



Meeting on Strengthening Finance for Sustainable Forest Management through National Forest Fund

Bogor , Indonesia on 24-25 October 2013

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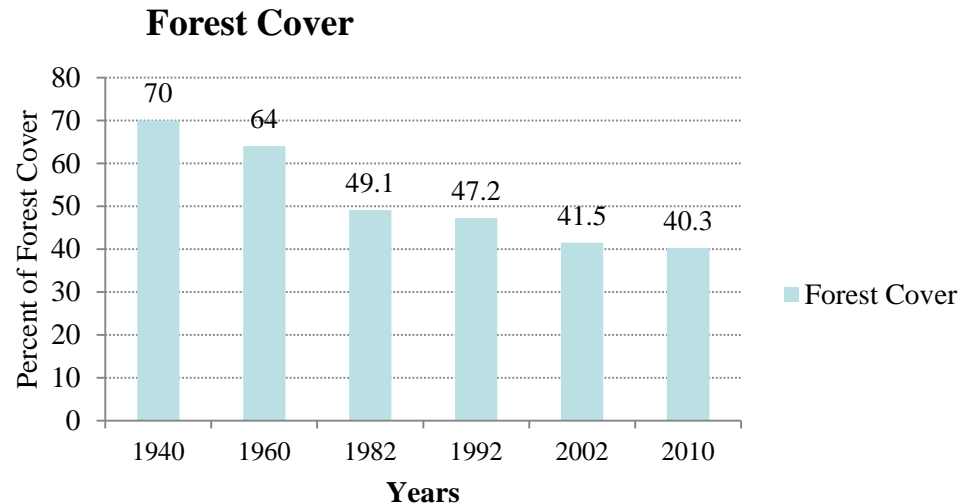
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I. GENERAL INFORMATION

- * **Total Area 236,800 sq.km**
- **Population 6.2 Million**
- **Consists of 3 big groups and 49 different ethnic groups**
- **70% of its terrain is mountainous the northern part**
- **Tropical climate with two distinct seasons**
- **2010 forest cover at 41,3% or 9,55 million ha**
- **All most 20 big rivers including 14 rivers branch of Mekong river .**





1. **The forest was degraded due to many main reasons as :**
fire ,
Shifting cultivation (slash and burn for cultivation)
infrastructure, uncontrolled logging, agriculture
activities,
2. **Population increase ,weak law enforcement**

Categories of Forest in Lao PDR

1. **Protected Forest : 8,2 million ha (MONRE)**
 2. **Conservation Forest : 4,7 million ha (MONRE)**
 3. **Production Forest : 3,1 million ha**
(MAF) harvesting based on management plan
- * Outside 3 Categories : 2,3 million ha or 9,71%**
(MAF, MONRE

II. OVERVIEW AND BACKGROUND OF THE FUND (OR FINANCEING MECHENISM)

1. Overview (mission/goals/purpose, objectives, etc)

In Lao PDR there are 4 big fund such as : FRDF , Environment protection Fund (EPF) , Poverty Reduction Fund and National Road Protection Fund . Forest and forest resource Development fund (FRDF) is a fund establishment under the decree Prime Minister's No. 38/PM, 21.2.2005 with the aimed to encourage more funds from local and abroad for the purpose of forest activities only such as :

For preserving the forests production , Protection , Conservation forest , Plantation and tree improvement for water source and environmental protection, Protection in view of breeding for wildlife in both aquatics life or flora and fauna , for strategy disseminating, law and technical about forestry and other which is concerned about forestry and forest resources activities.

- * Source of fund from under decree Prime Minister's No. 38/PM, 21.2.2005 . Article 12,
- * FRDF account number is deposit at national Treasury in the MOF of Lao PDR

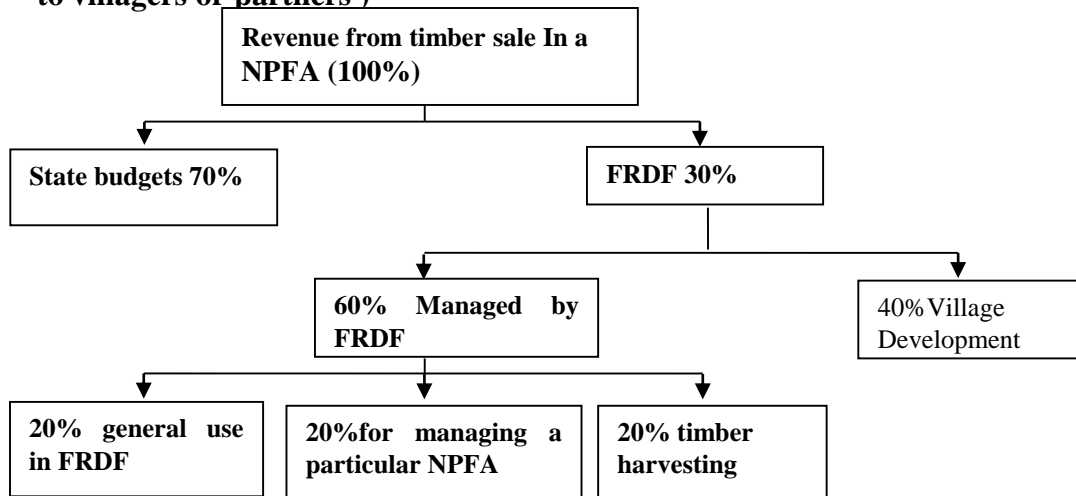


2. Structure of FRDF

- a. **The FRDF Directors boards is composed of the following:**
 - **Deputy Minister of Agriculture and Forestry (MAF) as President**
 - **Director General of DOF , MAF as vice President and He is also Chairperson of Secretaries' board**
 - **Director General of Department of Agriculture Extension and Cooperation, MAF is as vice President**
 - **Director General of Department of Poverties , Ministry of Finance (MOF) as member**
 - **Director General of Department of Planning , MAF as member**
 - **Director General of Department of Forest Inspection , MAF**
 - **Director General of Department of Planning and Land Development is member**
 - **Director General of Department of Forest Management (MONRE)**
 - **Deputy Director General of Department of Planning and Investment ,(MPI)**
- b. **The FRDF Secretaries' board :**
 - **Director General of Department of Forestry is President**
 - **Director General of Department of Forestry is President**
 - **Director General of Department of Poverties is member**
 - **Deputy Director General of DoPI, MAF**
 - **Deputy Director General of Department of Forest Management (MONRE)**
 - **Deputy Director General of Department of Energy and Mining**
 - **Deputy Director General of Department of Planning and Investment , MAF**
 - **Deputy Director General of Department of Agriculture land Management ,MAF**
 - **Head of National Budget Division , MOF**
 - **Head of National Treasury Division, MOF**
 - **Head of Agriculture and Forestry Extension Division, MAF**
- c. **FRDF office .**
- d. **LOCAL FRDF COMMITTEES (from 16 provinces and 1 Capital city)**
 - * **Same organization as on central level**

III. RESOURCE MOBILIZATION OR FUND CAPITALIZATION STRATEGY FRDF IN THE FUTURE (SOURCE OF MONEY TO THE FUND)

- To finish production forest management plan all 51 areas (cutting trees and bidding price it can make more income to FRDF)
- Update all guild lines which involves with income sale wood from area where government's infrastructure projects as : mining exploration , road construction, the grids, hydroelectric power construction ...)
- Under Decree No. 38/PM , 21.02.2005 , article 12 and other regulations which involve with FRDF
- Implementation President of Lao PDR No. 001/President , 31.12.2012 on the sale wood from forest production as benefit sharing mechanism 70% to national budget, 30% to FRDF, to support forest production throughout of country, to support and development forest production where harvesting, fund to village development (Fund to villagers or partners)



- * PES from where Dam building to support other areas
- * International fund : PES , REDD and REDD +

IV. SOURCES OF FRDF FUND

a. Taxes, user fees, royalties, timber sales

PM No. 38/PM 21.2.2005, on FRDF , article 12 .

Fund shall be derived from various sources as :

- 1. Forest royalty ,fee for the use of forests, forestland and forest resources .**
- 2. Fees for timber and NTFPs harvested from plantations,**
- 3. Fees for forests , forestland and forest resources inventory**
- 4. Contributions from national and international profit-oriented organizations involved in Business activities in the forestry sector including NTFPs and wildlife,**
- 5. Contributions from not-for-profit such as involved in the forestry sector such as international agencies (e.g. the International Monetary Fund-IMF), national agencies, individuals, private and public organizations,**
- 6. Other incomes including interest earned from bank deposits and net returns from investments.**
- 7. Income consisting of a share of the money derived from competitive bidding for the sales of timber derived from Production Forest as stated in rime Minister Decree (No. 59 /PM , 22 May 2002, on Sustainable Production Forest Management).**

*** FRDF income collected from 16 provinces and 1 capital city.**

b. Climate change finance including REDD+ funds

*** No implementation on FRDF ,**

*** Conducted in some provinces as PARED (participatory land forest management for reducing deforestation project and CIIPAD project (Climate Protection though Avoided Deforestation)**

V. FUND UTILIZATION (FUND ALLOCATION)

a. Criteria (access and usage)

The purpose of this fund is to mobilize financial resources that shall be used to support and strengthen the sustainable forest management, environmental protection and sustainable development of forest resources to achieve the indicative targets of the national socio-economic plans.

The objectives of fund utilization are limited specific to :

- 1. Protection of Protected Area and National Biodiversity Conservation Areas**
- 2. Plantation establishment, regeneration of forests, watershed management and environmental protection**
- 3. Protection and propagation of plants, animal wildlife fauna and flora to ensure survival and increase the populations of these species**
- 4. Forest, forestland and forest resources inventory**
- 5. Sustainable forest, forestland and forest resources management**
- 6. Conduct research and extension on forestry activities**
- 7. Dissemination of laws, rules and techniques related to forestry activities**
- 8. Managing Forest and Forest Resource Development Fund (FRDF) activities**
- 9. Granting of awards to individuals and organizations that have made outstanding achievement in protecting and regenerating forest and forest resources**

b. Fund allocation 2012-2013 (1 year)

- **FRDF account number is deposit at national Treasury in the MOF of Lao PDR**
- **Fiscal of FRDF : each year national assembly approved fund to FRDF**
- **15.000 .000.000 kip or around \$ 1,916,932**

	Planned	Payment processed
Central level*	7,365,000,000, kip (48.1%)	3,041,792,000 kip,(\$ 388,727,412) (41,3%)
Provincial level**	7,635,000,000 kip (50.59%)	4,024,850,000 kip,(\$ 514,357,827) (52,71%)

* Account at National Treasury, Ministry of Finance

*Account at Provincial Treasury PAFO and PNEO



Special windows or target sectors or groups 2012-2013

No	Name of project	Budget (Plan) kip 2012-2013 1 \$ = 7,825 kip
1	Inventory and sustainable production forest management	2,500,000,000 kip
2	Forest and forest resource inspection	1,000,000,000 kip
3	Management Forest and Forest resource Development Fund (FRDF)	1,000,000,000 kip
4	Dissemination of laws, rules and techniques related to forestry activities	800,000,000 kip
5	Survey and allocate agriculture land and forest land at district level	1,000,000,000 kip
6	Stop shifting cultivation for local people who live around forest	1,000,000,000 kip
7	Management forest production and forest plantation	1,500,000,000 kip
8	Conservation biodiversity, forest conservation and wildlife protection	2,500,000,000 kip
9	Regeneration of forests and environmental protection	2,500,000,000 kip
10	Forest investment management and plantation	400,000,000 kip
11	Government focus development area	400,000,000 kip
12	Provincial focus development area	400,000,000 kip
<u>Total</u>		<u>15,000,000,000 kip</u>

Some field activities with villagers : land use planning, land allocation



EXPECTATION OF USING FUND

1. To increase forest cover to the year 2015 up to 65% and the year 2020 up to 70% or 16,10 million ha,

Should have fund to :

Reforestation : 6,55 million ha, include :

- * Protected Forest : 3,19 million ha
- * Conservation Forest : 1,02 million ha
- * Production Forest : 1,15 million ha
- Outside 3 Categories : 1.19 million ha
- and Plantation : 9,55 million ha

2. Lift up from Lest Developing Country in 2020



VI. FUND OVERSIGHT

a. Monitoring, auditing, reporting

- **Money derived for the from all different sources shall be deposited in the FRDF's account which opened in the National Treasury of Lao PDR under the inspection of the MOF and regulation on income-expenditure of the national government budgetary .**
- *For the fund from international source it depends on contract and regulation of Lao's government and donors and investor agreement.*

b. Account audits

- * **The fund account shall be audited based on the relevant regulations pertaining to public account. This responsibility shall be carried out by the duly-authorized public account auditor and shall be consist of both regular audits and special audits.**
- * **FRDF Office follow up in come collection and monitoring fund each project 2 times per year that including :**
- * **Monitoring and evaluation started after payment or expenditure every term**
- * **Start and prepare proposal writing for the new budget next year around second term of the year.**
- * **Monitor and evaluate the progress and to prepare the finance report on achievement of the implementation of the using fund.**

c. Reports

- * **The Directors board shall be submitted regular and timely progress and financial reports to the Fund contributors and other organizations based on their requirements.**
- * **FRDF Office report to Secretaries' board 4 times per year and to Directors Board 2 times per year the report the progress and result on implementation all of activities of using the fund annually at the end of each year by using the indicators developed by the document.**

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VII. CURRENT STATUS

a. Key achievements

b. Challenges, weakness and risks, and comparison with other models

*** Overall challenges and weakness**

Challenges (risks)

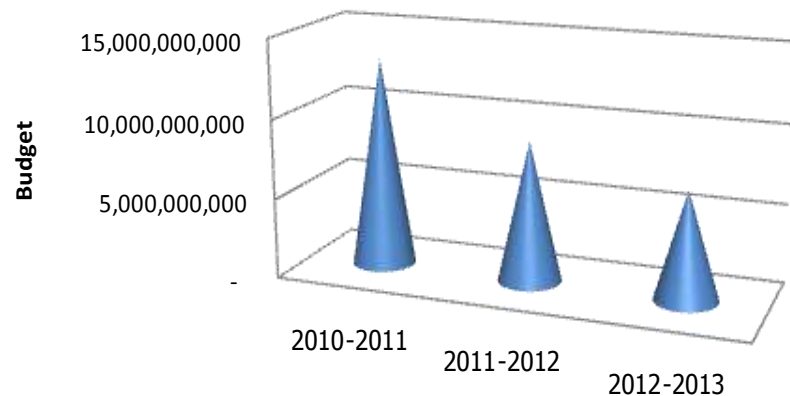
- **Not finish production forest management plan (all 51 areas) no cut trees**
- **Not sustainable income , cutting tree based on government infrastructure**
- **(at reservoir area , along the road building ...)**
- **Cutting tree without specific economic focus, (salvage logging) it lead to low price**
- **President of Lao PDR No. 001/President , 31.12.2012 on the sale wood from forest production , no implementation yet)**
- **Fund from national budget only,**
- **No fund from international agency**
- **PES specific the dam area**

Weakness

- **Income decline each year**
- **Too few source of income for FRDF , so insufficiency fund for activities throughout the country .**
- **National budget cannot add fund when FRDF cannot collect income.**
- **Landscapes (forest areas) such as mountains that are difficult to assess and need more fund**
- **Need provide fund to all projects that involve with forestry activities the same time (no pilot model)**

VII. CURRENT STATUSV (, CHALLENGING (continue)

Implementation income collection from Provinces



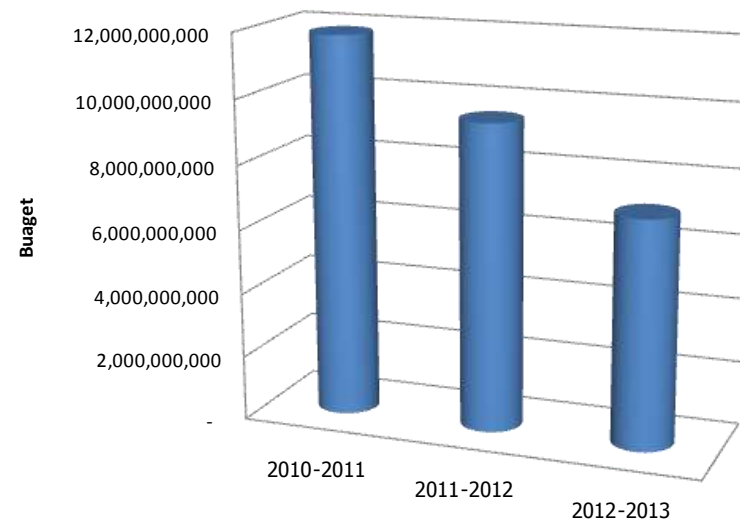
	2010-2011	2011-2012	2012-2013
Budget	13,179,179,895	8,800,603,085.0	6,795,170,204.0

Problem FRDF income year : 2012-2013

Plan : 15,000,000,000 kip or around \$ 1, 916,932

- **Collection conducted : 6,795,170,204 kip ,
(52,62 %) or \$ 868,392,358**

Implementation payment to all projects



	2010-2011	2011-2012	2012-2013
Budget	11,846,884,538	9,519,973,900	7,066,642,000

**Payment conducted : 7,066,642,000 kip , 47,11%
or \$ 903,085,239**

(includind fund from 2012)

VIII . SPECIFICE MEASURES FOR IMPROVEMENT

a. National level :

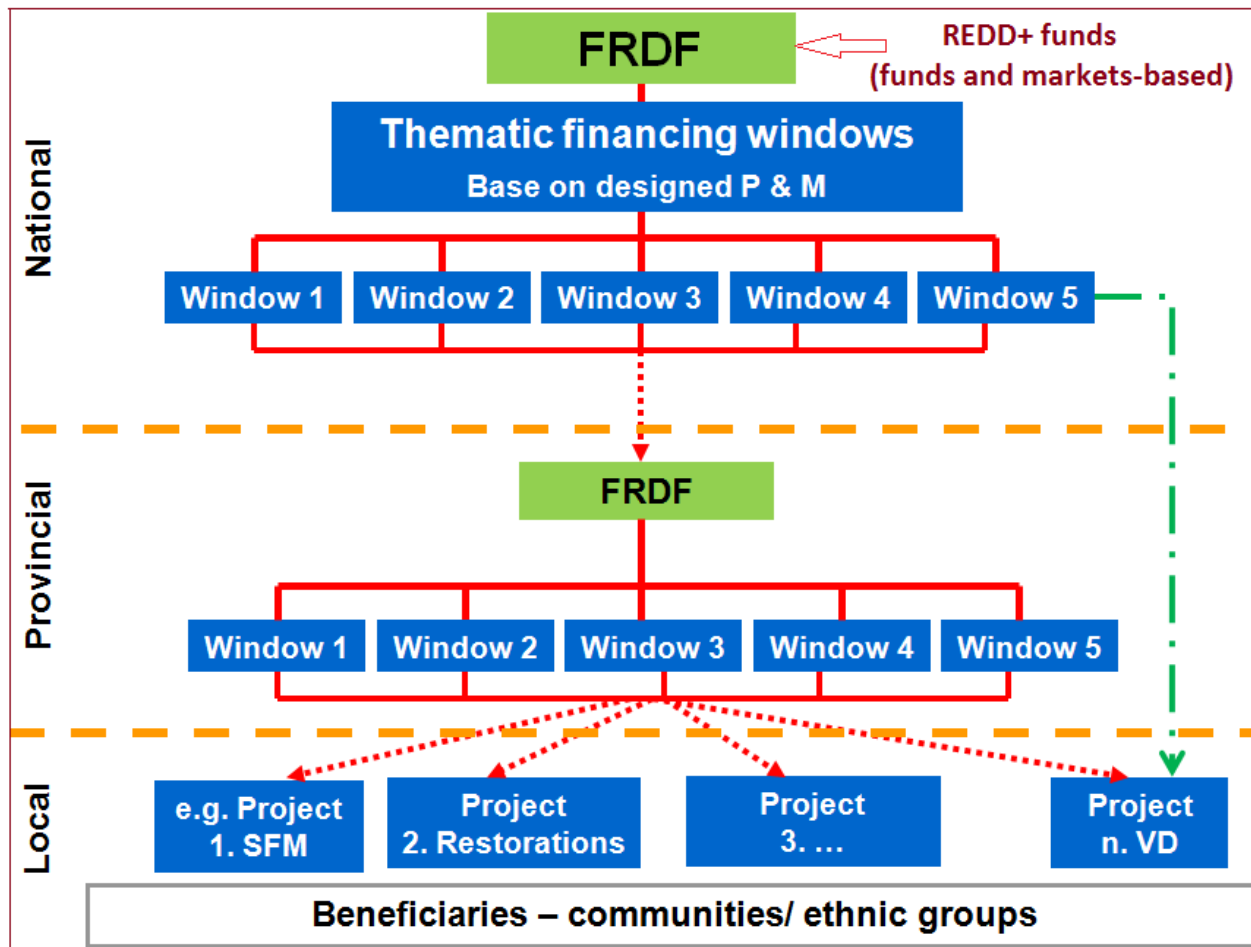
- Seeking more sources for funding
- Update all guild lines which involves with income generation
- Sale of wood from area where government's infrastructure projects as: mining exploration, road construction and hydropower construction ...)
- Fund from domestic and international agencies
- PES to all of rivers sources, not specific watershed
- Promotion more fund to forest management (promote people)
- Expand reforestation and plantation and reduce using wood from Natural forest

b. International level :

- Fund from investors or business (Other sources of fund which involve forestry sections as : tourism place , concession forestland)
- PES (not only Environment Protection Fund (EPF)
- REDD and REDD +

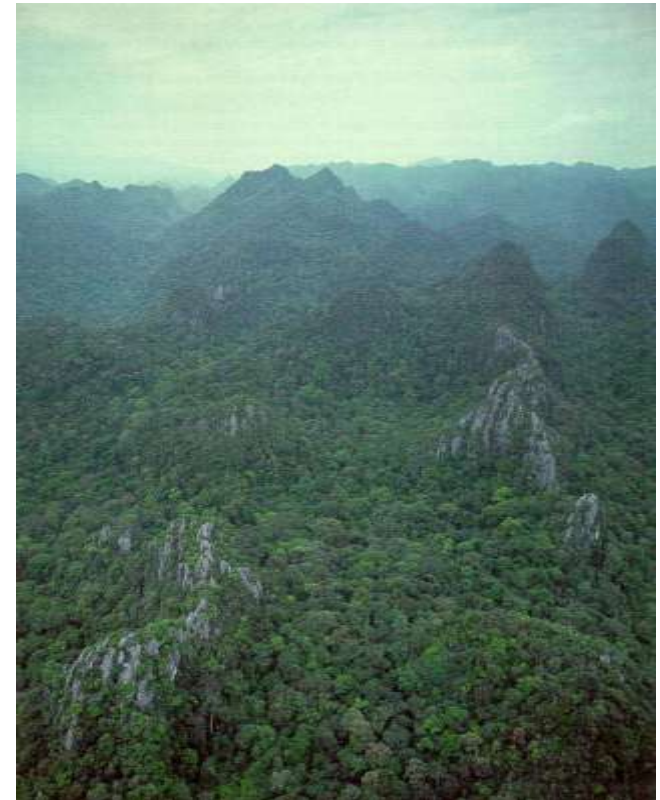
VIII. FUTURE OUTLOOK (WITH SPECIFIC FOCUS ON SOUND FINANCIAL ARCHITECTURE, GOVERNANCE AND SUSTAINABILITY)

(Draft) Distribution fund to villages and villagers in the future plan



IX. REFERENCE

- * **Forestry Law No 6 , 24 Dec 2007**
- * **Decree on the , FRDF No. 38/PM, 21 Feb 2005**
- * **Decree on the Protection Forest No. 333/PM, 19 /7/2010**
- * **Aquatics life and wildlife Law No.05, 14.1.2008**
- * **Forestry Strategy to the year 2020, No 229/PM , 9 Aug 2005**
- * **Forest Implementation Presidential No. 001/President ,
31.12.2012 on the sale wood from forest production**
- * **PM Decree No.59/2002 on sustainable of FP**
 - * **MAF Regulation No. 0204/2003 on Establishment and
sustainable Forest production**
- * **Regulation No. 001 ,27 Feb n 2008 on Rules of FRDF**
- * **MOF Regulation No. 0092 ,13 Jan 2009 on Income collection
management .**
- * **MOF Regulation No. 0885 ,27 APR 2007 on Income collection
management .**



**Thanks for Your
Attention !**

