunderlin 2006). The European Union's (EU) Forest Law, Governance, and Trade Initiative; the Food and Agriculture Organization of the United Nations; Forest Trends; Chatham House; and the United States Agency for International Development have produced substantial background reports on forest resources and forest policy in Lao PDR (Grace, Prixar, and Phengsopha 2012; FAO 2010; Saunders 2014; Thomas 2015; Tong 2009; Xuan To et al. 2017). Before the mission, the Independent Evaluation Group (IEG) used the project implementation manual (DOF 2008) to map out process steps (appendix B) and underlying assumptions so that the PPAR field visit could be used to ask project staff, officials, and community members whether those steps had been followed. Finally, IEG conducted interviews and 21 focus groups at seven project sites in the provinces of Salavane and Champasak. Forest management plans in these two provinces had been developed under SUFORD Original Project (OP, 2004–08), and timber harvest revenues had been shared at these sites; IEG wanted to assess whether plans developed 10 years ago were still being followed (appendix C).

Credits. IEG thanks the government of Lao PDR, the SUFORD implementing agency staff (including the Finnish technical assistance team), and staff in the World Bank office in Vientiane, Lao PDR. IEG also thanks the local government officials and villagers who worked with the team during the site visits. The evaluation team particularly appreciates

the insights and guidance provided by Viengxong Chittavong (interpreter and focus group facilitator) and Bouaphet Philaket, the SUFORD National Consultant (appendix G).

Following standard IEG procedures, a copy of the draft PPAR was sent to the relevant government officials and its agencies for their review and feedback but no comments were received.

Summary

The Project

The objectives of the Lao PDR Sustainable Forestry for Rural Development Project (SUFORD) were (i) to sustainably manage production forest, and (ii) to alleviate rural poverty. The project sought to improve the policy, legal, and incentive framework enabling the expansion of "participatory sustainable forestry management" in priority production forest areas (PFAs). It attempted to improve villagers' well-being and livelihoods by harnessing the benefits from sustainable timber harvesting and extraction of other forest products. It set up village development funds that were used to finance forest management procedures, infrastructure, and income-generating activities. The project was implemented in nine of the 17 provinces of Lao PDR covering 1.3 million hectares, or 42 percent of the area designated production forest.

Project Performance

Relevance of the project's development objective is rated **substantial**. The project objectives were aligned with the World Bank country partnership strategy for FY12–16. Strategic Objective 2 of the country partnership strategy was Sustainable Natural Resource Management, including "sustainable management and protection of forests and biodiversity." However, the statement of objectives' wording goes further, assuming that sustainable forest management is a means to achieving the overarching objective of reducing rural poverty.

Relevance of project design is rated **substantial**. The project design went as far as it could in the prevailing political environment to build in a participatory process of natural forest management. The design was logically sequenced. The steps were clearly laid out in the project implementation manual (DOF 2008). The attempt to harness sustainable forest management to poverty reduction was a challenging but worthwhile feature of project design. There was an appropriate linkage between activities in the production forest areas and support for sectoral policy reform and the strengthening of management capacity.

Achievement of the objective of making forest management sustainable is rated modest. The project contributed to the completion of forest management plans for 1.3 m ha of forest land. It also put 1.2 million ha of land under a system of forest management, including the development of resource inventories and technical guidelines. However, evidence gathered from the assessment concerning the current status of the system, with regard to forest management, enforcement, skills and capacity at all levels, indicates that while positive, only modest gains have been made. Evidence also provided about the deforestation rates in PFAs versus outside of PFAs - 0.30% versus 0.52% - requires a better understanding of causality, including in reference to the Logging Ban instituted in 2016 following previously mandated government logging restrictions.

Achievement of the objective of reducing rural poverty is rated **modest**. Poverty reduction hinged more on using village development funds to improve livelihoods than it did on returns to timber harvesting—the scope for which was limited. A 2012 impact study showed that the village development fund led to the percentage of households designated poor falling by five points more in project villages than in control villages. However, village development funds were not targeted to the poorest households. Ethnic minority households, which are disproportionately poor, tended to be marginalized despite the provision (on paper) for ethnic minority development plans.

Project efficiency is rated **modest**. The project appraisal overestimated the amount of timber available for harvesting. The financial analysis at completion was based partly on returns to harvesting timber from 2004 to 2025. However, restrictions on what may be harvested—most recently, the 2016 presidential ban on logging for export—call into question the assumptions about what returns may be realized in practice during this period. On the other hand, the production model used for estimating returns to SUFORD at appraisal and completion substantially undervalued the incremental wood output that the project produced and did not include economic benefits from forest restoration, non-timber forest products, or ecological services such as water filtering, erosion reduction, or carbon sequestration.

Overall project development outcome is rated **moderately unsatisfactory**, derived from the consolidated ratings for relevance, project objectives, and efficiency.

Logging bans created uncertainties that undermine the logic of a project design based on sharing timber revenues with villagers. The new formula—increasing the share of timber revenues received by villagers—has not yet been applied, reducing villagers' incentive to take sustainable forest management seriously. Villagers appear unlikely to sustain the SUFORD model. There are conflicting reports about the sustainability of activities financed by the village development funds, and their impact on the long-term livelihood diversification needed to reduce forest use. Scale up of the SUFORD model to cover PFAs nationwide is not financially viable. The risk to development outcome is rated **high**.

World Bank performance is rated **moderately satisfactory**. Project preparation was based on a multi-partner, in-depth analysis of production forest potential and an insightful social and environmental assessment which addressed challenges posed by the legacy of government land allocation policy. The design was the result of protracted negotiation with the Ministry of Agriculture and Forestry, tempered by uncertainty about the fullness of central and provincial government to participatory forest management. The appraisal document was explicit about the risk that government commitment might waver. The monitoring framework at preparation was weakened by the absence of good indicators on forest management and poverty reduction, and there was insufficient provision for baseline surveys. The decision to press for additional financing—allowing SUFORD to expand over time and space—is questionable, given the evidence of faltering government commitment to participatory principles.

Borrower performance is rated **moderately satisfactory**. Passage of the enabling legislation for SUFORD was timely and the government took the initiative to increase the

production forest area to 3.1 million hectares, in line with project objectives. The government was instrumental in ensuring that forest management plans were passed in all the production forest covered by SUFORD. However, before additional financing was approved, government policy documents (including the 2007 Forest Law) indicate a waning commitment to SUFORD principles. Also, central, provincial, and district officials often failed to embrace the participatory spirit of SUFORD and gave little opportunity for villagers to own the project. Decisions about concessions (some of which affected PFAs) and harvest quotas were not transparent, sending mixed messages to villagers. On the other hand, with strong support from Finnish technical assistance, the implementing agency brought considerable forest expertise to bear and were highly committed to the project. They generated a wide range of technical studies and social assessments and made energetic attempts to secure data on the quality of the forest resource by remote sensing.

Lessons

- **A pattern of weak government commitment to increasing citizen's natural resource rights exists in Lao PDR.** This is the third IEG assessment in 15 years to highlight project failures associated with the Lao government's lack of commitment and limited transparency in administering land and natural resources. Borrower performance on the FOMACOP was rated unsatisfactory because "The government was not consistently committed to policy reform or to supporting the innovative village forestry model" (World Bank 2002, 26). An assessment of the Second Land Titling Project also rated government performance as unsatisfactory. It found that "The government did not fully implement Decree 192, which called for adequate compensation to titleholders whose land was compulsorily purchased by the government. In this respect, government has not demonstrated its full commitment toward honoring the half million or so land titles issued under the two projects supported by the World Bank" (IEG 2013, 35). In the case of SUFORD, various social assessments conducted by the project team found that attempts to include ethnic minorities in participatory planning and the sharing of benefits were less effective than the project design envisaged, an impression that was borne out by IEG's visits to seven project villages.

- **Villagers who are denied secure community tenure and rights to forest resources are unlikely to commit to sustainable forest management**. Experience in other countries has shown that villages will have a genuine stake in sustainably managing forestland only when they own it (Segura Warnholtz et al. 2017). In Lao PDR, the law indicates that is the state that has sole ownership over the production forest. Villages whose boundaries extend into the production forest are given a right to be involved with management and to receive a share of the benefits, but the forest is not allocated to them. In the absence of a secure claim to production forest resources (including non-timber forest products) and without a steady stream of revenue from sustainable harvesting of timber, it will be hard to motivate villagers to engage in a participatory management scheme—and even harder when the various levels of government inconsistently apply the principles of participatory management.

- **The zoning of natural forest may fail to reflect variations in the richness of the resource, so the area earmarked for sustainable management may be unrealistically large, stretching administrative resources too thin**. In Lao PDR, the production forest area is a legal entity that overlaps with other forest entities and encompasses only part of the richest forest stock. The overlaps aggravate uncertainties about tenure. The large extent of the production forest area (all of which is to be covered by SUFORD-led management plans) creates an apparatus that provincial and district offices will not have the recurrent budget to administer effectively. In the absence of comprehensive data about the extent of the forest resource—including data on growth rates collected through the periodic inspection of permanent sample plots—it is difficult to develop a rational zoning strategy, or to make projections about the scope for sustainable harvesting. In response to political pressures, compared to FOMACOP, SUFORD offered a larger number of villages a potential claim to forest resources, which was problematic given the thinness of the resource.

- **Zoning and the preparation of management plans for specific forest tracts are important first steps but they are not, in themselves, sufficient evidence that sustainable forest management is being implemented.** The completion of forest management plans for 1.3 million hectares that SUFORD sponsored was a significant step forward for a country with a weak record of forest governance. But the foundation that this provided has not been consolidated by follow-up monitoring of forest inventory. Unless they are complemented by ground truthing, involving the systematic resurvey of sample plots, the remote sensing data are insufficient proof of natural forest regeneration, because they don't capture what is going on under the canopy. Moreover, SUFORD acknowledges that the remote sensing data for 2005-2010 and 2005-2010 are unreliable. The OP and AF phases of SUFORD that this report assesses ended in 2012. Therefore, it is impossible to determine how much of the modest extension of the canopy that (more reliable) satellite data show occurred between 2010 and 2015 can be attributed to the first two phases. Now that the final phase (SUFORD—Scale Up) is nearing completion the onus is on the government of Lao PDR to set up a system of monitoring of the forest resource based on the regular inspection of representative sample plots. Only then will the rate of forest regeneration—and progress toward the national target of covering 70 percent of the territory with forest—be reliably tracked.

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1. Background and Context

1.1 Lao PDR is forested more densely than the average for Asian countries, but there are conflicting estimates of the rate of deforestation and the richness of the forest resource (expressed by data on species type and stocking density). Forests covered 70 percent of Lao PDR in the 1940s, dropping to 50 percent by 1982, and—despite government attempts to reverse the trend—to 40 percent in 2010, the date of the most recent comprehensive survey. It is unlikely that the government target of regaining 70 percent coverage by 2020 will be achieved. In any case, canopy cover estimates shed no light on the makeup of the forest: of the 40 percent of land that is forested, it is unclear what share is primary forest and what are secondary forest, plantations, and bamboo (Phompila et al. 2017).

Table 0.1. Disposition of Forestland in Lao PDR and in SUFORD (2004–12)

Administrative Classification of Forest (2002)	*Area (ha, millions) (2012)* [a]	*Production Forest Areas (defined by Prime Minister Decree No. 59/PM, 2002)*	*Area of Rich Forest (> 60 m^3/ha in commercial standing stock)*	*Area in SUFORD Certified by the FSC (Pure Standard)*
Production (for sustainable timber harvesting)	3.1	51 PFAs (= 33 percent of total forest area) • Two PFAs included as pilots in previous project (FOMACOP) • Two FOMACOP PFAs + six others added under SUFORD OP (2004–08) • Eight other PFAs added under SUFORD AF (2009–12)[b] The 16 SUFORD PFAs cover 1,300,000 ha.	465,000 ha (= 5 percent of total forest area) • It is not clear what percent of this lies in the 16 SUFORD PFAs. • At most, 36 percent of SUFORD PFAs contain rich forest.	82,760 ha, certified in 2008 (= 6 percent of the area in the 16 SUFORD PFAs) [c]
Protection (for watersheds and dams)	2.8			
Conservation (for biodiversity)	3.4			
Village (not officially classified)	0.2			
Total	9.5 (= 40 percent of land area)			

Source: Grace, Prixar, and Phengsopha 2012; Thomas 2015.
Note: CW = controlled wood; FSC = Forest Stewardship Council; ha = hectare; PFA = production forest area.
a. FAO presents different estimates for the forest area in 2010: production, 3.6 million hectares; protection, 9.1 million hectares; conservation, 3.0 million hectares; total:15.7 million hectares = 68 percent of land area (FAO 2010, 19). FAO data are based on a 10 percent minimum crown cover limit rather than the 20 percent limit set by the government of Lao PDR.
b. The SUFORD Scale-Up Project (P130222, 2013–18), which is not assessed in this report, expands coverage to 41 PFAs, embracing 2.3 million hectares.
c. Six sub-FMAs were certified to FSC Forest Management (Pure) Standard in 2008; 24 sub-FMAs (covering 242,995 hectares) were certified to FSC Controlled Wood (CW) Standard in March 2012. However, the FSC CW certificates were suspended in March 2013 because of the extension of land concessions and unplanned logging, violating the terms of sustainable management (DOF 2013, 39).

1.2 In 2002, the government decreed that one-third of the natural forest in Lao PDR would be divided into 51 production forest areas (PFAs, table 1.1).[i] These forest tracts are intended to support the sustainable harvesting of valuable tropical hardwoods, such as rosewood and teak. Managing natural forest for sustainable timber harvesting depends on spontaneous regeneration, for which the ecology of Lao PDR is well suited: trees reseed themselves, and saplings mature into harvestable specimens. However, regeneration is a slow process, and the selective harvesting that is required is hard to organize and costly. Moreover, in Lao PDR, the forest capable of producing sustainable quantities of timber in the short term is limited because previous logging and the slash-and-burn agricultural practices of local communities have degraded the PFAs.

1.3 Only 15 percent of the total area in production forest (465,000 hectares) is of good quality—that is, contains at least 60 cubic meters per hectare of commercial standing stock (Grace, Prixar, and Phengsopha 2012, 28). For example, “The harvest data from Salavane Province of 1,425 cubic meters extracted from 648 hectares yielded a mere 2.2 cubic meters per hectare, which is far below the normal viable economic extraction rates of 20–40 cubic meters per hectare and suggests that the forest area was highly degraded, or the harvest was limited to a few commercial species” (Grace, Prixar, and Phengsopha 2012, 34).

1.4 Enlisting the support of communities in and around the forest is one way that governments have sought to make forest management more sustainable. There are enormous variations in the level of community engagement achieved from one place to another, and it has proved hard to sustain in the face of countervailing pressures. Community forestry programs in Southeast Asia have been “at least partly undermined by a tendency to favor government, the military, and concessionaires in the appropriation of timber rents, and to exclude people living in or near forests from access to these rents” (Sunderlin 2006, 386). Infrastructure development has taken precedence over sustainable forest management in several cases in Lao PDR, with central and provincial governments denying the rights of those living in and around the forest. To compensate for the limited volume of resource transfers from the center, provincial governments have an incentive to raise funds by granting land concessions to contractors, even when the land in question is officially off-limits to concessionaires (Lestrelin et al. 2011, 2012, 2013; Koch 2017; Hirsch and Scurrah 2015).

1.5 The government of Lao PDR sought to promote an approach named “participatory sustainable forest management,” with support from the World Bank and

Finnish and Swedish aid. Guided by forestry staff, villagers living in and around PFAs prepare and implement a forest management plan that defines access to, and harvesting of, trees and non-timber forest products. SUFORD sought to increase the harvestable yield of PFAs and improve the livelihoods of people in the villages that the operation covered.

1.6 SUFORD followed an earlier attempt at village-managed forestry, which the World Bank–supported Forest Management and Conservation Project (FOMACOP) had piloted in Lao PDR in the 1990s (World Bank 1994, 2002a). It was estimated that "54 percent of the production forest area and 51 percent of annual volume growth has potential for village management, with a potential beneficiary population of 1.54 million people" (World Bank, Sida, and MOFA Finland 2001, i). However, FOMACOP was conducted in areas of high stocking density where revenues from sustainable logging were likely to be substantial. As more and better data became available during the implementation of SUFORD, the thinness of the stock became more apparent; this resource limitation reduced the incentive for villagers to commit to sustainable forestry management.

2. Objectives and Components

2.1 The Development Credit Agreement says, "The objective of the Project is to assist the Borrower to achieve the sustainable management of production forests to alleviate rural poverty in the Project Provinces by implementing the forest policy reform actions and policies set forth in its Letter of Forest Management Policy" (World Bank 2003b, 17). The objective is identically worded in the project appraisal document (World Bank 2003a, 2). This assessment identifies two project objectives: sustainably manage production forests, and alleviate rural poverty.

2.2 SUFORD OP (2004–08) covered four provinces, and SUFORD Additional Financing (AF, 2009–12) covered an additional five.[ii] Appendix D shows the PFAs that were covered and the date that forest management plans were signed.

The project had four components.

2.3 **Component 1: Support services for sustainable forest management** (cost estimated at appraisal: $0.99 million; cost at closing: $3.86 million).

- Sectoral policy reform support: This subcomponent helped the government implement the Letter of Forest Management Policy, which included developing the remaining regulations and ministerial and departmental instructions covering the principles for participatory sustainable forestry management, establishing the PFAs, plus benefit sharing and conflict resolution mechanisms. It also supported the introduction of market-oriented log sales and pricing.
- Establishment of the PFA system: This subcomponent built on existing efforts to delimit PFAs, considering the needs of communities for land and infrastructure, and preparing a national program for sustainably managing production forests.
- Forest management guidelines and procedures: This subcomponent: developed guidelines for planning, implementing, and monitoring participatory sustainable

forest management; promoted forest certification; and introduced a system for tracking logs from site of felling to factory.
- Strengthening sustainable forest management capacity: This supported a long-term training and research strategy for participatory sustainable forest management, including forest inventory, enrichment plantings, timber harvesting yield estimates based on permanent sample plots, and cultivation of non-timber forest products.

2.4 **Component 2: Sustainable forest management and village development** (cost estimated at appraisal: $11.04 million; cost at closing: $22.74 million).

- Participatory sustainable forest management: This subcomponent supported sustainable management of selected PFAs of the central and southern provinces, training district forestry officers and villagers to prepare forest management plans.
- Village development: This subcomponent helped villagers to plan, implement, monitor, and evaluate their own development projects, financed initially through project support and subsequently from the returns to sustainable forest management. It included development of village forestry committees and funded investments in village development supplemented by villagers' contributions of labor and materials. Studies identified ways to promote inclusion of women and ethnic groups.

2.5 **Component 3: Forestry sector monitoring and control** (cost estimated at appraisal: $2.56 million; cost at closing: $6.31 million). This component covered internal forest control, forest law enforcement monitoring and reporting, forest cover monitoring, and independent monitoring and management audits.

2.6 **Component 4: Project management** (cost estimated at appraisal: $1.86 million; cost at closing, $7.54 million). This component sought to coordinate the various government agencies at the central, provincial, and district levels, and develop project monitoring and evaluation. It also established national and provincial steering committees and province implementation units.

3. Implementation

Financing, Dates, and Events

3.1 Financing: With additional financing (approved by the World Bank's Board on December 18, 2008), the project cost 146 percent more than originally estimated. The increase was explained mainly by expansion into five new provinces, more than doubling the forestland covered by the project (table 3.1). Finland contributed more funding (for technical assistance) to SUFORD AF than the World Bank did.

Table 3.1. Project Financing

	Project Costs ($, millions)		
	Originally Approved	*Additional Financing*	*Total*
IDA Credit and Grant	9.90[a]	10.00[b]	19.90

		Project Costs ($, millions)	
Finland, Ministry for Foreign Affairs Grant	6.00	13.50	19.50
Japan, Policy and Human Resources Development Grant	--	0.50	0.50
Government	0.55	--	0.55
Total	**16.45**	**24.00**	**40.45**

Source: World Bank 2013a, 25.
a. IDA credit.
b. IDA grant.

3.2 Dates: The project was approved on June 24, 2003, and the credit became effective eight months later. The original closing date was December 31, 2008, but this date was extended twice (by a total of four years) to December 31, 2012. The second extension (for one year) was made to accommodate the resettlement of Hmong refugees. In Bolikhamsay Province, nearly 3,000 refugees repatriated from Thailand in December 2009 were resettled inside the project-financed Phakbeak PFA.

3.3 Events: After supervision delays, a midterm review was carried out in September 2005. This led to the "appointment of a new project director, simplification of government financial management and procurement procedures, and improvements in annual planning and coordination between the central government agencies and the provinces" (World Bank 2013a, 8). When additional finance was approved in 2008, implementation progress was rated moderately satisfactory. The World Bank and Finland conducted a second midterm review in October 2010. This joint mission made detailed recommendations for each component and produced the first Operational Risk Assessment Framework for the project (World Bank 2013a, 11).

FINANCIAL MANAGEMENT AND PROCUREMENT

3.4 Financial risks were rated as **substantial**, particularly in the provinces. The completion report says that adequate controls were put in place and training was conducted (World Bank 2013a, 14). During the mission, the Independent Evaluation Group (IEG) found no evidence to dispute this. Audits were delivered on time and contained no qualifying reservations. The rating of procurement was downgraded to moderately satisfactory in 2010 because of delays, and the midterm review of the same year found that transparency and accountability needed strengthening. The rules were harder to enforce in the provinces and districts. At closing, procurement was still rated moderately satisfactory because of shortfalls in contract administration (World Bank 2013a, 14).

SAFEGUARD COMPLIANCE

3.5 This was a Category A project and, therefore, an environmental assessment was conducted and publicly disclosed in Vientiane (in the Lao language) in 2003. The assessment was updated for SUFORD AF. The other safeguards that applied to the project were natural habitats, forests, indigenous peoples, and involuntary resettlement. In compliance with OP4.36, Component 1 provided for "independent third-party certification, including preparing a program for promoting forest certification, and

enhancing the awareness about chain of custody operations" (World Bank 2003a, 8); before approval, the Ministry of Agriculture and Forestry "endorsed independent certification of the sustainability of villager-based forestry operations" (World Bank 2003a, 18). The completion report says, "Independent Forest Certification has been introduced to Lao PDR with the support of SUFORD. The total area under certification is 3,378 square kilometers, of which the Forest Stewardship Council (FSC) forest management standard is applied in 806 square kilometers, and the FSC-controlled wood standard is applied in 2,572 square kilometers" (World Bank 2013a, 17).

3.6 The IEG mission found no evidence to suggest that the environmental management plan had not been implemented effectively; this was also the case for the safeguards on natural habitats and forests. However, a salvage logging contract was issued in an area of production forest that was included in the project (in Xekong province): the completion report says that this was not a result of the project and the risk was well managed (World Bank 2013a, 13). IEG has no evidence to confirm or deny this. No resettlement resulted from SUFORD; the project had not displaced the Hmong, who resettled in 2009 (from Thailand). A social assessment commissioned by SUFORD before the AF phase found no evidence of noncompliance with the resettlement safeguard (Chamberlain 2008, 89).

3.7 Two social assessments found that project did not comply with the indigenous people's safeguard (Chamberlain 2008, 2015); supporting evidence for noncompliance also comes from another source (Daviau and Vilayvong 2006). Furthermore, the completion report says that a 2012 assessment found "weaknesses in the project's consultations with ethnic communities and women in the study area of 14 villages" (World Bank 2013a, 13). The completion report also says that these weaknesses were addressed: "Appropriate institutional arrangements through training, orientation, and capacity building were developed to ensure ethnic groups in the project areas would receive timely and clear information about project activities" (World Bank 2013a, 13). However, the 2008 and 2015 social assessments found that the required profiling of ethnic minorities, and the attempts to communicate with them, were both insufficient (box 3.1).

Box 3.1. Weak Outreach to Ethnic Minorities

A consultant assessment sponsored by SUFORD in 2015 expressed reservations about the ethnic outreach of the project. "An indicative factor in the assessment of projects with high percentages of diverse ethnic minority beneficiaries is the preparation of participatory indigenous [that is, ethnic minorities] peoples' profiles, '...to document their culture, demographic structure, gender and intergenerational relations and social organization, institutions, production systems, religious beliefs, and resource use patterns.' (World Bank OP 4.10.22e) The assessment found that this has not been done, either in English or in Lao language, even though it was called for in the original Ethnic Group Development Plan in the first SUFORD project in 2005 and again in SUFORD AF. Given the marked propensity for communication problems resulting from language and cultural misunderstanding…this is a serious shortcoming that should have been addressed at the outset of the project. And sadly, it sets the tone for other deficiencies in the application of social safeguards because the underlying message could be construed as, 'we don't need to understand them.'"

Source: Chamberlain et al. 2015, iv.

Monitoring and Evaluation

DESIGN

3.8 The outcome indicators in the appraisal document were only partially appropriate for measuring progress toward the two objectives. The share of production forest certified to international norms of management quality was a good metric for the first objective. However, it needed to be supplemented by another indicator measuring the forest inventory—particularly the timber yield rates—accompanied by commitment to monitor changes at selected sites (the permanent sample plots referred to in the operations manual), with baseline and follow-up surveys. There were no good indicators proposed for the poverty reduction objective: improvements in food security (not defined), sharing of timber revenues, and village infrastructure and livelihoods are no substitute for measures of household income and assets, even if they are disaggregated by gender, ethnicity, and socioeconomic status. There was no provision for a socioeconomic baseline survey. The 2008 modifications to the results framework—associated with additional financing (SUFORD AF)—did not fundamentally improve on the initial framework.

IMPLEMENTATION

3.9 Project-level monitoring and evaluation were the responsibility of the National Project Management Office, with support from the Finnish technical assistance team. The former provided regular quarterly updates on project activities and deliveries against an agreed work plan and timeline for completion. Many special studies were produced, including attempts to assess the impact of village development funds and controls over logging. Remote sensing surveys were used to assess changes in forest cover, though this was an imperfect way to quantify the critical factor: change in stocking density. To address this problem, permanent sample plots were set up, but these were not systematically revisited, and the data were too poor to be a reliable guide to the range of species and their growth rate. A recent assessment of forest cover change in PFAs, based on remote sensing, concluded that the maps assessing the change in cover between 2000 and 2005 and between 2005 and 2010 were “unreliable”—less than 40 percent accurate. However, the 2010-2015 maps are considered more precise, showing that the annual deforestation rate for natural forest was 0.30 percent in PFAs, compared to 0.52 percent in areas of natural forest outside PFAs (DOF 2016, 15-16). With respect to poverty reduction, although surveys of villages identified the number of ethnic households and the number perceived by village chiefs to be poor, there was no baseline survey of income and assets, no systematic follow-up, and no systematic use of controls, making it impossible to assess how much poverty fell, and the extent to which any reduction was attributable to the project.

3.10 Although the many reports that were generated provided a foundation for justifying movement to the next project phase, there is no indication that feedback from monitoring resulted in any radical improvements in design or implementation. For example, the safeguard assessments that captured in detail the weakness of outreach to the poorest households did not result in mitigation. Recommendations to translate

SUFORD guidelines into the diverse languages led to printing brochures, but these were not widely disseminated.

3.11 Overall, monitoring and evaluation is rated **modest**.

Relevance of Objectives

3.12 Lao PDR has been subject to high levels of deforestation and forest degradation in recent decades (Saunders 2014). A natural resource boom and the resulting foreign direct investment fueled high growth rates, but at a risk to the green environment, the development of hydropower schemes, and mining leading contractors to clear-cut natural forest (World Bank 2012, 1). Many of the poor depend on forest resources—including a diverse array of non-timber forest products—for their livelihoods (World Bank 2012, 11). "Some eighty percent of the population is heavily reliant on the forest for timber, food, fuel, fiber, shelter, medicines, condiments and spiritual protection. In rural areas, forests provide one of the few available economic activities and non-timber forest products often provide more than half of a family's total income" (GoL 2005, 2). There is a positive correlation between the percentage of provinces that are forested and the percentage of the population in these provinces that is poor (Dasgupta et al. 2005; Coulombe et al. 2016). These observations support the relevance of the SUFORD objectives of managing forests more sustainably and reducing poverty.

3.13 Statements in the World Bank country strategy that were current at project closing and earlier support these objectives (World Bank 2012). Furthermore, a substantial report on production forestry (World Bank, Sida, and MOFA, Finland 2001) made the case for sustainable harvesting of natural forest in Lao PDR, following a village forest management model that the World Bank had piloted in the 1990s under the FOMACOP (World Bank 1994).

3.14 Two statements show the relevance of the SUFORD objectives to government policy in the early 2000s. Article 2 of the Decree on Sustainable Management of PFAs says that the objective of this initiative is "To create a framework for sustainable management of PFAs based on the participation of villagers in forest management planning, management, and receipt of revenues" (GoL 2002). Subsequently, the Lao government's *Forestry Strategy to the Year 2020* envisions the following: "A sector in which scientifically managed natural production forests generate timber and non-timber products at sustainable levels with village participation, under supervision and technical support from well-staffed, well-trained local and national government units" (GoL 2005, 47). The same source goes on to make the SUFORD-consistent link between participatory management and poverty reduction. "The overarching objective supported by improved forest policy and management is poverty eradication. A significant proportion of the Lao population lives within or around forested (or previously forested) areas. Such people make up the majority of the poorest sections of Lao society, including many impoverished ethnic groups" (GoL 2005, 49).

3.15 However, a close reading of *later* government policy documents suggests waning commitment to SUFORD principles, even before additional financing was approved. The revised Forest Law does not refer to participatory sustainable forest management (GoL

2007).[iii] The Seventh Socioeconomic Development Plan (2011–15) begins by reflecting on the successful and less successful outcomes of the previous five-year plan (2006–10) and says nothing about villages' achievement in sustainably managing production forest. Its target for the next five years includes "strengthening forest management," but there is no reference to the role of local communities or participatory approaches, or links between management and poverty reduction (GoL 2011, 56–60, 117).

3.16 IEG methodology rates the relevance of objectives against the statements of government and World Bank strategy that were current when the project closed (2012, in this case). This is because the objectives stated in the appraisal document are susceptible to revision if circumstances change during implementation, with the onus being on the World Bank to make the necessary revisions such that at closing, the objectives are in line with the prevailing strategy of the World Bank and the borrower. Although the partnership strategy at closing still refers to SUFORD and its participatory principles (World Bank 2011), the lack of any references to it in government strategy after 2005 may suggest some loss of borrower commitment.

3.17 SUFORD's design gave villagers less control and fewer incentives than the FOMACOP pilot that preceded it did. Academic research findings and suggestions that World Bank staff made to IEG support the observation that SUFORD might not have proceeded if it had not been linked to progress on a billion-dollar hydropower loan. "Though the government agreed to this forestry reform package—the participatory sustainable forestry management model, its enabling legislation, and Forest Stewardship Council certification—it is important to note that, as this article will show, such reforms do not enjoy widespread support among central and provincial-level government officials. Indeed, the policies and conditions were accepted in large part because the World Bank tied acceptance of the reform package to its guarantee of the Nam Theun 2 hydropower loan, the government's top-priority development project" (Hodgdon 2010, 60). Despite these reservations, based on the palpable need to reduce forest degradation and poverty, IEG rates the relevance of project objectives as **substantial**.

Relevance of Design

3.18 In Lao PDR at the turn of the millennium the political scope for designing a truly participatory model of managing forest was limited. The government no longer backed the village forestry model that the preceding World Bank-supported project (FOMACOP, closed FY2001) had promoted. The World Bank engaged in a protracted discussion with the Ministry of Agriculture and Forestry, leading to the design compromise that became SUFORD. The enabling legislation for SUFORD (GoL 2002) is clear about the qualified nature of villager participation in forest management. Experience in other countries has shown that villages will have a genuine stake in sustainably managing forestland only when they own it (Segura Warnholtz et al. 2017). The SUFORD-related legislation reads, "It is the state that has sole ownership over the production forest. Villages whose boundaries extend into the production forest are given a right to be involved with management and to receive a share of the benefits, but the forest is not allocated to them. Villages agree to allocate their land to the state, which in turn invites them to participate in forestry. The unwritten subtext is that though villagers can participate in forestry, it is ultimately the state—representing the 'national community'—that has the final say in

how it should be managed" (Hodgdon 2010, 67). Because the SUFORD legislation did not override other, countervailing forest legislation, there was scope for government officials to challenge it when they chose. A World-Wide Fund for Nature project based on the SUFORD design principles was launched in 2005 but canceled by government early on, purportedly because those same principles ran contrary to provisions for state management of forestry in the Lao Constitution (appendix F).

3.19 Compared to FOMACOP, the design of SUFORD offered fewer incentives to villagers to participate in the sustainable management of natural forest. Villagers were given less control over decision making about forestry management and timber harvesting. Furthermore, SUFORD offered less incentive to villagers because fewer timber revenues would be generated than under FOMACOP, and their share of these revenues would be smaller (Sunderlin 2006, 391).[iv] Revenues were bound to be small in the short term because the PFAs that SUFORD covered were thinly stocked compared with those in the two provinces where FOMACOP was implemented (Savannakhet and Khammouane). "Due to excessive logging in the past, the level of sustainable harvesting is low, estimated at 4 cubic meters per hectare, if only the most preferred species are considered" (DOF 2012). However, this may be the wisdom of hindsight given the incomplete data on stocking density when the project was prepared—even though a thorough multi-partner production forest review had just been conducted.

3.20 Another design shortcoming is that the share of revenues per village had to be less than under FOMACOP because the government demanded that more villages in and around PFAs be included in the management program. The net was spread too wide and contained too few resources. Furthermore, because SUFORD was intended to promote sustainable extraction of non-timber forest products, to work it would have to reduce access to these products to allow for regeneration, reducing the short-term incentive for villagers to back the project.

3.21 There is a counter-argument to the observation that the PFAs were too thinly-stocked to support a revenue stream sufficient to provide villagers with an incentive to sustainably manage the resource. At the design phase, data on the volume of timber that could be harvested in the short term was limited. The project PFAs were selected based on incomplete remote sensing and other preliminary data. Only once the project was underway could they be properly inventoried and assessed in the detail needed to generate harvesting schedules; and only if stocking was sufficient would harvesting proceed. The project designers plausibly argue that there was no other way to proceed. If some sites proved to be poorly stocked, it would vindicate the careful approach to harvesting that the project proposed. Even if financial returns were limited, this would be partly offset by environmental benefits resulting from the project, such as maintenance of watershed function, habitats, carbon sinks, as well as reduction of flood and erosion risks.

3.22 The attempt to harness sustainable forest management to poverty reduction was a valid feature of project design. Of the 70 percent of the profit from log sales, 25 percent would go to a village development fund. This fund supported diversification of the household economy, thereby helping reduce pressure on forest resources. It financed animal husbandry, intercropping, and off-farm economic activities, with appropriate safeguards against possible forest degradation arising from these activities. The

environmental and social assessment (Dick and Williams 2002) judged that the number of animals that the village development funds might finance would not amount to a serious hazard. But there were some limitations. The allocation rules for the village development fund that were set out in the implementation manual (DOF 2008) do not establish how these funds should be shared among households and make no provision for targeting ethnic minorities—the poorest households. An Ethnic Minority Development Plan was included in project preparation, but this did not stipulate what claim minority households would have on funds for livelihood development. Also, SUFORD AF gave only US$4,000 to each village, compared to the US$8,000 offered by the original project, raising the possibility that resources would be spread too thinly to make a dent on poverty.

3.23 Despite these incentive limitations, the project design went as far as it could in the prevailing political environment to build in a participatory process of natural forest management. The design was logically sequenced. The steps were clearly laid out in the project implementation manual (DOF 2008). With guidance from forestry officers, villagers and Village Forest Associations would be actively involved in forest inventory, forest management plan preparation discussions (particularly socio-economic and fauna and flora species data) and implementation of pre-harvest inventory, harvesting, post-harvest assessment, restoration, monitoring and evaluation. There was an appropriate linkage between activities in the PFAs and support for sectoral policy reform and the strengthening of management capacity. Component 2 supported integrated spatial mapping of the forest area in Northern Laos and was designed to enable the national and sub-national government to have a better understanding of the implications and trade-offs of the various land uses. This was potentially a step toward illuminating, and eventually addressing, the difficult political economy issues that drive deforestation in Lao PDR. The relevance of design is rated **substantial.**

4. Achievement of Objectives

Objective 1: Sustainably Manage Production Forest

4.1 This section will show that although important output targets were met, the extent of achievement of the forest management outcome is hard to assess and, for reasons that will be examined at length, was likely to have been small. The project implementation manual (DOF 2008) sets out in detail the process that would be followed for sustainable management to be achieved. Although the process in the villages relied on the technical guidance of the provincial project management team and local forestry officers, it also envisioned substantial villager participation. Villagers were to be engaged in mapping land use, marking boundaries, taking forest inventories, enrichment planting, patrolling, and assessing readiness for harvesting. SUFORD organized village forest organizations headed by village forest committees, with rules about female and ethnic minority representation (appendix B). Independent, third-party certification would be used to ensure that forest management plans met international standards.

4.2 The significant project outputs were approval of village management plans in all 16 of the PFAs included in SUFORD, covering an area of 1.3 million hectares. The target

for establishing village forest organizations (and their related village forest committees) was met: 573 were set up. The necessary laws and regulations underpinning the SUFORD model were introduced as expected. The National Assembly approved annual harvests in the project PFAs and endorsed the proposed formula for sharing benefits between the treasury and the villages participating in forest management. In 2009, SUFORD AF contributed to the establishment of a new Department of Forest Inspection, providing finance for vehicles and equipment. The project laid the foundation for more systematic forest management based on resource inventories and elaborate technical guidelines.

4.3 However, there were gaps between what the project design envisaged and what happened. Based on the implementation manual, IEG identified 10 steps in the project process that required satisfactory completion to ensure that the sustainable forest management outcome would be achieved. A review of project documents suggests that the assumptions underpinning each step did not hold true in several ways. Appendix B details the gaps and their consequences, based on a review of project documents and findings from 21 focus group discussions that IEG organized in seven villages.

4.4 In summary, the evidence indicates the following:

- In the seven villages visited by IEG, management plans did not appear to be owned by the villages that signed them; prepared in 2004-2008, the plans had largely been forgotten.
- The SUFORD legislation was contradicted by other laws and regulations that were selectively invoked to deny the principles of participatory forest management. This is illustrated by the fate of a parallel project that was based on the same principles (appendix F).
- The government was inconsistent in the administration of logging quotas and created uncertainty with its on-again, off-again declarations of logging bans and their selective enforcement. No timber was harvested in project areas during SUFORD AF.
- The benefit-sharing mechanism gave villages a meager share of the revenues from timber harvesting, less generous than those under the FOMACOP pilot. Although the formula was revised in the villages' favor toward the end of SUFORD, it was too late to make a difference and, ultimately, the revision was not implemented.

4.5 There is some evidence that forest cover in the project area increased under SUFORD. The World Bank completion report says there was a "decrease in the rate of deforestation in seven SUFORD PFAs compared with outside areas" (World Bank 2013a, 17). A later source, also sponsored by SUFORD, finds that although the 2005-2005 and the 2005-2010 estimates of deforestation were unreliable, the 2010-2015 remote sensing data show that reduction in natural forest cover in project PFAs was less than in other natural forest areas: the annual rate of deforestation was respectively 0.30 percent and 0.52 percent (DOF 2016, 15-16). Moreover, although the forest canopy can be measured by remote sensing, the same method is poorly adapted to estimate the quality of the stock under the canopy. Another recent source notes that some satellite images suggest that the rate of deforestation in Lao PDR is falling—that is, canopy cover is increasing (Koch 2017). But there are still big data gaps. "Despite a National Forest Inventory (NFI) in

2011–2012 and continuing efforts to produce forest maps for production forest area management plans, there is still no reliable, up-to-date official map accurately depicting the current national forest extent that is publicly available" (Thomas 2015, 1).

4.6 The project design envisioned the establishment of a baseline forest inventory by setting up permanent sample plots throughout the project area, the aim being to revisit these plots every five years or so to assess how much regeneration had occurred and how much timber could be harvested sustainably. The National Agriculture and Forestry Institute was responsible for training, ensuring data quality and validity, data analysis, and monitoring sample plot surveys. Provincial and district forest officers were responsible for collecting field data and ensuring that the plots were marked and maintained. In Champasak, all plots were resurveyed at least once; in the other SUFORD OP provinces, less than half of the plots were revisited. Follow up by all parties was weak, and most of the data generated were so poor that they were unusable (DOF 2013, 7).

4.7 There is an alternative benchmark. One measure of sound forest management is the share of the forest area that is certified by an impartial, internationally accredited agency. The appraisal document introduces the idea of independent monitoring without committing to an area target (World Bank 2003a, 51). The revised results framework says that the number of certified forest areas under project auspices should rise to 20 by closing (without specifying the area that would be covered). The World Bank completion report indicates that the FSC ultimately certified 30 such areas covering 0.3 million hectares, or 29 percent of the combined area of SUFORD OP and AF (World Bank 2013a, vi). However, the borrower completion report clarifies that the Council certified 24 of these 30 areas in March 2012, but then decertified them in March 2013 because of land concessions granted and unplanned logging—violating the terms of sustainable management (DOF 2013, 39). The other six areas (which were certified in 2008 and remained certified) accounted for a mere 6 percent of the forestland under SUFORD management.

4.8 Without compelling evidence of a positive forest management outcome, the analysis must shift to the incentives that the project created and if they were sufficient to make villagers engage in sustainable management. The biggest incentive was the prospect of a steady flow of timber harvest revenues. The borrower reported that in three of four OP provinces, less than half of all villages participating in the project received any revenue. For villages that did receive revenue, the average per year was $276 (table 4.1). To put this into perspective, FOMACOP villages, which were in more densely forested areas, received an average net revenue of $3,400 over the project implementation period—about $755 per year (Sunderlin 2006, 391). Table 4.1, which contains data from the borrower's completion report, shows that the total revenue for all villages was $193,441, with 38 percent of project villages receiving revenue. However, the World Bank completion report says that no more than $150,000 of revenue was generated, with 44 percent of project villages receiving revenue—the target was 60 percent (World Bank 2013a, 18).[v] No matter which estimate was correct, the incentive provided was limited. Although it is impossible to assess the actual change in forest management practices that occurred under the project, it is probable that the small amount of the revenue incentive

(and the lack of any such revenue in SUFORD AF provinces) reduced villager commitment to the objective of sustainable production forest management.

Table 4.1. Revenue from Timber Harvesting

Provinces (SUFORD OP)	*(1) N of Villages Benefiting*	*(2) N of Years Benefits were Received*	*(3) Mean Timber Revenue per Benefiting Village Per Year ($)*	*(4) Total Timber Revenue, All Villages ($) = (1) x (2) x (3)*	*(5) Benefiting Villages, (% of All SUFORD Villages)*
Khammouane	27	5	720	97,255	17
Salavane	87	4	31	10,696	94
Savannakhet	31	4	678	84,068	40
Champasak	10	6	24	1,422	13
Total	155	4.5	276	193,441	38

Source: DOF 2013, 40.

4.9 Two other factors limited any positive change in villager forest management practices. First, villagers received no clear signals about the annual allowable cut. The government's harvest quota system was not transparent, which raised doubts about how much revenue could be realized. Since the 1990s, the government has delivered mixed messages about the extent of logging permitted, and the quota allocation often appeared to favor areas that were clear cut for infrastructure development, reducing the revenue obtainable from production forest areas (Grace, Prixar, and Phengsopha 2012; Tong 2009).[vi] Paradoxically, early on, quotas set for SUFORD production forest areas often exceeded the annual allowable cut specified by project guidelines: the government's priority was to deliver all the wood that was needed to sawmills, regardless of sustainability considerations (Jonsson 2006, 18). Another source says exactly the opposite: Based on the forest management plans, the annual allowable cut for the SUFORD provinces was 34,483 cubic meters. Both the timber quota for production forests and the actual harvest were below the estimated annual allowable cut for project provinces—the 2010–11 timber quota was 17,965 cubic meters, and the actual volume harvested was 10,870 cubic meters (DOF 2013, 25). Such confusing signals must have added to the uncertainty about policy direction in the minds of villagers and forest officials.

4.10 Second, the lack of clear land rights and zoning may have reduced villagers' commitment to sustainable management of production forest. The Land and Forest Allocation Program that was launched in 1996 and covered about half of all the villages in the country (Sunderlin 2006, 391) created a set of claims to land that were subsequently partially overlapped by the Production Forest Areas promulgated in 2002. "Villagers do not understand their rights where land and forests are concerned. Production forests were demarcated after Land and Forest Allocation was carried out, adding more imaginary lines to preexisting ones. Forestry law has not been clearly interpreted to them even in Lao language, let alone in their own languages. Furthermore,

what is written in the law and what is actually practiced by officials in the field varies from place to place" (Chamberlain 2015, 13).

4.11 Third, some of the village development funds were used, in part, to finance crop intensification and agroforestry. This may have reduced forest conversion, particularly where high population density (Champasak) encourages encroachment. However, many of the grants were used to finance livestock. Contrary to project rules, some livestock grazed in production forest areas, hampering the growth of seedlings.

4.12 Given the range of shortcomings and lack of sufficient evidence to the contrary, achievement of the objective of making forest management sustainable is rated modest. While the project contributed to the completion of forest management plans for 1.3 m ha of forest land and put 1.2 million ha of land under a system of forest management, including the development of resource inventories and technical guidelines, the evidence gathered from the assessment concerning the current status of the system, with regard to forest management, enforcement, skills and capacity at all levels, indicates that while positive, only modest gains have been made. Evidence also provided about the deforestation rates in PFAs versus outside of PFAs - 0.30% versus 0.52% - requires a better understanding of causality, including in reference to the Logging Ban instituted in 2016 following previously mandated government logging restrictions.

4.13 The assessment of this objective is rated as **modest**.

Objective 2: Alleviate Rural Poverty

4.14 The project design envisioned that poverty would be reduced in two ways. First and foremost, poor households would be included among those receiving a share of timber harvest revenues. Certification of the areas under forest management plans would boost the poverty impact by enabling villagers to obtain a better price for harvested logs. Second, poor households would be among those benefiting from the infrastructure and income-generating activities financed from village development funds set up by the project—the mix of public and private goods that were funded was not predefined. In the short term, the village development funds were project-financed and released to selected villagers as interest-free, revolving loans. Ultimately, they would be replenished both from loan repayments and from the earmarking of timber harvest revenues. Neither of these two means of poverty reduction was targeted explicitly at the poorest households.

4.15 The main impact came from the village development grants. Their value in OP provinces was $3.4 million, and in the additional financing provinces, it was $1.2 million. As noted in the previous section, estimates of the timber revenue received by villages vary but none exceeds $0.2 million.

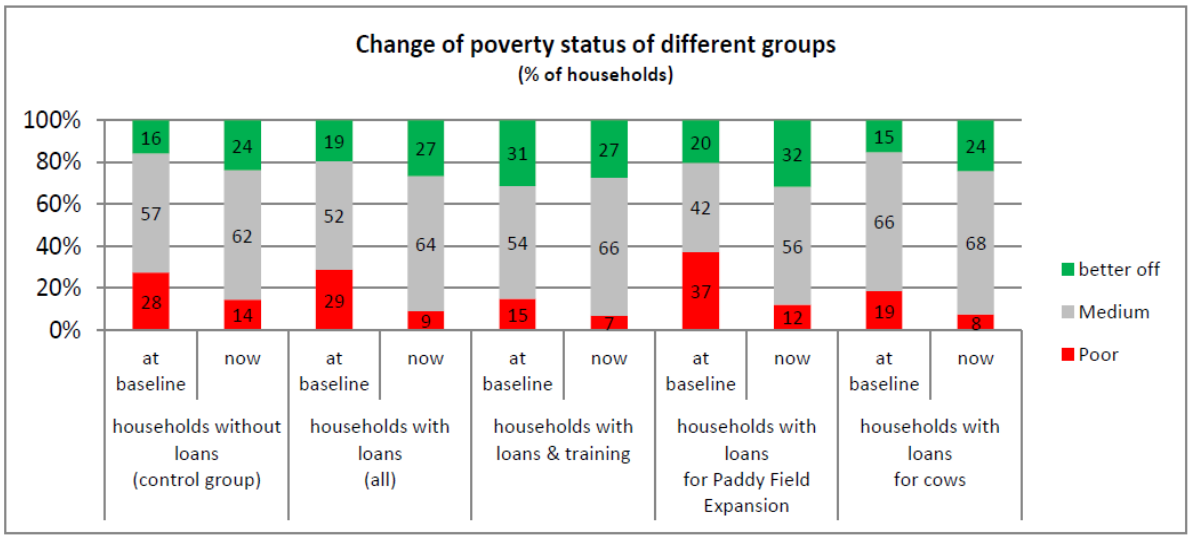
4.16 Under SUFORD OP, each project village received $8,000 for village development, with a first tranche of $3,000 and a second tranche of $5,000. Although there were some disbursement delays, the target number of 412 villages was reached. Part of the fund was reserved for livelihood development, but not all households in the village were selected to receive these funds. The selection criteria varied from village to village, and information that IEG gathered in the field suggested that the recipients included

better-off households. The funds were distributed to households as interest-free loans, the repayment of which would be used to replenish existing village funds or to set up a new revolving fund. Poorer households tended not to request the loans for fear they would have difficulty repaying them (DOF 2013, 27). There is no data on what share of households receiving loans was poor. Only 32 percent of the households that received loans repaid them.

4.17 Following advice from the World Bank legal department, the AF phase of the project dropped the revolving fund principle, distributing resources for livelihood development as grants to selected households. The amount per village was reduced to a single payment of $4,000. All 311 villages targeted received these funds. Net of a small sum to cover village administration costs, the transfer to each village was distributed between investments to increase food security (92 percent), improve livelihoods and infrastructure (3 percent), and develop small and medium enterprises (2 percent). The largest single investment was in rice paddy extension, followed by livestock raising. The borrower estimated that 42 percent of the 12,559 households benefiting from the village development grants were poor (DOF 2013, 25).

4.18 A SUFORD-commissioned study analyzed the impact of village development grants in the provinces covered by SUFORD OP (Piechotta 2012). In 2009, at the beginning of the observation period, the proportion of poor households was almost the same in both households that received and did not receive a grant (29 percent and 28 percent, respectively). In 2012, among those households that did not receive a grant, the proportion of poor households had dropped to 14 percent. Among those that received a grant, the proportion of poor households was 9 percent (figure 1). Between 2006 and 2013 GDP growth in Lao averaged 8 percent per year so this dramatic fall in the proportion in poverty is plausible. However, the village development grants did not target poor households: a little more than 70 percent of households that did or did not receive a grant were non-poor, by the study's definition. Moreover, given that the proportion in poverty declined substantially for the control as well as the treatment group, the project was not the main driver of poverty reduction.

Figure 1. Change in the poverty status of treatment and control households, 2009-2012.



Source: Piechotta 2012.

4.19 During the two project periods, $4.5 million was distributed to villages in the SUFORD areas. The data collected by SUFORD were insufficient for IEG to determine what proportion of participating households were below the poverty line. However, household survey data produced outside the project show that ethnic minority households tend to be below the poverty line (Coulombe et al. 2016). Project data show that about half of the participating households were ethnic minorities (DOF 2013). Therefore, it is reasonable to conclude that at least half of the households were poor in absolute terms. Any discussion of poverty impact needs to consider how this half fared under the project and the extent to which they were targeted explicitly. Project design did not allow these funds to be reserved for the poorest households. Social safeguard assessments conducted under SUFORD's auspices are candid in describing how the project marginalized ethnic minorities, despite the provision (on paper) for ethnic minority development plans (Chamberlain 2008, 2015).

4.20 An assessment sponsored by SUFORD after the IEG mission shows that in ten villages in three provinces (not among those visited by IEG) 92 percent of activities supported by the village development fund in 2012 (the last year of SUFORD AF) were still operating five years later. Although SUFORD rules envisaged the use of these funds as grants, on their own initiative village authorities converted them into revolving credits. The grants were initially distributed to 169 households; once revolved, they ended up benefiting 411 households. However, poor households were more reluctant to assume the repayment responsibility associated with these credits. Demand from this quarter was weak. Between the original project and SUFORD AF, of all the poor people in project villages, the share receiving funds fell from 69 percent to 46 percent (Daviau 2017).

4.21 The achievement of this objective is rated as **modest**.

5. Efficiency

5.1 The efficiency analysis is incomplete. The appraisal document includes a financial (not economic) cost-benefit analysis based exclusively on the returns to sustainable harvesting of timber. This yields an internal rate of return of 19.7 percent. The financial analysis in the completion report does not present the internal rate of return, but estimates the benefit-cost ratio as 0.83, indicating that net present value was negative.

5.2 At appraisal, the likely returns to the project investment were overestimated. The data on the components of gross revenue show the extent by which the project underperformed in relation to appraisal estimates (table 5.1). The average annual growth of timber stock per hectare (the basis for what could be sustainably cut) was one-third of the appraisal estimate. Additionally, the area harvested per year (combining provinces in the OP and under AF) was only two-thirds of what was projected for SUFORD OP alone. This is because the stocking density of the production forest areas was overestimated: the area available for harvesting each year was only 12 percent of the production forest area in SUFORD OP and 7 percent in SUFORD AF. Taken together, these two factors more than canceled out the gain from the higher-than-expected price of timber. Running the financial analysis again at completion was beset with problems. Given the lack of reliable data from permanent sample plots, it is difficult to quantify annual per hectare growth rates in the timber stock, jeopardizing the credibility of financial analysis. Reports from SUFORD are candid about the importance of this data vacuum (DOF 2017). The assumption made was that growth was 4 cubic meters per hectare for preferred species, but what proportion these species represented of all trees is unknown. The SUFORD data show that the mean for *all* species was 0.2 cubic meters per hectare in SUFORD OP provinces and 0.4 cubic meters per hectare in SUFORD AF provinces (appendix D; DOF 2013, 22). Thus, there is a large gap between the mean for all species and the mean for preferred species. The World Bank financial analysis was based on the higher value (World Bank 2013a, 40), yet the value added by the project was still negative.

Table 5.1. Gross Revenue Metrics for Timber Harvesting, Appraisal versus Completion

Metric	*Appraisal (SUFORD OP provinces)*	*Completion (SUFORD OP + AF Provinces)*
(1) Average annual growth	0.9 m^3/ha	SUFORD OP: 0.2 m^3/ha SUFORD AF: 0.4 m^3/ha
(2) Area harvested per year	195,000 ha	SUFORD OP: 87,346 ha SUFORD AF: 40,320 ha
(3) Annual harvesting volume = (1) x (2)	175,500 m^3	SUFORD OP: 19,221 m^3 SUFORD AF: 15,262 m^3
(4) Average price per m^3	$80	$122–$144 (mean $133)
(5) Gross yearly revenue = (4) x (3)	$14.0 million	SUFORD OP: $2.6 million SUFORD AF: $2.0 million

Source: Appraisal: World Bank 2003a, 54–55; Completion: World Bank 2013a, 37–40; DOF 2013, 22.
Note: ha = hectare; m = meter.

5.3 There are additional caveats to the analysis of efficiency. The financial analysis at completion was based on returns to harvesting timber from 2004 to 2025. However, restrictions on what may be harvested—most recently, the 2016 presidential ban on logging for export—call into question the assumptions about what returns may be realized in practice during this period. Furthermore, the proportion of villages in SUFORD areas that received a share of timber revenues is an important measure of efficiency because it bears on the objective of poverty reduction: under SUFORD OP, either 38 percent or 44 percent of villages received a revenue share (reports differ), while under SUFORD AF, no villages benefited. The target was 60 percent.

5.4 On the other hand, analysis carried out since the IEG mission suggests that the production model used for estimating returns to SUFORD at appraisal and completion substantially undervalued project benefits (World Bank, forthcoming). The price estimates used in various analyses during the SUFORD and SUFORD AF project ranged from US$ 122/m3 to US$ 144/m3 (table 5.1). Yet the average price of Vietnam imports of logs from Lao PDR varied from US$228 to US$595 between 2010 and 2016 (To and Canby 2017). Also, the analysis in the completion report did not include economic benefits from forest restoration, non-timber forest products, or ecological services such as water filtering, erosion reduction, or carbon sequestration. IEG rates efficiency as **modest.**

Outcome

5.5 Relevance of objectives and design is rated substantial. The efficacy rating for Objectives 1 and 2 is rated modest. Efficiency is rated modest. The sum of these components yields an outcome rating of **moderately unsatisfactory**.

Risk to Development Outcome

5.6 There are several indications that whatever the improvements to forest management attributable to the project, they are unlikely to be sustained.

5.7 The recurring logging bans undermine the logic of a project design based on sharing timber revenues with villagers. At one level, the bans appear consistent with enhanced sustainability of the forest resource. There are signs of a decline in illegal felling of trees since the 2016 ban on log exports: the prime minister is encouraging civilians to use his Facebook page to report violations, and the number of logging trucks on cross-border roads has fallen (Koch 2017, 11). Round wood exports to Vietnam fell by 84 percent in the first six months of 2016 compared with the same period in 2015; for sawn timber, the decline was 63 percent (Forest Trends 2016). However, most of these exports had not previously come from production forest areas, but rather from areas of intact primary forest populated more densely with high-value species. The bans will not greatly enhance the sustainability of forest management in production forest areas.

5.8 The new formula increasing the share of timber revenues received by villagers has not yet been applied, reducing villagers' incentive to take sustainable forest management seriously. It is estimated that if the 2012 revision to the benefit-sharing mechanism had been applied to the timber harvested in Salavane in 2010–11, the revenue flowing to the

village development fund would have increased almost six-fold (DOF 2012, 2). However, there has been no significant harvesting in SUFORD areas since 2011. Until the 2016 presidential decree outlawing the export of logs is modified and fixing of harvesting quotas becomes more transparent, it is unlikely that the change in the formula will have much influence on villagers' behavior.

5.9 Villagers appear unlikely to sustain the SUFORD model. The borrower's completion report says, "In selected locations, the villagers have the skills to conduct basic forest management operations on their own with limited assistance from government staff" (DOF 2013, 48). IEG's focus group discussions in Salavane and Champasak suggested that this was not the case (at least in these locations). There was little understanding of what the SUFORD model entailed, and indications that villagers had little incentive to take the initiative in managing the forest sustainable—it all hinged on initiatives taken by local forestry officers, the budget for whose efforts would be reduced once project financing ended. Social assessments corroborated these impressions (Chamberlain 2008, 2015; Daviau, Soubantit, and Sayavong 2012), which highlighted the limited outreach to ethnic minorities that made up about one-half of the households attended by SUFORD. Additionally, one SUFORD consultant recently found that "Villagers in the new districts had little or no knowledge of the production forest area or the distinction between village forests and the production forest area, mistakenly assuming that a 'production' forest is a place for agricultural production" (Chamberlain 2015, 21).

5.10 There are mixed messages about whether the village development funds will provide continuing support to the long-term livelihood diversification that is necessary to reduce pressure on the forest. An internal status update prepared by SUFORD found, "The main problems experienced by the village development funds are that they are financially and institutionally unsustainable. The repayment rates are low, and unless commercial microfinancing institutions step in, there is no adequate support structure for them. The public-sector institutions do not have the necessary professional skills to manage such schemes…In the future, village investments should be selected much more carefully. [In the SUFORD OP provinces], nearly half of the projects involved buffalo, cow, or goat raising. There is no systematic assessment of their impacts, but anecdotal evidence suggests that at least in some cases, the increased grazing of these animals has had negative impacts on the forest" (DOF 2012, 24). The borrower's completion report also says that "in most cases," the survival of village development funds established under the project is doubtful (DOF 2013, 48). However, a recent SUFORD-sponsored assessment of ten villages in three provinces found that village authorities had taken the initiative to convert SUFORD SU grants from the village development fund into revolving credits, raising the number of households served from 169 to 411 (Daviau 2017). These funds may continue to recycle.

5.11 Some of the capacity building supported by the project may endure, but budget constraints are a source of concern. "Law enforcement staff has acquired the basic skills and has established a systematic enforcement programme, which can be maintained provided that adequate funding is available. Also, the Department of Forestry and, to some extent, Department of Forestry Inspection have introduced modern management tools such as the national forestry reporting system, internal monitoring system,

document management system, budget planning system, and the Department of Forestry Inspection information management system, but further support is needed to ensure that the use of these management tools becomes a routine activity" (DOF 2013, 48–9).

5.12 Conflicting rules about land use and the inconsistent way they are applied reduce the survival prospects for the model of participatory sustainable forest management championed by SUFORD. On the one hand, basic legal documents like the Constitution and the Forestry Law cite the central role of the state as sole landowner and ultimate decision maker over forest resource use. On the other hand, SUFORD-related legislation entitles local communities to certain rights in forest management and benefit sharing. When conflicts arise between communities and state agencies, it is easy for officials to simply cite the Constitution or the Forestry Law to deny communities any meaningful role in decision making. "Unless this central contradiction is addressed, by amending the Constitution and the Forestry Law, there seems little hope that participatory sustainable forest management will achieve widespread implementation or lasting success" (Hodgdon 2010, 73). A SUFORD status report highlighted the consequences of the government's flawed and contradictory land use policies: "Unless new policies, such as village-based tenure of degraded forest land, are adopted, there is a risk that many villages will have limited interest to contribute to participatory management." The same source notes, "Land use plans sometimes do not reserve enough agricultural land for local people, especially for those who practice shifting cultivation. If they do not have enough land, they may go to regeneration and restoration sites. In this case, there is a risk that the investments made in regeneration and restorations are lost" (DOF 2012, 50).

5.13 Based on recent evidence, some of the production forest areas served by SUFORD may be parceled out to contractors who will not respect the sustainable forest management principles championed by the project. "Concessions have become a major problem in some areas as unscrupulous investors take advantage of naive villagers. This is also aggravated by the lack of tenure (official legal document from government for recognizing land rights) by villagers over these areas. Particularly noteworthy examples observed during the assessment were in Attapeu and in Luangnamtha. In the former, the Oji Paper Company has obtained a 50-year lease for 128 hectares of land belonging to the Arak village of Dak Kiat for the paltry cost of constructing a one-room small office building. Oji has planted a kind of eucalyptus, which in addition will adversely affect the soil quality. In Long District of Luangnamtha, Chinese banana plantations have spread throughout the district, renting all available land, including rice paddies, and using toxic chemical fertilizers, pesticides, and weed killers (dioxin). Although the price of the rent is favorable, villagers are only now beginning to comprehend the environmental damage that is being done" (Chamberlain 2015, 21).

5.14 Scale up of the SUFORD model is not financially viable. Expanding the SUFORD model to include all production forest areas nationwide would not generate enough revenue from timber harvesting to cover costs. A SUFORD status update carefully spells out the reasoning for this, and it needs quoting in full: "Due to excessive logging in the past, the level of sustainable harvesting is low, estimated at 4 cubic meters per hectare, if only the most preferred species are considered. The annual allowable cut in the 16 SUFORD production forest areas is estimated at about 35,000 cubic meters. If the level of harvesting in the non-SUFORD production forest areas will be approximately the

same as in the SUFORD production forest areas, the total annual allowable cut would be approximately 90,000 cubic meters. This may be an overestimate because the current SUFORD production forest areas are among the best-stocked forest areas; the average annual allowable cut in the remaining production forest areas may be lower. If the harvesting volume is 90,000 cubic meters and average timber prices [are what they were] in Savannakhet and Salavane provinces in 2009–10 and 2010–11, the revenue to be allocated for the operational costs of forest management would be about $1.6 million per year. This is sufficient to finance the core activities in the production forest areas system, but it falls short of the cost of implementing the full participatory sustainable forest management model, the cost of which has been estimated at slightly more than $2 million per year. To generate this much revenue for operational costs, the annual allowable cut would have to be about 150,000 cubic meters. Even in this case, the financing available for protection, reforestation, and restoration activities would be limited" (DOF 2012, 4).

5.15 The risk to development outcome is rated **high**.

World Bank Performance

QUALITY AT ENTRY

5.16 When SUFORD was prepared, the World Bank had more than 10 years of experience in dealing with forest issues in Lao PDR. Although IEG rated the forest project that preceded SUFORD as unsatisfactory overall, it acknowledged the promise of the village forestry model that FOMACOP had piloted (World Bank 2002); other observers said that the pilot was one of the most promising forestry models developed in Southeast Asia (Poffenberger 1999).

5.17 However, by the time the World Bank began work on SUFORD, central and provincial government powerholders had turned against the village forestry model, possibly because it would reduce their control over resource rents (Hodgdon 2010). Faced with this unpromising environment, the World Bank and the Finnish government engaged in a protracted dialogue with the Ministry of Agriculture and Forestry, seeking to develop a new model of forest management that would allow, to the extent possible in the constrained circumstances, sustainable harvesting of natural forest with villager participation. Together with its partners, the World Bank prepared a substantial review of production forestry in Lao PDR (World Bank, Sida, and MOFA Finland 2011), making a comprehensive case for participatory sustainable forestry management. This was backed up by a thorough environmental and social assessment (Dick and Williams 2002), which acknowledged the limitations of the policy environment, and the need to confront the legacy of previous government initiatives that may have sent conflicting signals to villagers about land use. The appraisal document was explicit about the risk of proceeding with SUFORD: "Government's previous approach to the sector and its previous willingness to reverse undertakings toward, for example, use of open public timber auctions and villager participation and benefit from timber revenues, raise concerns about the durability and depth of commitment to reformed policies in forestry" (World Bank 2003, 18).

5.18 Arguably, the World Bank and its partners came up with the best project design they could in the political circumstances: although the FOMACOP model may have offered villagers a better deal, government would not have supported any return to this approach. The choice of project components and activities was logical and internally consistent. The short-term revenue stream from timber harvesting may have been overestimated but there was limited information about stocking levels. The provision for monitoring poverty reduction was incomplete, lacking appropriate indicators and a baseline survey.

5.19 It is an open question whether, without the prospect of a $1.5 billion credit for the Nam Theun 2 Hydroelectric Project, the World Bank would have secured government support for SUFORD; and how much leverage over forest policy was lost once that mammoth credit had been approved by the World Bank. But the attempt to continue engaging with the Lao authorities on forest management was a worthwhile endeavor.

5.20 Quality at entry is rated **satisfactory**.

QUALITY OF SUPERVISION

5.21 The World Bank supervision team downgraded the implementation progress rating to unsatisfactory in December 2004 in response to start-up delays attributable to weak government capacity and poor interagency coordination. Remedial measures included securing the appointment of a more-supportive project director. Financial management and procurement procedures were simplified, and planning and coordination between the central governments and the provinces was strengthened. Despite a slow project start-up, changes made in response to the midterm review enhanced project effectiveness and put project implementation on track. Placing project management under a single umbrella within the Department of Forestry improved decision making, reporting, accountability, and implementation, though these improvements were left until late in the project cycle.

5.22 The decision to press for additional financing, allowing SUFORD to expand over time and space, is questionable. (Even more questionable was the approval of a third phase, SUFORD Scale-Up, but this lies outside the remit of this assessment.) When additional financing was approved in 2008, recent government edicts (including the 2007 Forest Law) suggested that the central authorities were now indifferent to or, at best, lukewarm about SUFORD principles. A parallel operation based on the SUFORD model—the Xekong Project, supported by the World-Wide Fund for Nature—was canceled at the government's request (appendix F). Social assessments had shown that SUFORD's outreach to ethnic minorities was insufficient. The early experience with preparing forest management plans had drawn attention to problems posed by the thinness of the forest stock in SUFORD production forest areas and the limited flow of harvest revenues to villagers (Sunderlin 2006, 393). The Nam Theun 2 Hydroelectric Project had been approved in March 2005 and was being underway, meaning that the World Bank no longer had leverage to renegotiate SUFORD's terms. The donor policy agenda had already shifted toward REDD+, tackling global warming by reducing emissions from deforestation and forest degradation (Lestrelin et al. 2013).[vii] Instead of moving forward with SUFORD (into even more marginal areas of production forest), it

was the right time for the World Bank to reassess its approach. At the restructuring, there was an opportunity at least to propose better indicators for measuring progress toward the two project objectives, but the amendments to the results framework were insubstantial.

5.23 Quality of supervision is rated **moderately unsatisfactory**.

Borrower Performance

GOVERNMENT PERFORMANCE

5.24 Passage of the enabling legislation for SUFORD was timely: In December 2001, the Ministry of Agriculture and Forestry agreed on the main precepts for village participation in production forest areas, and in May 2002, Decree Number 59 issued by the Prime Minister's Office embodied these principles. The government subsequently issued Decree 29 in 2006 and Decree 270 in 2008, increasing the production forest area ultimately to 3.1 million hectares. The government was instrumental in ensuring that forest management plans were passed in all the production forest covered by SUFORD.

5.25 However, government policy documents indicate a waning commitment to SUFORD principles, even before additional financing was approved. The revised Forest Law does not refer to participatory sustainable forest management (GoL 2007). The Seventh Socioeconomic Development Plan (2011–15) includes "strengthening forest management," but there is no reference to the role of local communities or participatory approaches, or links between management and poverty reduction (GoL 2011, 56–60, 117). The various levels of government enforced the enabling legislation selectively and inconsistently. Central, provincial, and district officials often failed to embrace the participatory spirit of SUFORD and gave little opportunity for villagers to own the project. Decisions about concessions (some of which affected production forest areas) and harvest quotas were not transparent, sending mixed messages to villagers.

5.26 Government performance is rated **moderately unsatisfactory**.

IMPLEMENTING AGENCY PERFORMANCE

5.27 Project implementers at the central level brought great energy and commitment to bear. The project was implemented through a national project management office housed in the Ministry of Agriculture and Forestry. This office worked closely with the World Bank and the Finnish technical assistance team and was always open to dialogue. It took the necessary steps to resolve conflicts, including measures to accommodate Hmong settlers (not displaced by the project) and salvage logging contracts that threatened to encroach on SUFORD production forest areas. The office reported regularly on project implementation progress. The Finnish team and SUFORD consultants of other nationalities brought considerable forest expertise to bear and were highly committed to the project. They generated a wide range of technical studies and social assessments, and made energetic attempts to secure data on the quality of the forest resource by remote sensing. SUFORD AF assigned an expert to work full time on climate change mitigation (DOF 2013, 3). Together, these project implementers pressed for an increase in the share of timber revenues received by villagers. "A Presidential Decree (2012) drafted with

project support substantially increased timber revenue-sharing (12 percent of gross revenue) with all communities in production forest areas and reinvestment in forest management at local level" (World Bank 2013a,16). However, the decree is yet to be implemented. Despite a substantial investment in their training, SUFORD project teams in the provinces and districts performed under par throughout the implementation period and were particularly weak on procurement and financial management.

5.28 Implementing agency performance is rated **moderately satisfactory**.

6. Lessons

6.1 **A pattern of weak government commitment to increasing citizen's natural resource rights exists in Lao PDR.** This is the third IEG assessment in 15 years to highlight project failures associated with the Lao government's lack of commitment and limited transparency in administering land and natural resources. Borrower performance on the FOMACOP was rated unsatisfactory because "The government was not consistently committed to policy reform or to supporting the innovative village forestry model" (World Bank 2002, 26). An assessment of the Second Land Titling Project also rated government performance as unsatisfactory. It found that "The government did not fully implement Decree 192, which called for adequate compensation to titleholders whose land was compulsorily purchased by the government. In this respect, government has not demonstrated its full commitment toward honoring the half million or so land titles issued under the two projects supported by the World Bank" (IEG 2013, 35). In the case of SUFORD, various social assessments conducted by the project team found that attempts to include ethnic minorities in participatory planning and the sharing of benefits were less effective than the project design envisaged, an impression that was borne out by IEG's visits to seven project villages.

6.2 **Villagers who are denied secure community tenure and rights to forest resources are unlikely to commit to sustainable forest management**. Experience in other countries has shown that villages will have a genuine stake in sustainably managing forestland only when they own it (Segura Warnholtz et al. 2017). In Lao PDR, the law indicates that is the state that has sole ownership over the production forest. Villages whose boundaries extend into the production forest are given a right to be involved with management and to receive a share of the benefits, but the forest is not allocated to them. In the absence of a secure claim to production forest resources (including non-timber forest products) and without a steady stream of revenue from sustainable harvesting of timber, it will be hard to motivate villagers to engage in a participatory management scheme—and even harder when the various levels of government inconsistently apply the principles of participatory management.

6.3 **The zoning of natural forest may fail to reflect variations in the richness of the resource, so the area earmarked for sustainable management may be unrealistically large, stretching administrative resources too thin**. In Lao PDR, the production forest area is a legal entity that overlaps with other forest entities and encompasses only part of the richest forest stock. The overlaps aggravate uncertainties about tenure. The large extent of the production forest area (all of which is to be covered by SUFORD-led management plans) creates an apparatus that provincial and district

offices will not have the recurrent budget to administer effectively. In the absence of comprehensive data about the extent of the forest resource—including data on growth rates collected through the periodic inspection of permanent sample plots—it is difficult to develop a rational zoning strategy, or to make projections about the scope for sustainable harvesting. In response to political pressures, compared to FOMACOP, SUFORD offered a larger number of villages a potential claim to forest resources, which was problematic given the thinness of the resource.

6.4 **Zoning and the preparation of management plans for specific forest tracts are important first steps but they are not, in themselves, sufficient evidence that sustainable forest management is being implemented.** The completion of forest management plans for 1.3 million hectares that SUFORD sponsored was a significant step forward for a country with a weak record of forest governance. But the foundation that this provided has not been consolidated by follow-up monitoring of forest inventory. Unless they are complemented by ground truthing, involving the systematic resurvey of sample plots, the remote sensing data are insufficient proof of natural forest regeneration, because they don't capture what is going on under the canopy. Moreover, SUFORD acknowledges that the remote sensing data for 2005-2010 and 2005-2010 are unreliable. The OP and AF phases of SUFORD that this report assesses ended in 2012. Therefore, it is impossible to determine how much of the modest extension of the canopy that (more reliable) satellite data show occurred between 2010 and 2015 can be attributed to the first two phases. Now that the final phase (SUFORD—Scale Up) is nearing completion the onus is on the government of Lao PDR to set up a system of monitoring of the forest resource based on the regular inspection of representative sample plots. Only then will the rate of forest regeneration—and progress toward the national target of covering 70 percent of the territory with forest—be reliably tracked.

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[i] The legal status of production forest areas derives from Prime Minister Decree No. 59/PM (2002) on Sustainable Management of Production Forest and the ministerial regulations No. 0240/MAF.2003 of the Ministry of Agriculture and Forestry on establishment and sustainable management of production forests, and on No. 0060/2003, which defines principles for logging and harvesting of forest products. In 2006, eight production forest areas (PFAs) were officially demarcated through Decree of Prime Minister No. 27

(2006), and an additional 29 PFAs through Decree of Prime Minister No. 321 (2006). Currently, Lao PDR has 51 nationally designated PFAs covering a total area of 3,089,423 hectares (Grace, Prixar, and Phengsopha 2012, 21).

[ii] SUFORD OP: Champasak, Khammouane, Salavane, and Savannakhet (covering 569,640 hectares of production forest area); SUFORD AF: Attapeu, Bolikhamsay, Vientiane, Xayabouli, and Xekong (covering 609,491 hectares of production forest area) (DOF 2013, 22).

[iii] Forest Law 2007, Article 4 states, "Natural forest and forestland is the property of the nation and the State manages it through centralization and unity throughout the country."

[iv] "The SUFORD project gives less management authority to villagers than existed in the FOMACOP [Forest Management and Conservation Project] model, and the benefit sharing formula places most of the financial risk on villagers. Moreover, some of the areas of forest included in the SUFORD project have already been logged, signifying that participants will have to rely on non-timber forest products, which generally provide lower incomes" (Sunderlin 2006, 391).

[v] The shortfall is attributed to "the relatively low stocking levels in production forest areas, the conservative harvest levels, and the uneven distribution of timber across communities" (World Bank 2013a, 18).

[vi] The first of several partial logging moratoria dates to Prime Ministerial Decree No 67 in 1991. In 2001, besides reducing the logging quota drastically, the government banned the export of raw logs (Thomas 2015, 13–14).

[vii] "REDD+ found a place in the national policy debate in 2007, and the government of Laos [Lao PDR] sees it as a potentially important source of the technical and financial support the country needs to achieve its afforestation and reforestation objective of 70 percent national forest cover by 2020. The National REDD+ Taskforce was established in November 2008 and, since 2010, numerous multilateral and bilateral projects have been providing Lao PDR with institutional, technical, and financial support to design a national strategy and framework and introduce subnational pilot REDD+ activities…high priority should be given to clarification of land and carbon rights. As most carbon-rich areas are under state management, national land and forest tenure reform may be necessary to avoid marginalizing local communities and to ensure that REDD+ schemes are equitable" (Lestrelin et al. 2013, 45).

Appendix A. Basic Data Sheet

Lao Sustainable Forestry for Rural Development Project

(IDA-38020 IDA-H4460 TF-95057)

Key Project Data (amounts in $, millions)

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	16.45	40.45	40.66
Loan amount	10.45	20.45	51.1
Cofinancing	6.00	20	30

Cumulative Estimated and Actual Disbursements

	2004	*2005*	*2006*	*2007*	*2008*
Appraisal estimate ($, M)	1.60	2.80	2.60	1.70	1.20
Actual ($, M)	300	142	253	242	346
Actual as % of appraisal					
Date of final disbursement: 05/2013					

Project Dates

	Original	*Actual*
Board approval		06/24/2003
Signing		09/4/2003
Effectiveness		02/3/2004
Closing date	12/31/2008	12/31/2012

Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY00	0.54	1.5
FY01	0	0
FY02	13.24	170.1
FY03	20.36	189.3
FY04	1.45	6.25
Total:	35.59	367.12
Supervision/ICR		
FY04	8.48	49.52
FY05	13.86	66.46
FY06	25.04	96.46
FY07	23.47	97.9
FY08	11.64	71.22
FY09	11.17	81.57
FY10	17.58	11.85
FY11	21.18	98.68
FY12	12.82	90.71
FY13	6.96	57.72
Total:	156.2	820.77

Task Team Members

Names	Title	Unit	Responsibility/ Specialty
Lending			
William B. Magrath	Task Team Leader	EASRD	Task Team Leader
Guzman Garcia-Rivero	Portfolio Manager	EASRE	Portfolio Manager
Svend Jensby	Social Safeguards	EASSD	Social Safeguards
Nina Masako Eejima	Lawyer	LEGEN	Lawyer
Enrique Crousillat	Country Manager	LCSEG	Country Manager
Linda Schneider	Country Anchor	EACLF	Country Anchor
James B. Carle	Forestry Specialist (FAO)	EASES	Forestry Specialist (FAO)
James Smyle	Peer Reviewer	LACES	Peer Reviewer
Peter Jipp	Peer Reviewer	EASTS	Peer Reviewer
Nipa Siribuddhamas	Financial Management	EAPFM	Financial Management
Chinnakorn Chantra	Procurement Officer	EAPCO	Procurement Officer
Rosa Muleta	Disbursement Officer	LOAAS	Disbursement Officer
Evelyn Bautista-Laguidao	Program Assistant	CROVP	Program Assistant
Cecilia B. Tan	Team Assistant	SEGOM	Team Assistant
Malarak Souksavat	Program Assistant	EASFM	Program Assistant
Souphanthachak Sisaleumsak	Procurement Specialist	EASR2	Procurement Specialist
Malarak Souksavat	Financial Management Analyst	EASFM	FM Analyst
Brenda Phillips	Quality Control	EASRD	Quality Control
Arlene Reyes	Quality Control	EASRD	Quality Control
Supervision/ICR			
Peter Jipp	Task Team Leader	EASTS	Task Team Leader
Ulrich Schmitt	Sr. Natural Resources Economist	EASCS	Sr. Natural Resources Economist
Roch Levesque	Sr. Counsel, Country Lawyer	LEGES	Sr. Counsel, Country Lawyer
Khamlar Phonsavat	Climate Change Specialist	EASTS	Climate Change Specialist
Jeremy Stephen Broadhead	Consultant	EASTS	Consultant
Kannathee Danaisawat	Financial Management Specialist	EAPFM	Financial Management Specialist
John H. Dick	Consultant	ENVCI	Consultant
William B. Magrath	Lead Natural Resources Economist	SASDA	Lead Natural Resources Economist
Satoshi Ishihara	Sr. Social Development Specialist	EASTS	Sr. Social Development Specialist
Sybounheung Phandanouvong	Social Development Specialist	EASTS	Social Development Specialist
Viengkeo Phetnavongxay	Environmental Specialist	EASTS	Environmental Specialist

Renae Nicole Stenhouse	Consultant	EASER	Consultant
Jennifer K. Thomson	Manager, Financial Management	SARFM	Manager, Financial Management
Giuseppe Topa	Lead Specialist and Forest Advisor	EAP	Lead Specialist and Forest Advisor
Richard Grandalski	Forest Law Enforcement Specialist	NA	Forest Law Enforcement Specialist
Diji Chandrasekharan Behr	Natural Resources Economist	AES	Natural Resources Economist
Viengsamay Srithirath	Country Officer	EACLF	Country Officer
Wang Chaogang	Sr. Social Development Specialist	MNSSO	Sr. Social Development Specialist
Thalavanh Vongsonephet	Program Assistant	EACLF	Program Assistant
Chutima Lowattanakarn	Team Assistant	EACTF	Team Assistant
Manoly Sisavanh	Program Assistant	EACLF	Program Assistant

Appendix B. Process Steps toward Sustainable Forest Management Outcome

Table B.1. Process Assessment

Intended Process	*Process Steps*	*Gaps Mapped between Assumptions and Focus Group Findings in Salavane and Champasak*	*Overall Assessment*	*Document Citations*
Step 1: Designate Villages	All villages within 5 kilometers of the production forest area were eligible. This was in reaction to the earlier FOMACOP pilot (World Bank 1994) that was perceived as divisive or unfair because it was limited to villages that were inside the forests or straddling the boundaries, creating conflicts with outside villages that were excluded from revenue-sharing benefits.	Too many villages participated, which had the effect of spreading benefits too thin. Many of the production forest areas included in SUFORD were thinly stocked (table 1.1): there was little scope for harvesting in the short term, and any harvesting that did occur would yield little revenue.	SUFORD villages had little prospect of reaping significant revenues from timber harvesting.	
Step 2. Mobilize and Organize Villagers	The provincial and district offices of the Ministry of Agriculture presented the project concept to villagers and organized them into village forest organizations, each headed by a village forest committee established by the project.	The village chief and forestry officials selected the members of the village forest committee without consulting the village. Women were represented poorly (only three of the seven villages visited had women on the village forest committees). Village forest committee members have not been trained in forest husbandry. Many villagers (but few women) took part in land use zoning and forest inventory activities.	Many villagers were mobilized, but most did not understand SUFORD objectives.	The social assessment found that women are generally not involved in forestry-related decisions and not usually well represented on the committees (Chamberlain 2008, 85). "The village forest organizations and village forest committees are not active in areas where no timber harvesting takes place" (DOF 2013, 20).
Step 3. Prepare the Forest Management Plan	Local officials engaged most villagers in the activities that would serve as inputs to the Forest Management Plan: establishing land use zones, marking boundaries, and taking an inventory of trees and non-timber forest products.	Participatory land use zoning revealed that production forest areas overlapped lands that villagers used for shifting cultivation. Village forest committee members have little	Many plans were approved, but with little village ownership.	In four production forest areas in Savannakhet that had approved management plans, "the understanding of participatory sustainable forest management concepts was not clear. All village forest organizations expressed that quality of

Intended Process	*Process Steps*	*Gaps Mapped between Assumptions and Focus Group Findings in Salavane and Champasak*	*Overall Assessment*	*Document Citations*
	Forest Management Plans were approved in all SUFORD areas (appendix D).	understanding of their rights and responsibilities.		training was insufficient" (Jonsson 2006, 16). After plan approval, forest inventories were not updated, and villagers (including members of the village forest committee) largely forgot the plans' details. "In the existing project villages, there was no written documentation available to villagers that could be reviewed or studied. Most had forgotten what had been presented orally in disseminations and training" (Chamberlain 2008, 84).
Step 4. Define and Enforce Forest Access Rules	The intent was that rules governing forest access and benefit sharing would be defined clearly, and that villagers would understand and uphold them, with sanctions for those who break the rules and redress for those whose rights are infringed.	The rules are hard to enforce because there is little provision of per diems to villages participating in patrols. Eleven years after they had signed the Forest Management Plan, people in the seven villages visited had little detailed knowledge of access rules. In several villages, livestock graze in the production forest, eating the tree shoots on which natural forest regeneration depends. Although the process appears to have respected boundaries known to the villagers, the access rules do not offer any short-term benefits (they outlaw grazing of livestock in production forest and reduce harvesting of	Access rules have been poorly enforced and hard to implement.	

Intended Process	*Process Steps*	*Gaps Mapped between Assumptions and Focus Group Findings in Salavane and Champasak*	*Overall Assessment*	*Document Citations*
		non-timber forest products).		
Step 5. Stop Outsider Encroachment	SUFORD's designers presupposed that provincial and district governments would not undermine the rules of the project by giving production forest in concessions for illegal logging or agribusiness.	Given the smallness of budgetary transfers from central to local government and the limited leverage that the center has over provinces and district administrations, there is a big incentive for local governments to collude with contractors. Before 2016, these deals were a major driver of the illegal export of logs to China, Thailand, and Vietnam. Local governments have ceded some areas of production forest as concessions for commercial plantations and cash cropping.	Local governments have sometimes cut deals with outsiders.	A social assessment commissioned by SUFORD at the start of Phase II found, "Without exception, all of the villages consulted in the new Production Forest Areas have had bad experiences with unscrupulous logging companies…Encroachment by outside private sector concession interests on village and Production Forest Area lands represents an obstacle to implementation in the Production Forest Areas of Attapeu, Xekong, and Bolikhamsay… [In these provinces] concessions have been granted without consultation of villagers." (Chamberlain 2008, 87–89; 115).
Step 6. Harvest Timber Sustainably	Project rules determined that logging companies would harvest timber in line with the estimated sustainable yield per hectare and the annual allowable cut.	There was limited harvesting in SUFORD OP areas, partly because the best trees had already been removed. and none of the forest areas included in SUFORD AF have been harvested. Throughout the project, there was confusion about quotas and prospects for future harvesting. There is no transparency in determining logging quotas and contracts; officials collude with	Little timber has been harvested.	According to the social assessment, villagers had little say in the harvesting process or the selection of contractors. They expressed regret that "they had not been consulted on tree selection and the subsequent selection of the logging company and the sawmill" (Chamberlain 2008, 85).

Intended Process	*Process Steps*	*Gaps Mapped between Assumptions and Focus Group Findings in Salavane and Champasak*	*Overall Assessment*	*Document Citations*
		contractors, and there is little sharing of revenue with SUFORD villages.		
Step 7. Share Timber Revenues with Villagers	The aim was to auction logs and share the proceeds (net of taxes and royalties) with villagers.	Many villages in SUFORD OP received no revenue; no revenue was received by SUFORD AF villages because no timber was harvested.	Few revenues have been shared.	
Step 8. Set Up a Village Development Fund	The village development fund was intended to finance forest management, small-scale infrastructure, and income-generating activities. This would be a project-financed rotating fund with payments made to selected households; households would pay back what they received, and the fund would be replenished from timber revenues.	There was limited replenishment of the village development fund in SUFORD I (many households failed to repay). In SUFORD II, a one-time grant replaced the rotating fund. There was little left in village development funds at project completion, and there is uncertainty about how to access what remains. Village development funds either did not revolve as expected (households did not pay them back), or repayments were placed in a bank account that villagers did not control.	The funds have not been sustained.	Reflecting on the use made of the village development fund, "Villagers felt generally that the decisions had been made too fast and without ample time to consider the options." However, "The poor households with the desire and the labor force were in fact identified well, and a real attempt was made to assist this target group" (Chamberlain 2008, 86).
Step 9. Include Disadvantaged	The process of developing the Forest Management Plan and sharing the benefits from timber harvesting and the village development grants was intended to include women, ethnic minorities, and the poor. However, there was no explicit targeting of these groups. The Operating Manual stipulates that women be represented in the village forest committees.	Only one of the seven villages visited by IEG had a village forest committee with a woman representative. Project guidelines were either not translated into ethnic languages, or the translated brochures were not distributed. None of local officials was trained to deal with	The project has not been inclusive.	"There is a poor appreciation and understanding of the implications of ethnic diversity on the part of the District Agriculture and Forest Offices and the Provincial Agriculture and Forest Offices " (Chamberlain 2008, 26).The village development funds were not targeted at poor households, and allocation

Intended Process	*Process Steps*	*Gaps Mapped between Assumptions and Focus Group Findings in Salavane and Champasak*	*Overall Assessment*	*Document Citations*
		those who do not speak Lao.		of these resources tended to benefit better-off households. "Households with low levels of literacy and ethnic minorities were less able to benefit from the loans than medium and (especially) better-off households" (Piechotta 2012, 4).
Step 10. Consolidate	The intent was that provincial and district forest officials would continue to provide technical assistance to SUFORD villages.	Once project funds were depleted in 2012, there was insufficient government budget and too few skilled officials to continue the work of enforcing rules, training villagers in forest husbandry, and monitoring forest inventory.	There has been little follow-up after project completion.	

Note: FOMACOP = Forest Management and Conservation Project; IEG = Independent Evaluation Group.

Findings from Focus Group Discussions on SUFORD Process Steps

The following are findings from focus group discussions on the process steps:

- Many villagers (but few women) took part in land use zoning and forest inventory activities (steps 2 and 3).
- Participatory land use zoning revealed that production forest areas overlapped lands that villagers used for shifting cultivation (step 3).
- The village chief and forestry officials selected the members of the village forest committee without consulting the village (step 2).
- Village forest committee members have little understanding of their rights and responsibilities (step 3).
- Village forest committee members have not been trained in forest husbandry (step 2).
- Only three of the seven villages visited had women on the village forest committee (step 2).
- Forest officials and local members of the SUFORD implementation team had not explained the project objectives clearly to villagers; this was not a language problem (steps 3 and 4).

- District and provincial officers wrote the rules governing access to production forest areas with only limited participation by the villagers (step 4).
- Villagers have forgotten the details of the rules and do not have a copy of the Forest Management Plan or supporting documentation (steps 3 and 4).
- Forest inventories have not been updated since forest management plans were approved, so it is unclear if forest cover and stocking density has increased or decreased (step 3).
- There is no allowance for per diems; few villagers participate in forest monitoring and patrolling (step 4).
- There is no transparency in determining logging quotas and contracts; officials collude with contractors, and there is little sharing of revenue with SUFORD villages (step 6).
- Local governments have ceded some areas of production forest as concessions for commercial plantations and cash cropping (step 5).
- Various methods were used to decide which households would benefit from village development funds; funds were not targeted to poor households, many of which were reluctant to receive them for fear of being unable to repay the money (steps 8 and 9).
- Village development funds either did not revolve as expected (households did not pay them back), or repayments were placed in a bank account that villagers did not control (step 8).
- Most focus group members said that they were better off now than before SUFORD, thanks to the village development fund. However, there were several parallel village development initiatives, making it hard to establish how much of the improvement in livelihoods was due to SUFORD (step 8).

Appendix C. Approach to Field Visits

Table C.1 Site Visits

Province, Production Forest Area, (Year Management Plan Signed)	***District***	***Villages Visited***	***Ethnic Groups***	***N of households***	***Percent of households that are poor***
Salavane, Phoutalava (2008) 1,398 m^3 [a]	Tumlane	Houaylai	Katang	122	63
		Banna	Katang	59	22
	Taoy	Pachou	Katang, Ta Oy	83	81
		Kokbok	Ta Oy	100	32
Champasak, Salivangveun (2008) 261 m^3 [a]	Xanasomboun	Keaing Kork	Lao	81	19
		Laou	Lao	104	2
	Bachiang	Houakhoua	Laven (Khmuu)	51	71

Source: SUFORD.
a. Notional average annual harvesting volume (over 15 years)—potential, not actual, volume harvested.

Given the limited time available, the Independent Evaluation Group (IEG) restricted the field visit to two southern provinces where the forest management plans had been developed under SUFORD OP (2004–08). This is because unlike other areas, timber harvest revenues had been shared at these sites, and IEG wanted to assess if plans developed 10 years ago were still being followed.

The villages were drawn from a SUFORD spreadsheet containing information about poverty level and ethnic composition. The selection of the seven villages was intended to maximize socioeconomic and ethnic diversity while minimizing travel time. Additionally, Salavane and Champasak had different forest stocking levels, as evident from the volume that *potentially* could be harvested each year. Province-wide poverty levels differed substantially between the two: 48 percent of households in Salavane are poor compared with 23 percent in Champasak (Coulombe et al. 2016).

Separate focus group discussions were organized for men, women, and village forest committee members in each village (21 focus groups total). These discussions were supplemented by interviews with SUFORD staff from national, provincial, and district offices.

Appendix D. SUFORD Production Forest Areas, Phases I–III

Table D.1. List of Production Forest Areas

Name of Production Forest Area (Province)	***Name of Forest Management Area (District)***	***Year PSFM was Launched in the Forest Management Area***	***Year Forest Management Plan was Signed***
1. Dakmong (Xekong)	Dakcheung	2014	2016
2. Houayngang (Xayabouly)	Hongsa	2014	2016
3. Houaysiat (Vientiane)	Kasi	2014	2016
4. Houaysiat (Vientiane)	Met	2014	2016
5. Houaysupnamtek (Bolikhamxay)	Bolikhan	2014	2016
6. Namdae (Xekong)	Dakcheung	2014	2016
7. Namkong (Attapue)	Phouvong	2014	2016
8. Namphak (Oudomxay)	La	2014	2016
9. Namphak (Oudomxay)	Namo	2014	2016
10. Namphak (Oudomxay)	Xai	2014	2016
11. Nongtangok (Champasack)	Mounlapamok	2014	2016
12. Nongtangok (Champasack)	Soukhoma	2014	2016
13. Phanangnoi (Xayabouly)	Khop	2014	2016
14. Phanangnone (Xayabouly)	Xienghone	2014	2016
15. Phoukateum (Xekong)	Kaleum	2014	2016
16. Phouphadeng (Xayabouly)	Boten	2014	2016
17. Phoutoum (Bolikhamxay)	Bolikhan	2014	2016
18. Prong (Xekong)	Dakcheung	2014	2016
19. Xienglouang (Xekong)	Dakcheung	2014	2016
20. Kengchoknamngim (Xayabouly)	Phieng	2012	2013Rev2016
21. Kengchoknamngim (Xayabouly)	Xayabouly	2012	2013Rev2016
22. Namkong (Attapue)	Xaysettha	2012	2013Rev2016
23. Phouviengxay (Bokeo)	Phaoudom	2012	2013
24. Saikhong (Oudomxay)	Houn	2012	2013
25. Saikhong (Oudomxay)	Nga	2012	2013
26. Saikhong (Oudomxay)	Pakbeng	2012	2013
27. Phousamliem (Xaysomboun)	Anouvong	2011	2012Rev2016
28. Namfa (Luangnamtha)	Long	2011	2012
29. Namnga (Oudomxay)	Beng	2011	2012
30. Namnga (Oudomxay)	Nga	2011	2012
31. Namnga (Oudomxay)	Xay	2011	2012
32. Sammeuang (Bokeo)	Houayxay	2011	2012
33. Sammeuang (Bokeo)	Meung	2011	2012
34. Sammeuang (Bokeo)	Tonpheung	2011	2012
35. Phouletlongmoun (Luangnamtha)	Nalae	2010	2011
36. Phouletlongmoun (Luangnamtha)	Viengphoukha	2010	2011
37. Xekhampho-Bengvilay (Attapue)	Sanamxay	2009	2012Rev2016
38. Dakchang (Xekong)	Kaleum-Dakcheung	2009	2012

39. Houaypen (Xekong)	Lamam	2009	2012
40. Houayvinampa (Attapue)	Xanxay	2009	2012
41. Houayvinampa (Attapue)	Xaysettha	2009	2012
42. Nongpetnaseng (Vientiane)	Feuang	2009	2012
43. Nongpetnaseng (Vientiane)	Kasi	2009	2012
44. Nongpetnaseng (Vientiane)	Met	2009	2012
45. Nongpetnaseng (Vientiane)	Vangvieng	2009	2012
46. Phakbeuak (Bolikhamxay)	Bolikhan	2009	2012
47. Phakbeuak (Bolikhamxay)	Pakkading	2009	2012
48. Phakbeuak (Bolikhamxay)	Paksan	2009	2012
49. Phakbeuak (Bolikhamxay)	Vienthong	2009	2012
50. Phougneuy (Vientiane)	Feuang	2009	2012
51. Phougneuy (Vientiane)	Met	2009	2012
52. Phougneuy (Vientiane)	Meun	2009	2012
53. Phougneuy (Vientiane)	Xanakham	2009	2012
54. Phoupaxangpounghok (Bolikhamxay)	Bolikhan	2009	2012
55. Phouphadeng (Xayabouly)	Paklai	2009	2012
56. Phouphadeng (Xayabouly)	Phieng	2009	2012
57. Phouphadeng (Xayabouly)	Xayabouly	2009	2012
58. Dongkapho (Savannakhet)	Phalanxay	2004	2008
59. Dongkapho (Savannakhet)	Phin	2004	2008
60. Dongkapho (Savannakhet)	Xonnabouly	2004	2008
61. Dongphouxoy (Khammouane)	Mahaxay	2004	2008
62. Dongphouxoy (Khammouane)	Xaybouathong	2004	2008
63. Dongphouxoy (Khammouane)	Xebangfay	2004	2008
64. Dongsithouane (Savannakhet)	Songkhone	2004	2008
65. Dongsithouane (Savannakhet)	Thapangthong	2004	2008
66. Laongam (Salavan)	Khongxedon	2004	2008
67. Laongam (Salavan)	Laongam	2004	2008
68. Laongam (Salavan)	Salavan	2004	2008
69. Laongam (Salavan)	Vapi	2004	2008
70. Nakathing-Nongkapat (Khammouane)	Boualapha	2004	2008
71. Nakathing-Nongkapat (Khammouane)	Mahaxay	2004	2008
72. Nakathing-Nongkapat (Khammouane)	Xaybouathong	2004	2008
73. Pathoumphone (Champasack)	Pathoumphone	2004	2008
74. Phoutalava (Salavan)	Salavan	2004	2008
75. Phoutalava (Salavan)	Taoy/a	2004	2008
76. Phoutalava (Salavan)	Toumlan/a	2004	2008
77. Salivangveun (Champasack)	Bachiang/a	2004	2008
78. Salivangveun (Champasack)	Xanasomboun/a	2004	2008
79. Phouphaphieng (Vientiane)	Anouvong	Not launched	No FMP

Source: Director-General, Forestry Department (e-mail to IEG, April 2017).
Note: FMP = forest management plan; PFSM = participatory sustainable forest management; Rev = revised.
a/ Districts visited by IEG in 2017.

Appendix E. Principles of Participatory Sustainable Forest Management

Glossary

DFMU (DAFO)	District Forestry Management Unit (part of the District Agriculture and Forestry Office)
GVD	villages organized for development
GVFO	group of village forest organizations (same villages as in GVD)
NTFP	non-timber forest products (berberine, cardamom, rattan, malva nut, and bamboo shoots)
PFA	production forest area
PFS (PAFO)	Provincial Forestry Section (part of the Provincial Agriculture and Forestry Office)
PSFM	participatory sustainable forest management
SFMA	Sub-Forest Management Area
VFO	village forest organization

The principles of participatory sustainable forest management are set out in the following passages taken from the Sustainable Forestry for Rural Development Project Operations Manual (DOF 2008):

“The basic unit of management is a SFMA, which is a part of a PFA that falls within a cluster of villages organized for development [GVD].” (Volume 1, page 43)

“Each participating village should organize their VFO, and the VFOs in a participating GVD should be organized into a Group of VFOs (GVFO). A PSFM Agreement that defines the responsibilities and duties of each forest management partner should be signed between DFMU and the GVFOs and confirmed by DAFO and PAFO.” (Volume 1, page 42)

“The estimate is that 3 years are needed to bring a SFMA under PSFM.” (Volume 1, page 45)

“A Village Forestry Organization shall: 1. Organize PSFM work teams and secure their training and employment by DFMU in the conduct of PSFM activities. 2. Provide opportunities for women, ethnic and economically disadvantaged groups to actively participate in decision making, planning, and implementation of PSFM activities in the villages and getting fair and transparent compensation for their work. 3. Ensure that PSFM and other related work is done by the village work teams properly following the approved forest management and annual operations plans, approved forest management agreement, prescribed procedures, and within the time period agreed with DFMU. 4. Oversee customary forest use by villagers within the village territory, formulates PSFM village rules including hunting, NTFP collection, forest protection, timber harvesting for villagers’ housing and village use, and conversion of village land uses consistent with existing Government forestry laws and regulations, regularly monitors timber harvest and collection of key non-timber forest products and other customary forest-use activities,

and furnishes DFMU with regular reports on these activities following prescribed procedures and formats. 5. Disburse timely the funds provided by DFMU for implementing PSFM activities in the village and provides regular accounting of the funds to DFMU based on a consistent and transparent procedure drawn up together with DFMU. 6. Participate in annual timber sales and allocation of the net revenue from timber sales including the sharing of benefits among villagers in the village in a fair and transparent manner. 7. Facilitate and resolve conflicts arising from PSFM within the village and among villages within the sub-FMA and inform district officials of resolved and unresolved disputes. 8. Report to DFMU any violations or activities contrary to existing forestry laws and regulation occurring in the village." (Volume 1, page 20)

A Village Forestry Organization shall consist of: a. General assembly. This comprises the entire VFO membership, each member being a resident villager, 18 years old and above, who volunteers and signs up to become a VFO member. The general assembly is responsible for the approval of VFO policy, operating rules, agreements, and plans. b. Village Forestry Committee. This consists of the Village Chief as Chairperson, a Deputy Chairperson, a Treasurer, a Secretary, Village Foresters, and other VFC members. A VFC shall have at least one-woman member; including one of the village foresters. VFC is responsible for VFO policy making and implementation. c. VFO PSFM work teams. A team of villagers shall be organized to conduct a given PSFM field operation. The VFO team shall be provided training by DFMU to enable them to perform specific PSFM tasks under the supervision of a village forester and technical guidance of DFMU. The village team ceases to operate for the time being upon completion of the task assigned to it. (Volume 1, pages 21–22)

"Villagers have traditional ways of using the forest which should be respected. VFOs should be encouraged to document the village rules on customary forest use; in doing so, modifying those practices that harm the environment or reduce the value of forest resources. These documented village rules should be consolidated by DFMU and attached as a part of the SFMA management plan. Documented village rules should cover the following activities: (a) Harvesting timber for village and household use and protection against timber theft. (b) Collection of NTFP. (c) Conversion of forests to farms. (d) Hunting and fishing. (e) Browsing of forests by livestock. (f) Use of fire in farming and hunting." (Volume 1, page 58)

"PSFM processes consider ethnicity and gender equality concerns albeit in an implicit manner, simply because there is no pressing need for explicit rules other than the constant reminder to all practitioners for ethnic and gender mainstreaming." (Volume 1, page 39)

"Sharing of timber revenue is based on a process defined in government regulations, e.g. Regulation 0204/MAF/2003. The revenue sharing formula contained in the regulation is currently being studied for possible revision. This section is therefore deferred until the study is completed and a new regulation is passed**.** "Part of the timber revenue is plowed back to the forestry sector to finance forest management operations and another part is provided to participating villages as a share of the profits of sustainable forest management. It is important that the shares for financing forest management operations and for village development are transferred to the parties concerned so that PSFM and village development activities can be done on time." (Volume 1, page 66)

Appendix F. Outcome of a SUFORD Analog: The Xekong Sustainable Forestry Project

The World-Wide Fund for Nature's (WWF) program in Lao PDR built on the preparatory work for SUFORD using the same design principles to launch a parallel project on 10,500 hectares of a production forest area in Xekong province. Conceived in 2002, the Xekong Sustainable Forestry Project was approved as an 18-month pilot in January 2005. Later, the Xekong governor's office and the provincial forestry agency endorsed the idea of extending the project beyond the pilot phase and into a three-year implementation phase. Working in seven communities, the project organized villager participation in forestry through the establishment of village forestry organizations, which sought to clarify village boundaries, and raise awareness about villager rights in production forest management and benefit sharing. This work intended to generate a 15-year management plan, in accordance with the same government decrees that underpinned SUFORD.

Unlike SUFORD, the WWF project was discontinued early on, following government objections. An inventory of forest resources was a prerequisite for the forest management plan. Taking an inventory required halting all logging, and it could be resumed only when the forest management plan was approved. The same rule was observed for SUFORD, but without the same outcome. The outcome in Xekong was that provincial and district government officials severely undermined the inventory work.

"Foresters routinely left their work with the project or were reassigned to work with companies that were illegally removing timber from the project area. Project staff worked with villagers in the target area to document incidents of logging and report them to the provincial leadership, noting that the province had explicitly banned timber removals in the area. In response, the forestry agencies denied that the logs were coming from the area, or stated that all the logs were in fact 'dead wood' from swidden clearance and/or unfinished operations conducted the previous year. When presented with further evidence, incidents were dismissed as being the actions of 'rogue' companies or timber traders operating without government knowledge and in collusion with 'corrupt villagers.' In fact, there was little credibility to these claims. Information gathered in the field—through interviews and direct observation during project activities—showed clearly that in nearly all cases, the logs being removed were indeed coming from the project area, that they had been harvested in the current year, and that the operations had the full knowledge and approval of government officials" (Hodgdon 2010, 63–64).

At the final meeting, the WWF team and the villagers cited the SUFORD-related legislation to argue that government decrees underpinned the approach taken by their pilot. In response, central and provincial government representatives cited articles of the Constitution and the Forestry Law to the effect that all land in Lao PDR belongs to the "national community," which is represented by the state. They reasoned that there was no legal basis for the project team and the villagers to intervene in this production forest area (even though the government had previously selected the site) or to determine the logging schedule.

This outcome highlights the ambivalence of Lao government officials toward participatory forest management. It also shows the contradictions in the body of laws and regulations bearing on forest management, and the consequence of not having an independent judiciary capable of interpreting the law and capable (sometimes) of finding in favor of citizens rather than government.

Source: Hodgdon 2010.

Appendix G. Persons Interviewed, May–June 2017: Lao PDR

Name	Title/Affiliation
World Bank Staff	
Sally Burningham	Country Manager
Robert Ragland Davis	Senior Forestry Specialist
Soudalath Silaphet	Climate Investment Specialist
Waraporn Hirunwatsiri	Senior Environmental Specialist
Peter Jipp	Senior Natural Resources Management Specialist
Ulrich K. H. M. Schmitt	Program Leader
Susan S. Shen	Practice Manager
Ross Hughes	Senior Natural Resources Management Specialist
Douglas J. Graham	Senior Environmental Specialist
William B. Magrath	Lead Natural Resources Economist (Retired)
Jean-Michel J. Pavy	Senior Environmental Specialist
Satoshi Ishihari	Senior Social Development Specialist
Government Staff	
Phouang Parisak Pravongviengkham	Deputy Minister, Ministry of Agriculture and Forestry
Bounpone Sengthong	Deputy Director General (Forestry), Ministry of Agriculture and Forestry
Savay Thammavongsa	Senior Officer, Department of Forestry
Vilasak Chanthamith	Senior Officer, Department of Forestry
Anousack Inthachack	Senior Officer, Department of Forestry
Sithong Thongmanivong	Vice Dean, Forestry Faculty, National University of Laos
Project Technical Assistance Team	
Esa Puustjärvi	Chief Technical Adviser, SUFORD (Finland technical assistance)
Bouaphet Philaket	National Consultant, SUFORD
Manuel Bonita	Senior Forestry Specialist, SUFORD
Steeve Daviau	Gender and Ethnic Participation Adviser, SUFORD
Markus Kukkonen	Remote Sensing Specialist, SUFORD (Finland technical assistance)
Jens Kallabinski	Chief Technical Adviser, SUFORD & REDD+ (German technical assistance)
Paula Williams	Chief Technical Adviser, Department of Forestry, REDD+ Division
James Chamberlain	Consultant, Social Safeguards, SUFORD
Edwin Payuan	Village Forestry Adviser, SUFORD
DONORS	
Pamela Jawad	Programme Director, Citizen Engagement for Good Governance, Accountability and Rule of Law (CEGGA), GIZ (Germany)
Alexander Neubauer	Component Manager, Civil Society Engagement, Citizen Engagement for Good Governance, Accountability and Rule of Law (CEGGA),GIZ (Germany)
Brice Pletsers	Senior Agriculture Expert, Swiss Agency for Development and Cooperation (SDC)
Nithsa Vongphanakhone	Senior National Program Officer, Swiss Agency for Development and Cooperation (SDC)
Michal Harari	Head of Governance Programme, Swiss Agency for Development and Cooperation (SDC)
Ranjan Shrestha	Chief Technical Advisor, Netherlands Development Organisation (SNV)
Ignacio Oliver-Cruz	Attaché (Cooperation), Delegation of the European Union to Lao PDR
Noriyoshi Kitamura	Chief Technical Advisor to Department of Forestry, JICA (Japan)

International NGOs	
Somphone Bouasavanh	Country Director, World Wide Fund for Nature
Christopher M. Holmes	Program Director, Conservation Initiatives, Mekong Region, Wildlife Conservation Society
Santi Saypanya	Deputy Director, Wildlife Conservation Society
Sean McNamara	Nam Et Phou Louey Program Director, Wildlife Conservation Society
Civil Society Groups	
Souvanhpheng Phommasane	Director, Agro-Forestry Development Consultant Co. Ltd.
Viengxong Chittavong	Consultant, Lao Social Research Co. Ltd. (Mission Interpreter)
Mariko Hayashi	Lao Program Coordinator, Mekong Watch
Bounlap Pathilath	Environment Programme Officer, Sustainable Agriculture and Environment Development Association
Violaine Fourile	International Coordinator, Land Information Working Group
Inthana Bouphasavanh	Association for Development of Women and Legal Education

Note. A meeting with a member of the National Assembly was formally requested but not granted.