

AIDE MEMOIRE
International Development Agency (IDA) and the Forest Investment Program (FIP)
Climate Investment Fund (CIF)

SCALING –UP PARTICIPATORY SUSTAINABLE FOREST MANAGEMENT
PROJECT (SUFORD SU), P130222/IDA H8520 and TF015286

JOINT IMPLEMENTATION SUPPORT MISSION
November 14 - 22, 2016

KEY PROJECT INFORMATION			
Project Number	P130222	Closing Date	31-Aug-2018
IDA Amount	USD 19.00 million	IDA Number	IDA H8520
Approval	08-Aug-2013	Effectiveness Date	30-Aug-2013
		Disbursements	USD 8.93 million
Grant Amount	USD 12.83 million	Grant Number	TF015286
Implementation Progress Rating	MS	Board Approval	31-May-2013
PDO Rating	MS	Effectiveness Date	30-Aug-2013
		Disbursements	USD 6.88 million

1. **Introduction.** The Project Development Objective of SUFORD SU is to *execute REDD+ activities through participatory sustainable forest management in priority areas and to pilot forest landscape management in four provinces*. Participatory sustainable forest management will be implemented in Production Forest Areas (PFAs), while Forest Landscape Management (FLM) will be implemented in PFAs, and adjacent conservation, protection, and village forests. Through SUFORD SU, linkages will be developed with the REDD+ Readiness process especially with regard to aspects related to forest dependent communities, access restriction to natural resources, land tenure, customary rights, benefit sharing, and conflict resolution mechanisms. Collaboration includes analytical work, capacity building, and strengthening the policy and regulatory framework for forest-dependent communities.

2. The total project allocation is US\$53 million funded by the International Development Association IDA (US\$19 million), Forest Investment Program FIP (US\$12.83 million), the Finnish Government (US\$14 million) (Technical Assistance) and by the Government of Lao PDR (in kind contribution) (US\$7.5 million). The Project has been effective since August 30, 2013, and has a tenure of 5 years, or through August 31, 2018. The Project is ambitious and covers 1,090 villages and 424,000 people in 13 of 18 provinces in Lao PDR and 41 of 51 Production Forest Areas (PFAs).

3. The Mission was carried out by the World Bank, the Ministry of Foreign Affairs of Finland (MFA), the Ministry of Agriculture and Forestry (MAF), the Department of Forestry (DoF), and the Finnish Technical Assistance (TA) Project from November 14-21, 2016. The mission reviewed the Project's progress over the past six months and provided recommendations for continued implementation.

4. The World Bank and Government of Finland, Ministry of Foreign Affairs expresses its sincere appreciation to MOF, MOFA, MAF, DOF, DOFI, and the TA team as well as the provincial, district and village stakeholders for their invaluable contributions to a successful review of the Project's progress. The next mission is planned for May 2017. The mission would like to also recognize our highest appreciation for the Chairmanship of the Mission wrap-up meeting by H.E. Mr. Thongpath Vongmany, Vice-Minister, MAF. We thank him for his leadership, support and guidance to the Project.

5. **Disclosure.** According to the World Bank's Access to Information Policy, Aide Memoires are to be publicly disclosed unless otherwise indicated by the counterparts. The disclosure of the Aide Memoire was discussed and agreed to during the mission with DOF representatives.

6. The mission reviewed project progress for thematic, organizational, operational, safeguards and fiduciary concerns including progress toward carrying out village livelihood activities, including formulation and disbursements of associated grants; update on the forest landscape management activities to meet objectives prior to project completion, completion of forest management plans, logging ban, forest monitoring and benefit sharing from forest management and harvesting activities; activities for forests law enforcement and regulatory concerns and reviewed progress in the MTR action plan including a proposal for the revision of indicators.

7. **Overall Implementation Status.** In summary, the mission found that the project implementation progress is *Moderately satisfactory*. Progress toward the Project Development Objective is largely on track. The formal approvals of the 41 forest management plans are now largely completed and the approvals and disbursement of village livelihood and forest restoration grants have now started. A proposed modification of the indicator framework was discussed and a revised draft is included in the annex of this report. Total disbursements were US\$ 15.88 million, which is an improvement but still considered low. The DOF agrees that a major effort needs to be made to disburse the village livelihood and forest restoration grants before May to ensure the villagers are able to take advantage of the planting season. Village grants total around US\$6 million.

8. The project's key achievements in the past fiscal year include the completion of the Forest Management Plans (FMPs) covering 40 of the 41 Production Forest Areas (PFAs). The majority of the management plans have been formally approved. In addition, all 678 Village Livelihood Development (VLD) Grant proposals have been approved at the village and district levels with 71 have approved at the national level. The Smart Phone Information Reporting and Intelligence Tracking System (SPIRIT) pilot and PFA forest change mapping (2000-2005-2010-2015) have been concluded. STEPP is demonstrating good results, with over 597 cases investigated (197 still ongoing). The project is assisting the government now in the first review of the progress of PMO 15.

Progress by Components

9. **Component 1: Strengthening and Expanding PSFM in Production Forest Areas. (IDA USD\$12.22 million, FIP USD\$8.15 million and Government USD\$4.98 million)** This component includes two subcomponents: (a) Developing partnerships to increase implementation capacity, and (b) Community engagement in PSFM and VLD.

10. Summary: The Mission assessed the component as *Moderately Satisfactory*. Forest inventories and management plans required for PSFM in 41 PFAs and 198 SFMAs, were carried out in accordance with the PAD, Operations Manual¹ and Annual Work Plan². However, because several of the current minimum units, sub-Forest Management Area (SFMA), had to be combined to meet the new standard to compensate for low levels of stocking, the approval were only recently authorized by DOF. There are 3 still outstanding but expected soon.

11. Under Village Livelihood Development, the mission noted strong but incomplete progress. Of the 678 VLD grant proposals, all are approved at the village level and the district level. At least 71 are now approved by DOF. DOF reports a bottleneck in their internal approval process and has requested the Bank temporarily raise the ceiling on the operating account to facilitate disbursement. DOF has also agreed to assign more personnel to quality control the proposals which is required prior to authorization. It is indispensable that the VLD grants are disbursed fully before May 2017, a process that needs to be accelerated now. Shortly following the mission, the Bank received the request for increasing the ceiling on the operating account, which is being processed now. In addition, DOF informs they have assigned 10 additional staff to process the grant approvals.

12. The 5-year FSC certificate of the DOF Group of Forest Management Units (FMUs) expired at the end of 2015. DOF submitted an application for assessment for another 5-year FSC certificate to the Rainforest Alliance, the certifier. The Rainforest Alliance Team conducted the field assessment on 1-3 June based on 2 rattan-based FMUs in Bolikhan District of Bolikhamxay Province, which have obtained rattan harvesting quota in 2016 from GOL. Other formerly certified FMUs were not included in the scope of the new certificate because the lack of harvesting quota would prevent the assessment of product chain-of-custody operations. Late in the mission, the project informed the Bank that the certification had been renewed.

13. Issues and Recommendations: [The project has stayed on track for the completion of the inventories and development of the forest management plans for the target PFA. This is a notable achievement. Similarly, the VLD grants have been developed and are approved at village and district levels, with over 10 percent approved by DOF]. VLD grants need to be fully disbursed before May to take advantage of the planting season. Failure to disburse the grants fully will have a highly negative impact on the project.

14. Carbon sequestration estimates have been projected for the VLD/FR activities. Estimates are for net reductions of 29,984 tons of CO₂e annually. This is much higher than the amount

¹ SUFORD-SU Guidelines for the PFSM Planning Stage of the Operations Manual for PSFM in PFAs including: Establishing a PFA; Preparing for PSFM in a PFA; Organizing Forest Institutions to Implement PSFM; SFMA Resources Assessment; Forest Management Planning; Annual Operations Planning

² 3rd Annual Work Plan 2015-2016

calculated at the project's inception. However, the actual sequestration will depend on the implementation of the grants. Good monitoring and followup to the grants is required to ensure both livelihoods and sequestration targets are met. No measurements have been made for emissions reductions and an agreement was made to estimate this variable using logging/trade data pre- and post-PMO 15, which seems to have had an impact on logging. The project is encouraged to followup to estimate this indicator as soon as possible.

15. Although the logging ban is still in place, the Bank emphasized that the obligations of the Finance Agreement (Schedule 2) which are to promote participatory sustainable forest management in the target PFAs; ensure that PFA logging volumes, size, and species composition of the harvest are in accordance with the associated CAPs and PFA management plans. A time-bound action plan to implement an open, competitive log sales system has been provided to the Bank for review. (The Project is referred to the Finance Agreement for the complete details of the legal agreements associated with PFAs.)

16. **Component 2: Piloting Forest Landscape Management (IDA USD 1.17 million. FIP USD 0.78 million and Government USD 0.48 million).** The component includes developing methodologies and frameworks for forest landscape management for four northern provinces; Bokeo (BK), Louangnamtha (LM), Oudomxai (OU) and Xaiyaboury (XA) by facilitating consultative/participatory processes and strengthened interagency coordination.

17. Summary. The mission rated the component as *Moderately Satisfactory*. Work continues on the FLM which has gained orientation and increased traction since the last mission, especially in Bokeo and Louangnamtha in good cooperation with the ICBF operation. Work is ongoing for defining the spatial extent of the forest landscape focusing on the three forest categories which will also serve to inform proposed changes in the administrative boundaries of forests as requested by the National Assembly.

18. A detailed proposal for delineation of corridors prepared by the ICBF project was reviewed and approved by the project's technical experts. A review of legal frameworks relevant to FLM was completed and presented during the mission. The review examined the current status of Integrated Spatial Planning, development of National Socio-Economic Planning and the legal framework for awarding and management of concessions. There is an opportunity for joint work with LENS2 project (WB Financed) for the delineation of the FLM which would help to accelerate work in at least Oudomxai and Xaiyaboury.

19. Issues and Recommendations. A draft proposal for ongoing work in the FLM component was included in the last mission's Aide Memoire and is consistent with the Financing Agreement. This has provided a good framework for the work ahead on FLM and the project is moving ahead with this guidance. More work needs to be done to coordinate with LENS 2 on the FLM delineation and a meeting is scheduled shortly after the mission. The project should make plans to retain the necessary technical staff to continue with the work until it is complete, noting the possible departure of one of the key TA team specialist in early 2017.

20. **Component 3: Enabling Legal and Regulatory Environment (IDA USD\$1.97 million, FIP USD\$1.31 million and Government USD\$0.80 million).** This component aims to strengthen the legal and regulatory frameworks for implementation of the PSFM and REDD+ at the national level and at the subnational level including land use planning at the community level that is critical to the management of forest resources.

21. Summary. The component is *Moderately Satisfactory*. The Department of Forest Inspection (DOFI) has been developing its systems for law enforcement, information, communication, and monitoring and the STEPP is advancing on schedule. The mission noted the progress by the Project and diligence by Government personnel and consultants to keep the component on track in a very challenging environment. Notably, following PMO15 dated 13 May 2016, significant resources have been directed towards full implementation of this Order. A first progress report on implementation is currently being collated and may be available in November 2016 which will be shared with the Bank. The Smart Phone Information Reporting and Intelligence Tracking System (SPIRIT) pilot and PFA forest change mapping (2000-2005-2010-2015) have been concluded. STEPP is demonstrating good results, with over 597 cases investigated (197 still ongoing). Progress has been made on developing guidelines for titling of forests for communities, revision of regulations on village forestry, and others. The upcoming revision of the Forest Law provides an opportunity for the project to provide targeted support to the single most important forestry legislation. DOF informs that the new law is fast-tracked for drafting, consultation and presentation to the National Assembly by September 2017.

22. Issues and Recommendations. The mission noted that Prime Minister Order No. 15 has been a positive move by the government to clarify the regulatory framework concerning illegal logging, timber trade and salvage logging. The Bank supports the project in assisting DOF in a review of its impact as noted in the project report. The mission also recommends that the project apply resources and support to the revision of the Forest Law which has just been scheduled for updating by September 2017. Such assistance is fully compatible with the project objectives and is eligible under Part 3A of the Finance Agreement. As noted in the previous Aide Memoire, logging sites were detected in the PFA where the logging monitoring system was being demonstrated, along with rubber plantations in an adjacent PFA. The final report was not complete. However, the mission brought this situation to the attention of the Director General of DOF, who will be monitoring the review and offered to followup at higher levels to ensure correct measures will be taken according to the findings.

23. **Component 4: Project Management (IDA USD\$3.19 million, FIP USD\$2.13 million and Government USD\$1.3 million).** Component 4 operates at the national, provincial, district, and village levels and focuses on (a) efficient project implementation and collaboration among various institutions at each level, (b) provision of technical assistance, and (c) project monitoring and evaluation.

24. Summary. The component is considered *Moderately Satisfactory*. The District Steering Committees have been very active reviewing and approving CAPs and VLD grant proposals. Government staff have participated in project financed training. The project unit has hired a highly experienced Senior Financial Management Specialist. The Finnish TA project personnel

are mainstreamed into the FIP/IDA project work and integrate well with the government authorities providing high-quality technical assistance. Monitoring and evaluation remains a strong element in the overall project, as noted in other mission reports. Bearing in mind that the TA budget has been reduced by Finland, a few of the priority consultants have been hired or plan to be hired under the project financing.

25. An update to the proposed changes to the indicators were reviewed during the mission. The mission and project reached an agreement on a draft proposal (Annex 5). The Bank will make a final check after the mission on the proposal and provide feedback by December 15 regarding any other changes. Once the indicators are agreed, the DOF should seek a request for the change in indicators through MOF, as recipient of the project, to the World Bank.

26. Issues and Recommendations. The project reported that the tax payments had not yet been paid with counterpart funds or waived for the vehicles or motorcycles. The mission emphasized that a solution needs to be found by December 31, or the taxes should be paid from the project's budget.

27. **Fiduciary Issues and Recommendations**. Fiduciary concerns for procurement and financial management are both rated *Moderately Satisfactory*.

28. Procurement. Overall, procurement performance of the project is considered “Moderately Satisfactory”. The implementation of procurement packages is progressing steadily. No pending procurement documentation was reviewed or cleared during the mission. The mission advised the project to update the procurement plan in order to reflect the current implementation status of all procurement packages and to add new packages as necessary; then send for the Bank's review by December 15, 2016.

29. The project has awarded a total of one contract for works, four contracts of goods, one firm and ten individual consultants. The two largest procurement packages consisting of 72 vehicles and 755 motorcycles were awarded on March 19, 2015 and July 27, 2015 respectively. The project applied unsuccessfully for an import tax exemption. They also attempted to use the government contribution to the project to pay for the import taxes. However, so far the importation tax issue has not been resolved and the vehicles and motorcycles are not yet distributed to the end users. If the tax issues is not resolved within the government by December 31, 2016, the mission advised the project to pay the taxes with the project's proceeds. (Please refer to Annex 1 for action items relating to procurement and other themes.)

30. The project was advised to use the ministry website to disclose the project procurement information. The information to be posted on the ministry's website is to include the following:

- Annual procurement plan
- Invitation/REOI.

- Bidding/proposal documents, which can be downloaded by interested bidders and they can submit bids/proposals in hardcopy to project implementing agency as specified in the bidding/proposal documents.
- Questions and Answers.
- Bid opening record, and
- Contract award.

31. Financial Management. The financial management performance is “Moderately Satisfactory”. Although some recommendations from the previous mission have been implemented, there remained a few issues needing attention and immediate action namely: (i) responding to the Bank’s query on previous year’s significant audit findings. The Bank will follow up with SUFORD-SU about this issue in early December; and (ii) fund shortages leading to delay in transferring VLDG. Further delays in disbursement could also further increase losses on exchange between SDR and USD. The project had already suffered a significant exchange losses.

32. To facilitate increased funding and accelerate disbursement, it was agreed that SUFORD-SU will submit a request for a temporary increase in the ceiling of Designated Account (DA). However, no request has been received by the Bank team to date. We highly recommend that this be sent to the Bank team immediately for processing. Moreover, the project is also urged to monitor at least six-monthly the remaining funds against budget required to implement project activities. To facilitate smooth implementation, several changes in regards to funds flow of VLDG and ceiling of the project’s operating account will need to be revised. SUFORD-SU will revise the Financial Management Manual as well as the VLDG Manual and supplementary guide for Forest Restoration activities. These revised manuals are to be submitted for Bank’s NOL no later than December 9, 2016. IFRs have been submitted as required and there is no outstanding IFR or audit report. The next IFR is due on February 15, 2017. The audit report for FY15/16 will be due for submission on March 31, 2017.

Disbursement of funds is at 49% and 46% for H8520 and TF15286 respectively, an increase of approximately 10% for both financing source since May 2016. Disbursement is considered slow. Although Withdrawal Application as submitted monthly as required, the amount of replenishment to the DA was small. Based on discussion and review of documents with Finance staff, we noted that significant amount of expenditure was not documented and DA not replenished. We were informed that internal documentation review and processing took about 11 to 12 days to complete before the application can be submitted to the Ministry of Finance. Time taken appears to be significant. This could delay the replenishment of the DA, resulting in shortages of funds. The increase in DA ceiling will not help smooth out the cash flow of the project if replenishment is still delayed. Hence, we urge SUFORD-SU to review this internal documentation review and processing procedures and where possible shorten the days or signature required for processing.

Environment and Social Safeguards Summary, Issues and Recommendations. The project’s approach to the safeguard policies of the GOL, the Bank, and the MFA is being mainstreamed into practice. No compliance issues for environmental or social safeguard were identified during

the mission. The mission found that overall, provisions of the Environmental Management Plan (EMP) and the CEF for engagement with ethnic groups and local communities as well as the avoidance and the mitigation of potential impact on livelihood loss are followed. An assessment of the implementation of the social safeguards is ongoing with project and Bank staff. The VLD grant manual was given the Bank's no objection since the last mission. However, the project requested to modify a financial aspect during the mission (does not affect safeguards). A revised draft Environmental Management Plan and Operational Guidelines: SUFORD SU Environmental Safeguards Implementation manual was drafted and submitted to the Bank for comments during the mission. The project informs that the revised EMP was developed according to the guidance from the last mission and is being reviewed by the Bank safeguards team.

Pesticide Use – From the pesticide survey compared among ethnic groups, Hmong-lu-Hmien use pesticide more than others. And Oudom xay, Vientiane, Xayabouly and Bokeo use pesticide more than Bolikhamxay and Attapeu while Luangnamtha, Champasack and Xekong found less or no use of pesticide. The mission suggested capacity building programs and training could raise awareness and avoid the improper use of pesticides which might affect human health, animals and crops. Children and pregnant women are especially vulnerable to pesticides and should be protected.

Climate benefit – The mission was informed that cattle raising will not be allowed under village livelihood development (VLD) fund to avoid the significance increasing of greenhouse gas emission. However, pigs and goats will be allowed as part of the VLD activities. The mission was informed that the emissions from the livestock activities have been deducted from the sequestration activities in the project to ensure a proper accounting of net sequestration.

Forest Management Plan – The National Project Director agreed to submit a final forest management plan that was approved by the DOF to the Bank for its review and comment by December 31, 2016.

Monitoring and Evaluation – the mission was informed that the second annual environmental and social safeguard assessment will be completed by end of 2016 and will be submitted to the Bank for its review.

List of Annexes: Annex 1 – Project Action Plan; Annex 2 – Financial Management Action Plan; Annex 3 – Mission Agenda; Annex 4 – List of Participants; Annex 5 – Indicator Revision; Annex 6 – Progress Report.

Annex 1 Project Action Plan

Issue	Due Date	Responsibility	Comment
Accelerate approval of VLD Grants	December 15, 2016	DOF	Over 600 grants need to be approved quickly to ensure they are being implemented by May
Approval of VLD Grants	May 1, 2017	DOF	All 678 VLD Grants to be approved by DOF and under implementation no later than May 2017 to take advantage of planting season.
Assign additional staff to process VLD grants	Immediately	DOF	More skilled staff are required to process the VLD grants in order to meet project deadlines
Approval of Forest Management Plans	December 15, 2016	DOF	The FMPs are complete for the project PFAs. They should be approved quickly to avoid downgrading of project progress.
Review of Draft Final Indicators	December 15, 2016	WB	The Bank will provide feedback to the draft final set of indicators agreed during the mission.
Measurement for emissions reduction estimate (indicator 6)	March 1, 2017	DOF	Indicator should be measured pre- and post-PMO 15, to assess changes in degradation, and emissions reductions
Vehicle Tax Payments/Dispatch to the Provinces	December 15, 2016	DOF	Tax payments to be made if issue cannot be resolved for a waiver.
Attapeu, Logging and Plantations	March 1, 2017	DOF	The report on the logging and plantations establishment in Phoupasang PFA in Attapeu should be finalized and followup actions as necessary.
Submit a request to the Bank for a temporary increase in DA	Immediately	SUFORD-SU	Submit request for temporary increase in DA from 2.5 to 3.5 million for the period of 6 months
Responding to the Bank's query on previous year's significant audit findings	Early December	Finance team, SUFORD-SU	n/a
Revise manuals (FMM,	December 15, 2016	SUFORD-SU	Needed immediately to streamline

VLDG and supplemental guide for FRG) are to be submitted for Bank's NOL			workflow for VLD grant disbursement
Submit request for Client Connection users for the Sr FM Consultant	SUFORD-SU	immediately	
Prepare cash flow needs from project's operating account	December 15, 2016	Finance team, SUFORD-SU	n/a
Review internal process for processing and signing off on documents/request for replenishment to and payments from DA	On-going	SUFORD-SU	n/a
Review remaining funds against fund needs at least six monthly basis	On-going to closing of project	Finance team, SUFORD-SU	A projected shortfall has been indicated. Budgets to be adjusted to eliminate non-priority items.
Submit IFR for the quarter ended December 31, 2016	February 15, 2017	SUFORD-SU	n/a
Submit audit report and management letter for FY15/16	March 31, 2017	SUFORD-SU	n/a
Review and provide comment/clearance for revised EMP and Environmental Safeguards Implementation Guidelines	December 15, 2016	World Bank	n/a
Complete second annual environmental and social safeguard assessment	December 31, 2015	DOF	Work is underway now
Submit revised forest management plan	December 31, 2015	DOF	An unapproved draft has been received
Submission of Revised Procurement Plan to the WB	December 6, 2016	NPMO	Update the procurement plan in order to reflect the current implementation status of all procurement packages and to add new packages as necessary.
W01 Construction of NPMO Office Building.	March 2017	NPMO, DOF.	Completed bidding process/contract signing with contractor/ Start the construction.
G03-3 to G03-11 Furniture for PFS.	May 2017.	NPMO, PFS.	
G11 (Lot2): Supply and delivery of 72 units of 4WD Double Cab Pick Up	December 15, 2016	NPMO, DOF, Department of Planning and	The importation duty and taxes issues have to be cleared with MOF. Otherwise it shall be charged to the

		Cooperation of MAF, MOF.	project budget.
G12: Supply and delivery of 755 units of motorbikes.	December 15, 2016	NPMO, DOF.	The importation duty and taxes issues have to be cleared with MOF. Otherwise it shall be charged to the project budget.
G13 Office Equipment: (Scanner, Copier, Fax, LCD Projector, Wifi Router)	February 2017	NPMO, DOF.	Draft Bidding Document (NBC) is completed and shall be submit the Bank for review and No – Objection Early December 2016.
C07.1-2 Financial Management Consultant based in Southern Provinces.	December, 2016	NPMO, DOF Finance Unit, DOF.	The EOIs are received. The project further proceed EOIs Evaluation submit to the Bank for review and No – Objection by end of November 2016.

Annex 2

Financial Management

Temporary increase in DA ceiling. To facilitate the need to transfer VLDG in time to implement VLD activities by May 2017, it was agreed that SUFORD-SU will submit request for temporary increase in DA from 2.5 to 3.5 million for the period of 6 months. SUFORD-SU will submit a request letter with justification immediately after the wrap up of mission.

Remaining funds. Comparing the funding required per the project's annual work plan and the current remaining funds, it has been noted that there is a shortage of funds of approximately \$1.8 million. We urge the project to review the work plan and funds required and make necessary changes to ensure that funds required do not exceed the remaining funds. Furthermore, it is recommended that FM advisors review the remaining funds against funds needed at least every six months.

Funds flow for VLDG. Based on implementation experience, requesting for transfers from DA directly to village account was time-consuming and involves a lot of paper work. Individual requests and transfer slips is required for each grant. Excessive time taken, internally, to sign off on documents also further delayed the transfers. Therefore, it was agreed that it will be more efficient and quicker if the grant is transferred from DA to PPMO account and PPMO to DPMO account or village account as the case may be. To avoid further delays, it is recommended that the PPMO also put in a mechanism to ensure that funds are transferred to DPMO or village account, as the case may be, within 5-7 working days after receipt by the PPMO. The VLDG manual will need to be revised to reflect these changes.

Increase in ceiling of Project's operating account. There has been delays in paying consultant's fees due to delays in getting the requests for payment to National Treasury completed (significant time taken internally to complete and sign off on documentations). Moreover, the number of consultants are increasing. Delay in payment could have negative impact on the project's reputation. At worst, consultants may resign and thereby delaying project work. Therefore, in view to improve the payment situation, it was agreed that SUFORD-SU will pay consultant's fees from the Project's operating account. To accommodate this arrangement, the account ceiling needs to be increased. To justify the need for the increase, SUFORD-SU is advised to prepare cash flow needs from project's operating account and share with the Bank FM team no later than December 5, 2016. Provided that the Ministry of Finance approve the increase, the Bank will provide no objection to the revise ceiling and the FMM.

Clarification on the Forest Restoration Grant (FRG). FRG is to be implemented by DPMO. Village will no longer implement this activities. It is envisaged that accounting and reporting on the use of the grant will follow procedures already existed for use at district level. Grant will be transferred as advance from PPMO to DPMO. DPMO is to report back to the PPMO quarterly. This is to be clarified and documented in the revised supplemental guide for FRG.

Staffing. We are pleased to note that Senior FM consultant is on board. However, he still does not yet have an official reviewing role. This is because the FMM does not provide for this. To ensure the accuracy, appropriateness and to enhance internal controls, it is recommended that the Senior FM consultant be given a review role before the documents are released for approval by SUFORD-SU management. The change is to be reflected in the revised FMM. Moreover, the Senior FM consultant also does not have access to Client Connection and therefore could not access and help create the e-form for replenishment of funds or direct payment. SUFORD-SU is requested to submit request for Client Connection users as soon as possible.

IFR. IFR for the quarter ended September 30 has been submitted timely. Comments will be provided separately.

Transaction review. The Bank FM team will carry out transaction reviews of selected transactions for FY16 in December 2016. The team will inform the project of the propose dates in a separate communication.

Summary of actions/recommendations (items found in Project Action Plan also)

Actions/Recommendations	Responsible party	Target date for completion
Submit a request to the Bank for a temporary increase in DA	SUFORD-SU	Immediately
Responding to the Bank's query on previous year's significant audit findings	Finance team, SUFORD-SU	Early December
Revise manuals (FMM, VLDG and supplemental guide for FRG) are to be submitted for Bank's NOL	SUFORD-SU	December 15, 2016
Submit request for Client Connection users for the Sr FM Consultant	SUFORD-SU	immediately
Prepare cash flow needs from project's operating account	Finance team, SUFORD-SU	December 15, 2016
Review internal process for processing and signing off on documents/request for replenishment to and payments from DA	SUFORD-SU	On-going
Review remaining funds against fund needs at least six monthly basis	Finance team, SUFORD-SU	On-going to closing of project

Actions/Recommendations	Responsible party	Target date for completion
Submit IFR for the quarter ended December 31, 2016	SUFORD-SU	February 15, 2017
Submit audit report and management letter for FY15/16	SUFORD-SU	March 31, 2017

Annex 3 Mission Agenda

JOINT IMPLEMENTATION SUPPORT Mission of SUFORD SU 14-23 NOV 2016

Key contacts

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Full list of participants in Annex 1.			

program

Date	Activities	Venue/Presenter /Comments
Mon, 14 Nov		
In the morning	Team members arrive	
14.00 - 16.00	Kick-Off meeting to review overall progress of the project (see Annex 1)	DOF Meeting Room

Date	Activities	Venue/Presenter /Comments
Tue, 15 Nov		
	Technical meetings	DOF Meeting Room
8.30-10.10	PSFM Team: Presentation on current status of activities	
10.10-10.30	Coffee	
10.30-12.00	VLD Team: Presentation on current status of activities	
12.00-13.30	Lunch	
13.30-15.00	Forest Law Enforcement Team: Presentation on current status of activities	
15.00-15.20	Coffee	
15.20-16.30	Community Engagement: Presentation on current status of activities	
Wed, 16 Nov		
	Technical Meetings	DOF Meeting Room
8.30-9.30	Village Forestry Team: Presentation on current status of activities	
9.30-10.00	Contribution to re-delineation of 3 Forest Categories	
10.00-10.20	Coffee	
10.20-11.00	Contribution to re-delineation (cont'd)	
11.00-12.00	Environmental Management Plan, proposed revisions	
	Lunch	
13.00-14.00	DOF/DOFI logging assessment	
14.00-15.00	Logging assessment by Aruna	
	Coffee	
15.20-16.20	Private Sector Plantations	

Date	Activities	Venue/Presenter /Comments
Thu, 17 Nov		
9.00-12.00	Transfer of VLD and Reforestation Grants, Financial Management Manual, Taxes	SUFORD Meeting Room
14.00-16.00	PAD Results Framework update	SUFORD Meeting Room
Fri, 18 Nov		
9.00-10.30	Review of legal framework relevant to Forest Landscape Management	SUFORD Meeting Room
WEEKEND (Drafting Aide Memoire)		
Mon, 21 Nov		
14.00-15.00	REDD+ potential of SUFORD-SU	SUFORD Meeting Room
15.00-16.00	Transfer of TA contracts	SUFORD Meeting Room
17.30-20.00	SUFORD DVD, Film Screening for Stakeholders	French Institute
Tue, 22 Nov		
9.00-10.00	Forestry Information Management System, current status	SUFORD Meeting Room
13.30-16.30	Mission Wrap-Up (see Annex 1) Mission presents its findings	DOF Meeting Room
Wed, 23 Nov		
9.00 – 12.00	Meeting of the Supervisory Board (see Annex 1)	SUFORD Meeting Room

Annex 4

List of Participants

Government counterparts for Mission

1. Mr. Thongphat Vongmany, Vice-Minister, MAF
2. Mr. Sousath Sayakoummane, Director General, DOF
3. Mr. Bounpone Sengthong, Project Director and Head of Production Forest and Timber Harvest Management Division, DoF, MAF
4. Mr. Sengrath Philasack, Head of Village Forestry and NTFP Division, DoF, MAF
5. Mr. Linthong Khamdy, Head of Forest Inventory and Planning Division, DoF, MAF
6. Mr. Lattana Thammavongsa Deputy head of Production Forest and Timber Harvest Management Division, DOF, MAF

The World Bank Group

1. Mr. Robert R. Davis, Task Team Leader, Sr. Forestry Specialist
2. Mr. Satoshi Ishihara, Sr. Social Development Specialist
3. Mr. Sybounheung Phandanouvong, Sr. Social Development Specialist
4. Ms. Waraporn Hirunwatsiri, Environment Specialist
5. Mr. Khamphet Chanvongnaraz, Procurement Specialist
6. Ms. Siriphone Vanitsaveth, Financial Management Specialist
7. Ms. Anita Soukhaseum, Program Assistant
8. Mr. Jim Carle, Forest Management Expert
9. Ms. Soudalath Silaphet, Climate-Smart Investment Specialist

The Government of Finland

1. Ms. Annika Kaipola, Counsellor, Embassy of Finland in Hanoi

Department of Forestry

1. Mr. Bounpone Sengthong, National Project Coordinator
2. Mr. Lattana, Deputy Head of Forest management Division
3. Mr. Khamnoi, Forestry Officer
4. Ms. Khouanthip, Financial Officer
5. Mr. Koongkham, Volunteer
6. Ms. Sidavone Chanthavong, Assistant to NPC

Department of Forest Inspection

1. Mr. Khamphet Keosouvanh, DOFI Officer

Annex 5

Proposal for Revised Project Monitoring Indicators

No	Core	Indicator name	Unit of Measure	Baseline	T-YR1	T-YR2	T-YR3	T-YR4	T-End	Frequency	Data Source	Data Collection
PROJECT DEVELOPMENT OBJECTIVE												
PDO		To execute REDD+ activities through PSFM in priority areas and to pilot FLM in four provinces										
PROJECT DEVELOPMENT OBJECTIVE INDICATORS												
PDO 1	X	Forest area brought under management plans	Ha	0	0	0	1.018m	1.018m	1.018m	Annual	Annual Report	DOF
PDO 2		Forest area under forest landscape management pilots	Ha	0	0	0	0	0.75m	0.75m	Annual	Annual Report	DOF
PDO 3	X	People in forest & adjacent community with increased monetary/non-monetary benefit from forest	Number	402,000				718,000	718,000	Annual	Annual Report	DOF
PDO 3.a	X	People in targeted forest & adjacent community with increased benefits from forest-female	Number	201,000				355,000	355,000	Annual	Annual Report	DOF
PDO 3.b	X	People in targeted forest & adjacent community with increased benefit from forest-Ethnic minority/ indigenous	Number	TBA				TBA	TBA	Annual	Annual Report	DOF
PDO 4		Rate of forest cover loss/gain in target areas compared to untreated areas	Percentage	0.27			0.25		0.23	Mid-term and closing	Forest Cover Assessment	DOF
PDO 5		Enhanced carbon storage from improved forest protection and restoration in selected PSFM areas	tCO ₂ e	0					14,227	Closing	MRV Report	DOF
PDO 6		Reduced emissions from deforestation and forest degradation in selected PSFM areas	tCO ₂ e	0					121,407	Closing	MRV Report	DOF

INTERMEDIATE RESULTS INDICATORS												
Component 1: Strengthening and Expanding PSFM in PFAs												
IR 1.1		Beneficiaries who perceive that they receive technical services of adequate quality	Percentage	0	0	0	0	0	80	Closing	Technical audit	DOF
IR 1.1a		VFLC who perceive that they receive services of adequate quality in Forest Management and Village Livelihood Development	Percentage	0	0	0	0	0	80	Closing	Technical audit	DOF
IR 1.1b		Production groups who perceive that they receive services of adequate quality in Livelihood Support	Percentage	0	0	0	0	0	80	Closing	Technical audit	DOF
IR 1.2		Participants who perceive the CEF process is adequate	Percentage	0	0	0	0	0	80	Closing	Technical audit	DOF
IR 1.3		Aggregate forest area brought under strengthened tenure	Ha	0	0	0	0	1.018m	1.018m	Annual	Annual Report	DOF
1.3a		Forest area under (MoU-PSFM)	Ha	0	0	0	0	1.018m	1.018m	Annual	Annual Report	DOF
1.3b		Forest area under MoU-VFMA	Ha	0	0	0	0	5,000	10,000	Annual	Annual Report	DOF
1.4		VLD grants under implementation	Percentage	0	0	0	90	100	100	Annual	Annual Report	DOF
IR 1.5		Forest area under certification as a result of the project.	Ha	0	0	0	0	150,000	400,000	Annual	FSC Report	DOF
IR 1.5a		Forest area under certification (FSC Forest Management Standard) as a result of the project.	Ha	0	0	0	0	150,000	150,000	Annual	FSC Report	DOF
IR 1.5b		Forest area under certification (FSC Controlled Wood Standard) as a result of the project.	Ha	0	0	0	0	0	250,000	Annual	FSC Report	DOF
Component 2: Piloting Forest Landscape Management												
IR 2.1		FLM Framework developed	Yes/No	No	No	No	No	Yes	Yes	Annual	Annual Report	DOF
IR 2.2		Areas with FLM implementation plans	Ha	0	0	0	0	0.75m	0.75m	Annual	Annual Report	DOF
Component 3: Enabling Legal and Regulatory Environment												
IR 3.1	X	Reforms in forest policy, legislation or other regulations supported	Yes/No	No	Yes	Yes	Yes	Yes	Yes	Annual	Annual Report	DOF
IR 3.2		STEPP field activities resulting in enforcement action	Percentage	0	0	0	60	65	75	Annual	Annual Report	DOFI
IR 3.3		POFs in compliance with DOFI best management practice operating procedures	Number	0	0	0	15	17	18	Annual	Annual Report	DOFI