

Critical Ecosystem Partnership Fund  
Process Framework on Involuntary Restrictions



Establishing and piloting a payment for ecosystem services model in Lao PDR

**Organization:** Wildlife Conservation Society, Lao PDR Program

**Application code:** 65926

**Date:** 8<sup>th</sup> February 2016

## 1. Statement of Need

CEPF projects that introduce involuntary restrictions on access to legally designated parks and protected areas, trigger the World Bank's policy on Involuntary resettlement. The current WCS proposal 'Establishing and piloting a payment for ecosystem services model in Lao PDR' may introduce such involuntary access restrictions, primarily through community forest protection activities. As such, CEPF required that WCS produce a draft process framework on involuntary restrictions.

The objectives of this Framework are to avoid, minimize, or mitigate potentially adverse effects of restrictions of access to natural resources, and ensure that affected communities are consulted with and participate in meaningful ways in project activities affecting them.

The full planning process involves 2 main steps: the development of a Draft Process Framework during project preparation, and the development of a Plan of Action during implementation if the project is approved and funded. This document is the first step of this two-step process.

## 2. Project Background

The proposed Payments for Ecosystem Services (PES) project will be conducted in 2 – 3 villages of the 9 villages that share a boundary with the Nam Gnouang South Protection Forest Area (NGS PFA) in Bolikhamxay Province, Lao PDR. The 54,000 hectare NGS PFA plays an important strategic corridor role in eastern Bolikhamxay by linking three conservation forests including Phou Chom Voy Provincial Protected Area and Nam Kading NPA (Figure 1).

The project will include two primary PES actions that will involve the participation of local communities: community led forest protection, and community led forest restoration. These activities will be conducted in the areas overlapped by both the village land zoning boundary, and the NGS PFA. These areas are already under existing restricted use regulations developed with communities and local government and approved by both. The changes in use that may occur in the areas under the PES scheme may impact some community members by restricting access to areas for certain activities through community pressure and improved enforcement, and it is for these people that this draft process framework is prepared. No new regulatory restrictions, or expansion of areas under restrictions are proposed. In fact, under the current proposal it is intended that management and usage rights of communities be expanded to include the proposed activities.

The current proposal has been prepared as a potential means of providing income to target communities, while at the same time protecting forests and natural resources and providing watershed services to the Theun Hinboun Power Company (THPC). THPC has been conducting reforestation activities in the NGS PFA, and the current proposal is aimed at both increasing the effectiveness of this reforestation through community acceptance, involvement and support. In addition, the proposed scheme will increase villager incomes through payments made to individuals and to village funds for communal use.

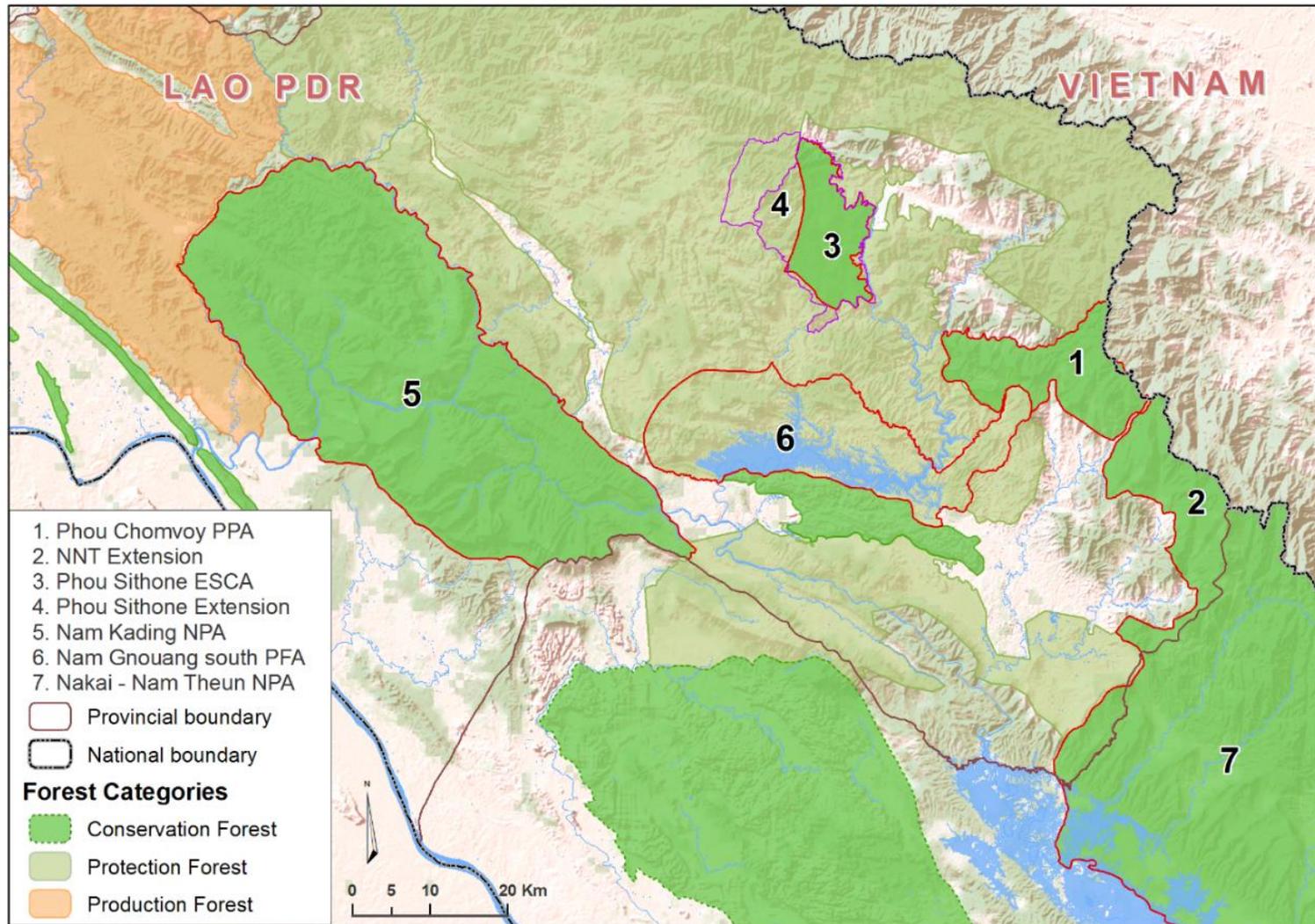


Figure 1: The Nam Gnouang South Protection Forest (6) and surrounding protected areas.

The project comprises 3 main components, and associated deliverables and activities (Table 1)

Table 1. Description of components of the proposed PES scheme.

Component	Deliverables	Activity	Details
1 Design and Planning of the PES Scheme	<ol style="list-style-type: none"> <li>1. The draft 'PES Roadmap' Document that outlines the steps to be taken for implementation is completed</li> <li>2. Community PES organization established and documented.</li> <li>3. A workshop to determine the preliminary payment levels will be conducted and reported to CEPF</li> <li>4. PES forest zones determined for 2-3 villages for year 1 and documented in the PES Roadmap document.</li> <li>5. Compliance with CEPF Social Safeguard Policies monitored and reported to CEPF.</li> <li>6. Conflict Resolution and complaint mechanism developed and implemented.</li> </ol>	1.1	Assessments of other PES, desktop study of best practices. Draft roadmap document finalized and provided to CEPF
		1.2	Initial meeting in the province- with Provincial Government and Communities – agreements sought.
		1.3	Payment systems and levels determined for year 1 activities – village workshops (2-3) conducted.
		1.4	Preliminary community organization establishment and payment transfer system established - report compiled.
		1.5	Restoration and protection forest zones identified and demarcated. Maps produced and disseminated.
		1.6	Study tour to model PES site in the region
		1.7	Monitoring to ensure compliance with CEPF Social Safeguard Policies conducted and report compiled.
		1.8	Conflict resolution and complaint mechanism developed and implemented. This mechanism will be developed in participation with the village (when the PES committee is established), and government.
2. PES pilot implementation	<ol style="list-style-type: none"> <li>1. Restoration and ANR training conducted in the 2 -3 villages</li> <li>2. Restoration and forest protection activities conducted – PES payments made</li> <li>3. Monitoring system designed, and implemented.</li> </ol>	2.1	Training for restoration (and ANR) and protection conducted each year
		2.2	Restoration and protection activities undertaken each year.
		2.3	Monitoring of Performance (Patrols, GIS) conducted each year.
		2.4	Conditional payments made once per year.
3. Policy engagement	<ol style="list-style-type: none"> <li>1. Direct dissemination through workshops</li> <li>2. Policy engagement</li> <li>3. Final Roadmap guideline report</li> </ol>	3.1	Opening workshop conducted and workshop report produced.
		3.2	Closing workshop conducted and workshop report produced.
		3.3	Participation in sector working groups, collaboration and support for legislative development. Policy advocacy diary / report maintained.
		3.4	Final report / PES roadmap developed and presented at final workshop.

### 3. Social analysis

WCS and the Lao PDR Government conducted a Participatory Resources Assessment (PRA) in the villages surrounding the NGS PFA with an emphasis on social conditions from 2012 – 2014. The data was collected primarily using PRA methods, while at the same time collecting additional information on the social condition of the villages. The survey was undertaken across the 9 target villages within three districts: Khamkeut, Viengthong and Xaychamphone. The PRA team included team members from the following government departments: District Governance and Administration office, Department of Natural Resources and Environmental Office (DONRE), Department of Agriculture and Forestry office (DAFO), District Rural Development office, District Investment office and the Lao Women’s Union.

In addition to the PRA, a further assessment of agricultural and forest resource use options for inclusion in a potential PES scheme was commissioned by WCS in 2015, and conducted by the French development NGO, GRET. This study was conducted in the target villages to guide the development of the PES scheme pilot being proposed, and included collecting data from key stakeholders including communities and government. The output of this study and analysis was the characterization of the main farming systems including past and current dynamics, socio-economic differentiation, (informal) village organizations and land & forest use and management systems.

There are about 9270 people residing in these target villages, the majority of which (about 78 percent) are under the age of 45. The communities consist primary of subsistence rice farmers, with yearly rice shortages a common occurrence. School attendance is variable between villages but relatively low in the Laos context, and as low as 50% in some villages. Cash income is mainly derived from small scale cropping and livestock raising. NTFPs are widely collected, although play a small role in household income. However, this may change with increasing knowledge and access to markets due to road improvements. The assessment indicated that the areas are still relatively rich in forest and natural resources. The survey also found that villagers collect natural resources in about 95 areas which are mostly inside the NGS PFA. Villagers travel as far as 15 km from their villages to collect natural products.

Activities that are currently conducted in the NGS PFA that may be impacted through this project include:

1. Cattle raising in protected forest areas
2. Slash and burn agriculture, and general burning of these protection forest areas
3. Illegal logging and destructive NTFP collection.

It is intended that the benefits of the PES scheme in terms of community income, natural resource management, and clarity regarding use rules of forest area will outweigh the potential impacts due to involuntary restrictions, and as described below, potential project affected people will be prioritized in terms of participation.

The NGS PFA Program, a WCS supported government program tasked with managing the NGS PFA currently conducts a range of activities in the target village areas including livelihood support activities, forest patrolling, training and mentoring, outreach and awareness, and monitoring.

#### 4. Participatory implementation

A key aspect of PES schemes is the voluntary participation by the ecosystem service providers, in this case, the communities and community members that will conduct the activities that increase and protect forest cover. The proposed scheme will only be conducted with the voluntary agreement and participation with the target villages. In fact, this step, which will include aspects of the Free Prior and Informed Consent process, will be conducted during component 1 of the proposal (Table 1). Meetings will be held with community leaders and members at the commencement of the proposed roadmap process, and the scheme will only be conducted in communities for which agreement is freely given.

The establishment of the PES scheme will follow a 'Roadmap Process', adapted from the roadmap developed by the Australian Center for International Agricultural Research (ACIAR) Project 'Effective implementation of payments for environmental services in Lao PDR'. This roadmap requires a number of key steps be followed in the planning and implementation process, including steps to ensure active community participation in both the planning and implementation. These steps include the determination of:

- the location of the pilot scheme areas, and agreement of PES demarcated forest areas
- the makeup of the participatory decision making structure within the village – the community committee overseeing the PES pilot implementation. This may be a combination of the village forestry committee and the village development fund committee.
- the payment levels required to incentivize the activities – this will involve a series of activities and meetings in the village
- the monitoring of activities required for conditional payments to be provided
- how PES funds provided to the communities will be managed and spent.

The success of the PES scheme is dependent on community acceptance and involvement, especially in terms of forest protection. Therefore, participatory implementation of this pilot scheme is critical and will be ensured through the roadmap steps. Once voluntary participation and agreement has been confirmed, a community PES committee will be established. This community PES committee will oversee the implementation at the village level and will be the primary institution for engagement with the village from the different stakeholders: WCS, Government agencies, and THPC. At various stages of the implementation however, a broader group of community members will be required to participate in various activities.

Much of the social and natural resource use information required for this process has been identified during the Participatory Resources Assessment and the GRET study that have been completed, as described above. The information obtained during this process, along with the existing participatory boundary demarcation and land use zoning, will provide an in depth understanding of (a) the cultural, social, economic, and geographic setting of the communities in the project areas; (b) the types and extent of community use of natural resources, and the existing rules and institutions for the use and management of natural resources; (c) identification of village territories and customary use rights; (d) local and indigenous knowledge of biodiversity and natural resource use; (e) the threats to and impacts on the biodiversity from various activities in the area, including those of local communities.

Additional strategies for resolving conflicts (see conflict resolution below), strategies for participation, and participatory and effective monitoring of the project activities will be conducted through discrete project planning Roadmap steps.

### 5. Threat analysis

WCS has conducted ongoing biological and ecological assessments of the NGS PFA, and collects data related to threats regularly through patrolling, the use of the SMART monitoring systems, deforestation monitoring, and community engagement and conceptual modelling. The assessment of threats in the NGS PFA drives many of the activities that the NGS program conducts, such as outreach, livelihoods, enforcement of regulations, and monitoring/patrolling strategies. Current threats to the NGS PFA include the raising of cattle, encroachment due to expansion of small scale agriculture, illegal logging, and uncontrolled burning in the protection forest. The NGS PFA program has been effective in reducing the impact of some of these threats.

WCS and the NGS PFA Program has worked closely with government to resolve issues of natural resource use and land tenure in a number of villages, to ensure that communities have adequate access to resources and land to meet their needs. WCS and the NGS program will continue to work with government and communities to resolve issues related to natural resource use, and will continue to do so through this PES piloting process.

### 6. Criteria for eligibility of affected persons

It is anticipated that the project will target forest areas for protection and reforestation, that are not currently being used, or planned to be used in the near future. However, if through the steps described in the participatory implementation above, it is determined that some people may be impacted by the change, a number of measures are available. A primary means to mitigate the potential impacts to people using areas under the management of the PES community committee will be to prioritize their participation and inclusion in the income generating activities. This will be ensured as engaging the community members most closely associated with the areas demarcated for protection is critical for the success of the pilot.

The project team will work with the community committee to determine which households or families may be impacted by the measures. The agreement of these households, and the invitation to participate in project activities will occur prior to any on ground activities being conducted.

An identified problem in the villages surrounding the NGS PFA is the use of community forest areas by non-residents and commercial ventures who do not have traditional use rights to the areas. Outsiders will not be eligible for assistance or participation in the scheme, as their use of community forest areas has typically included short term unsustainable extraction of forest resources. The demarcation and management use rights that are anticipated under the PES scheme are intended to provide the community with a stronger ability to exclude these outsiders from extracting natural resources, or provide a scheme by which the community can allow these activities for a fee.

In addition, persons conducting voluntary larger impact unsustainable and illegal activities such as illegal commercial logging, wildlife poaching and other destructive natural resource use methods will be excluded from assistance and inclusion in the pilot. Community members who breach community

agreed rules for the areas will also be assessed for exclusion from the PES pilot benefits as a disincentive for destructive activities.

### 7. Measures to assist the affected persons

As discussed above, the primary means of assisting any project affected people will be prioritizing their participation in the income generating opportunities provided by the PES scheme. These income generating activities will include:

1. Direct payments through participation in reforestation activities, and payments for community members time engaged in these activities
2. Direct payments for participation in community protection and patrolling activities.
3. Indirect benefits through the community activities financed through the PES community funds.

In addition to these income generating activities, consideration of potentially impacted households will occur during activity 1.5 - Restoration and protection forest zones identified and demarcated – and may include discussions and decisions regarding alternate farming areas for affected households. The target communities practice ‘slash and burn’ agriculture, and decisions are made yearly regarding available fallow land for upland rice production. During implementation of this activity, it will be ensured that available alternate areas for potentially affected household will be proposed and discussed. However as mentioned previously, sites demarcated for restoration and forest protection under this PES pilot will be prioritized based on the absence of current and planned use.

#### **1. Direct payments through participation in reforestation activities, and payments for community members time engaged in these activities**

Depending on the ecological condition of the forest demarcated for restoration under the PES pilot, there will be a range of activities that will need to be conducted. These may include seedling production, site preparation, planting activities, Assisted Natural Regeneration (ANR) activities, weeding, and the maintenance of firebreaks. All of these activities will be conducted by villagers, and direct payments provided for participation in these activities. The community members most closely associated to the demarcated forest areas, and potentially affected by the activities, will be prioritized in terms of training for, and conducting these activities.

#### **2. Direct payments for participation in community protection and patrolling activities.**

The second primary activity promoted under this PES pilot will be the protection of agreed upon forest areas. While the activities required for forest protection will be less intensive than those for restoration, there will be some requirements in terms of forest protection, boundary patrolling, and assistance with yearly monitoring. Potential project affected people and households will be prioritized for participation in these income generating activities.

#### **3. Indirect benefits through the community activities financed through the PES community funds.**

Community funds generated through the conditional payments scheme will be available to fund various activities chosen by community PES committee, although these activities will need to comply with the



community developed expenditure rules. While not a direct income generating activity for affected households, it is anticipated that all households will benefit from these community activities funded through the PES scheme.

In addition to the benefits derived through measured 1, 2, and 3 above, there will also be benefits from clearer natural resource use management rules, and the improved ability for villagers to exclude or charge non-residents and companies for natural resource extraction. NTFPs are likely to play a larger role in village livelihoods as access roads are being improved, and ensuring villagers benefit first from natural resource extraction within their community boundaries will provide improved incomes.

### 8. Conflict resolution and complaint mechanism

The development of a conflict resolution and complaint mechanism is a key Roadmap step that will be conducted in the first year of project implementation. This mechanism will be developed in consultation with communities and government but will include:

1. an impartial, accessible and fair mechanism for raising grievances and complaints
2. a method / procedure for the resolution of conflicts and redress
3. an independent third party mediator when a conflict cannot be resolved in the first instance.

The development of the conflict resolution and a complaint mechanism will commence after initial agreement for participation in the scheme has been provided. This is a deliverable under activity 1.8 of the project performance worksheet.

### 9. Arrangements

The key project partners include local communities, national and sub-national Government, the Theun Hinboun Power Company (THPC), and the WCS supported NGS Program. In addition, the CEPF will provide resources to conduct the pilot.

All key project partners will have roles and responsibilities in the implementation of the project:

**Local Communities:** There are 9 target villages that border, or overlap with the NGS Protection Forest Area (NGS PFA). Two to three of these villages will be directly involved in pilot project implementation, and responsible for the primary PES tasks of forest restoration and forest protection. The direct and immediate benefits to these local communities are the incentives and payments provided under the PES scheme. Additional benefits include increased and diversified incomes, more resilient livelihoods and clear use rights of multiple use forest areas that have been restored and protected. As principal stewards of the resources that provide the watershed protection service by maintaining and increasing forest cover, the local communities will receive training and technical support in restoration practices in alignment with the piloted PES scheme.

**Government:** Support from National, Provincial, and District Government agencies will be required for support and implementation of this project. At the national level the Ministry of Natural Resources and Environment (MONRE) is responsible for the management of protected areas and natural resources, as well as for developing policies, laws and regulations that determine the institutional context in Lao PDR, including land, forestry and investment regulations, and emerging National strategies and policies. Engagement with MONRE will be critical to policy reform derived from this successful project. At the



sub-national level, PONRE is responsible for protected area management as well as developing and implementing land-use plans for their jurisdictional units. In this project they will be the direct government counterpart to WCS. District government staff from the Agriculture and Forestry Office (DAFO) and DONRE offices will support the design and implementation of activities, and assist with ongoing monitoring.

**THPC (Private Sector):** The Theun Hinboun Power Company (THPC) operates a hydropower project in Bolikhamxay Province with a total capacity of 500 MW, which is mostly sold to the Electricity Generating Authority of Thailand. WCS has worked in partnership with THPC since 2009 focusing on the management and protection of the Nam Gnouang South Protection Forest Area (NGS PFA) and surrounding PAs. THPC has been conducting reforestation activities in the NGS Protection Forest, and this proposed CEPF project is a natural extension of these initial reforestation investments. This project aims to demonstrate the increased effectiveness of forest restoration and protection through a PES scheme, with increased watershed services being supplied to THPC, with the intention that a successful scheme is funded beyond the piloting stage by the company. Ongoing support from the environmental and social team within THPC will be critical for the ongoing success of the scheme.

**WCS:** WCS will provide overall project implementation management, and will be ultimately responsible for the delivery of the project components, deliverables, and activities. WCS will also support the government through the continued support of the NGS program and associated activities related to the PES scheme. WCS will provide key project technical and management staff for the implementation, and support the training required for the activities. WCS will also be responsible for monitoring the progress of this process framework, through the inclusion of key measures in the performance deliverables for the project proposal.

These include.

Activity 1.2 - Initial meeting - with Provincial Government and Communities – agreements sought

Activity 1.4 – Community PES organization developed

Activity 1.5 - Restoration and protection forest zones identified and demarcated (including consideration and discussion of project affected households access to sufficient land / alternative livelihoods)

Activity 1.8 – Conflict resolution and complaints mechanism developed

**CEPF:** the CEPF will fund the activities outlined in the project proposal, depending on the successful completion and delivery of preceding activities and deliverables.

## 10. Plan of Action

A plan of action for meeting the obligations of this process framework for involuntary restrictions will be developed once the project has been approved for funding, and will require the input of all the stakeholders. This will be a deliverable during component 1 in the first year of the PES pilot proposal.