

**Meeting of FIP Pilot Countries
Yogyakarta, Indonesia
September 24-26, 2013**

Progress Updates from FIP Pilots

LAO PDR

<i>What activities have been undertaken to review progress and coordinate implementation of the FIP investment plan at the country level since the last Pilot Country Meeting? With what regularity do such reviews take place?</i>	
Inter-agency	<p>The FIP in Lao PDR are undertaken by two ministries with participating of multi stakeholders including agencies at sub-national, local communities and non-government organisations. Two leading implementing agencies are Department of Forestry (DoF) under Ministry of Agriculture and Forestry, and Department of Forest Resource Management (DFRM) under Ministry of Natural Resource and Environment. Communication between DoF and DFRM are frequently carried out in both informal and formal manners.</p> <p>In reaching to wider stakeholders, FIP activities are reported at the Forest Sub-Sector Working Group (FSSWG), which is organised two times a year between government relevant agencies and the development partners (including donors and Civil Society Organisations). In addition, during the preparation for starting up, and designing the sub-projects of FIP, many consultation meetings were organised with participation of all stage holders. The meetings were organised in both central and provincial levels to cover all targeted provinces.</p>
Development partners	See above
Multi-stakeholder	See above

Please provide an update on activities carried out, challenges encountered, and progress made to set up the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities in your country.

The start up process in the country has been very slow due to a lack of approved Global Operational Guideline which is very important in guiding the local operational framework. An

internal meeting between the key local CSOs was carried out to debrief each other on the outcome of the FIP Committee Meeting in DC in May this year. It is important to note that the local CSOs in Lao PDR have been established for less than 3 years. Thus, they are relatively young in experiences on operation and lack qualified human resources. Without additional technical and financial supports to facilitate the dialogues between them and other stakeholders such as local communities and the government, it will be very challenging to maintain the momentum and start up the DGM activities in country.

What are the opportunities and challenges you have encountered, or expect to encounter, with the implementation of the FIP results framework in the context of your country?

In the past decade, Lao PDR has carried out the practice of Participatory Sustainable Forest Management (PSFM) within the Production Forest Areas (PFAs). While the country could achieve some targets and objectives of PSFM, the tasks are still far from completing. There are still large areas of PFAs and other kinds of Forest Areas have not been under PSFM. In addition, there are numbers of issues relating to effective participation of communities need to be improved in order to promoting effective participation of the communities in PSFM, and to promote communities' benefit sharing. Thus, three sub-projects of FIP designed to scale up PSFM in PFAs, and to introduce PSFM in other kind of National Designated Forest Areas, and to promote private and farmers to engage in plantation are providing good opportunities to Lao PDR to consolidate the national forest management scheme under National Forest Strategy 2020 (NFS 2020).

Major challenges include aligning some safeguard policies with Government Strategy to improve villager livelihood through policy of consolidating villages in order to provide better service delivery to communities; and integrating the objectives of the project with national economic development plan. National priorities for economic development, partly, rely on energy sector (hydro power) and natural resources (mining) and agriculture (expanding large scale agriculture). They can pose potential pressures on the tasks of PSFM, particularly to retain and increase forest areas (forest cover) as clearly defined in the Project Development Objectives (PDO) and National Forest Strategy 2020 (NFS 2020).

Please provide an update on the status of your country's FIP projects involving the private sector (note: this includes public sector projects with a private sector focus).

Project description (brief):

Lao FIP Programme designed to include the Smallholder Forestry to directly promote and engage private sectors and farmers in plantations in degraded lands and underused lands forest areas outside the state forest areas. This proposal conforms to the Smallholder Forestry Program in Lao PDR's FIP Investment Plan. The overall proposed program aims to develop successful Out Grower Schemes (OGS) in partnership with private sector forestry companies as a means to contribute to net reductions of GHG emissions and improve the livelihoods and income of the participating farmers.

Findings of preparatory studies / outcomes of implementation activities:

Following the Investment Plan endorsement, IFC which leads on implementation of this sub-project of Smallholder Forestry undertook a scoping study and carried out further identification missions to develop the proposed program interventions. The concept of the proposed program will be initially tested by starting work in partnership with a commercial private sector forestry company at a modest scale to strengthen buy-in by all stakeholders, build up farmer confidence and experience with a range of different tree and crop combinations demonstrating therefore the viability of the proposed OGS model. The two components of the program are as follows: 1). Farmer Engagement Plan (FEP) through Out Grower Scheme Model (OGM) and Land Security Promotion; 2). Farmer Organization and Capacity Building through Establish Farmer Groups and Farmer Technical Capacity Building.

Challenges encountered and approaches to address them:

Market Barriers:

The rapid economic growth in Lao PDR and neighbouring countries in recent years has increased the demand for a wide range of commodities. Lao farmers derive very little benefit from these opportunities because they are not organized to capture the benefits of scale to access markets efficiently, lack the technology to diversify their farming systems and the financial resources to invest in inputs required such as seed, fertilizer and fencing materials. There have also been major problems with access to land and security of land tenure for both farmers and private sector companies that has greatly restrained progress.

The transformation of degraded forest and land into productive use has proven to be a challenge for the GoL, as well as the private sector. The main market barriers that need to be addressed to promote Smallholder Forestry are as follows:

Limited success in company community partnerships in the forestry sector: Private enterprises managing concessions for tree plantations in Lao often have encountered limited success themselves in the past due to a failure to fully appreciate the importance of soil quality and the difficulties of securing sufficient land. A major contributory factor in the past to the lack of success with OGS has been the failure by the companies or the government to provide sufficiently intensive extension services. Companies have tended to provide seedlings and then leave the farmers to look after the plantations, but the farmers have not been adequately advised and supervised on maintenance, which is crucial for the survival and growth of the trees. Thus many of the smallholder plantations have failed or seriously underperformed.

Limited GoL capacity in land transfer to rural communities: There has been considerable development on the regulatory framework in the Lao forest sector since mid 1990s. However, the regulatory framework is hindered by capacity issues to implement and enforce laws. As a result, land security is a concern among villagers vis-à-vis farmers because land use plans are outdated or not conducted at all. In addition, there has been hardly any legal land ownership proof and existing contracts contained no clear stipulation of rights, benefits and obligations. Villagers' poor understanding of land ownership obligations and benefits including the absence of a proper farmer organization body exacerbates this issue.

Limited community organizational capacity, poor technical and business skills of farmers to produce agricultural and forestry commodities: Communities lack the organizational capacity and technical skills to produce agricultural and forestry commodities at a scale and in a cost effective and sustainable manner to capture markets. As a consequence, these communities face substantial constraints to perform sustainable economic activities and consequently improve their livelihoods.

Transfer/application of knowledge/lessons/experience beyond FIP activities:

Once the approach has been successfully piloted and lessons learnt incorporated into the program design it will be scaled up and then replicated with other companies operating, and reached out many farmers through the country.