H.E. Mr. Somdy Douangdy  
Deputy Prime Minister  
Minister of Finance  
Ministry of Finance  
23 Singha Road, Vientiane, Lao PDR

LAO PDR: Scaling-Up Participatory Sustainable Forest Management Project  
Grant Number H852-LA and CCTF Grant Number TF015286  
Amendment to the Financing Agreement and Grant Agreement

Excellency,

We refer to: (i) the Financing Agreement dated August 8, 2013 (“Original Financing Agreement”) between Lao’s People Democratic Republic (“Recipient”) and the International Development Association (“Association”); and (ii) the Strategic Climate Fund Grant Agreement of the same date (“Original Grant Agreement”) between the Recipient and the International Bank for Reconstruction and Development and the Association (collectively, “World Bank”); both for the Scaling-Up Participatory Sustainable Forest Management Project (“Project”).

We are pleased to inform you that the World Bank has agreed with your request to provide additional financing to continue and expand certain activities started under the Project, and hereby proposes to amend the Original Financing Agreement and Original Grant Agreement to reflect modifications to the Project description supported by such additional financial assistance. Capitalized terms used in this letter which are not otherwise defined have the meaning ascribed to them in the Original Financing Agreement and Original Grant Agreement.

Accordingly, the Original Financing Agreement and Original Grant Agreement are hereby amended as set out below:

1. The objective of the Project described under Schedule 1 to the Original Financing Agreement and Original Grant Agreement shall be amended to read as follows:

“The objective of the Project is to strengthen participatory sustainable forest management in targeted production forest areas, and forest landscape management in targeted provinces.”

2. The description of the Project under Schedule 1 to the Original Financing Agreement and Original Grant Agreement shall be amended to read as follows:
"Part 1: Strengthening and Expanding Participatory Sustainable Forest Management in Production Forest Areas

A. Developing Partnerships to Increase Implementation Capacity

(a) Undertaking a capacity assessment of skills of national departments and agencies and Partner Institutions, and based on said assessment, developing a plan to enhance their skills to implement the Project;

(b) Enhancing capacity building and skills development through the provision of Training and Workshops to national departments and agencies and Partner Institutions, including PSFM Teams and VLD Teams under Part 1.A (a) above, including inter alia: technical forest management, facilitation and communication skills, improved financial management, gender equity, training of trainers, emerging methodologies for REDD+ requirements, fair valuation of environmental services, options for equitable distribution of benefits, gender budgeting and social audits, community mediation, alternative dispute resolution methods and monitoring and evaluation;

(c) Signing collaborative agreements with selected Partner Institutions, identified through the assessment prepared under Part 1.A (a) above, to design and provide need-based and customized skills development and training mentioned in Part 1.A(b) above; and

(d) Development of strategic partnerships and signing collaborative arrangements with National Institutions and non-profit associations to augment and extend the capacities of national departments and agencies to fulfill obligations outlined in Schedule 2.

B. Community Engagement in Participatory Sustainable Forest Management and Village Livelihood Development.

(1) Community Engagement in Participatory Sustainable Forest Management

(a) Piloting the control mechanism of timber legality assurance system in the FPAs, and providing support for certification of sustainable forest management throughout the value chain;

(b) Facilitating environmental and social sustainability of private investment opportunities by assessing availability of appropriate lands for forest plantations in severely degraded lands in PFAs;

(c) Providing technical assistance support for development of PFA management plans, and village forest management plans and agreements;

(d) Establishing, monitoring, and re-measuring permanent sample plots to calculate allowable cuts for each PFA; and
(c) Systemizing knowledge and forest data in a comprehensive management information system.

(2) Village Livelihood Development

(a) Providing Village Livelihood Development Grants and forest restoration grants to implement sustainable livelihood and forest management options;

(b) providing technical support to livelihoods production groups as identified in the agreed CAPS with participating communities in PFAs and Village Use Forest, including support for extension and monitoring of VLDG implementation, and

(c) improving the value chain linkages for selected products with specific producer groups.

Part 2: Forest Landscape Management

A. Developing Methodologies and Frameworks for Forest Landscape Management.

(a) Developing and adopting a landscape approach for forest and biodiversity resources management inter alia: convene stakeholder consultations, define roles and responsibilities, produce inter-agency coordination mechanisms, revenue generating opportunities, benefit sharing arrangements and conflict resolution mechanisms; and

(b) Documenting and disseminating processes for forest landscape management at national and international levels.

B. Establishing Forest Landscape Investment Plans.

(a) Preparing Forest Landscape Investment Plans for priority landscapes in targeted provinces;

(b) Preparing assessments to support landscape investment development, including identifying overlapping and adjacent development activities, and minimizing and mitigating impacts of said development activities on selected forest landscape areas;

(c) Supporting dialogue, consultations, and multi-sector platforms on landscapes, land use, and REDD+;

(d) Developing an integrated monitoring framework across land uses in the forest landscape; and

(e) Building institutional and leadership capacity for landscape-level action and management.
Part 3: Enabling Legal and Regulatory Environment

A. Strengthening Legal and Regulatory Frameworks.

(a) Supporting the development of: (i) legal and regulatory frameworks for implementation of PSFM and REDD+ at national and sub-national levels, (ii) frameworks for FLM at the landscape level, and (iii) policies on environmental, social, and financial sustainability to facilitate and regulate private investments;

(b) Developing technical and legal guidelines for private sector engagement in forest plantation management and other economic activities, and providing capacity building to relevant government agencies and stakeholders to apply best practices on environmental, social, and financial sustainability; and

(c) Supporting further development and implementation of the legal framework for the timber legality assurance system.

B. Strengthening Forest Law Enforcement and Governance.

(a) Providing technical and operational support to DOFI and other enforcement agencies to, *inter alia*, detect, disrupt, and dismantle forest and wildlife related crimes at national and provincial levels, with focus placed on strengthening inter-agency cooperation;

(b) Building capacity of the DOFI Information Management System (IMS) unit in better use of information for law enforcement; and

(c) Building capacity of, and providing technical support to, DOFI in: engaging in multi- and bi-lateral agreements with regional partners on forest and wildlife law enforcement, and complying with the CITES with regards to international trade in flora and fauna.

Part 4: Project Management, Learning and Investment Development

(a) Providing technical and operational assistance for the management of Project activities, including day-to-day administration, coordination, financial management, financial audits, procurement, and monitoring and evaluation;

(b) Engaging with stakeholders and sectors on investment prioritization and development; and

(c) Institutionalization of knowledge for investment and policy development.”

3. Any references to the “Village Livelihood Grant” in the Original Financing Agreement and the Original Grant Agreement shall be amended to refer to “Village Livelihood Development Grant”.

Except as specifically amended by this letter of amendment, all other provisions of the Original Financing Agreement and Original Grant Agreement shall remain unchanged and in full force and effect.
Please confirm your agreement with the amendments set out above by countersigning, dating and returning to us the enclosed copy of this letter of amendment. Upon receipt by the World Bank of the countersigned copy of this letter of amendment, this letter of amendment shall become effective as of the date of countersignature.

Sincerely,

Nicola Pontara
Country Manager, Lao PDR
East Asia and Pacific Region

CONFIRMED AND AGREED:
LAO'S PEOPLE DEMOCRATIC REPUBLIC

By: ________________________

Name: Bounchom UBONPASEUTH
Title: Deputy Minister of Finance.
Date: 19 FEB 2020