

## Annex 2e: Explanation of logframe ranking

This Annex provides an overview of the ranking within the project's logframe in Section E.2 and E.4 of the Funding Proposal, which has been developed based on the Green Climate Fund's new Integrated Results Management Framework.

### Section E.2: GCF Impact level: Paradigm shift potential

<b><u>Core Indicator</u></b>	<b><u>Baseline</u></b>	<b><u>Baseline ranking</u></b>	<b><u>Justification for ranking</u></b>
<b>Scale</b>	At the time of this Funding Proposal Formulation (2021-2022), upland farmers in six northern provinces, whom are among the most vulnerable to climate change, will be adversely impacted by climate change as businesses as usual practices put their livelihoods, food security and agri- and forest ecosystems at risk. Accelerating deforestation and forest degradation in the six provinces, which are together responsible for around 40% of national deforestation, further exacerbates the impact of climate change and related losses and damages (see Chapter B.1 for further information). Despite initial results from the implementation of FP117 a paradigm shift towards low-emission and climate resilient forest and land use practices will not be reached as outlined in the programmatic approach described within FP 117 without additional support to ensure local land and forest management practices fully transition to climate resilient, low-emission and deforestation free agriculture and forestry with the aim of further unlocking emission reduction payments and, hence, secure long-term finance for the Lao forestry sector.	<u>Medium<sup>1</sup></u>	<ul style="list-style-type: none"> <li>There is clear evidence of a pathway towards increased quantifiable impact in mitigation and adaptation measures, beyond the project or programme targets. The project will contribute to the overarching goals of the ER-PD, NDC and REDD+ Strategy, among other key priorities (see FP Chapter B1.5).</li> <li>As outlined in Chapter B.2.1, Project 1 has shown the approach to be suitable and mostly effective, however additional support is needed to facilitate scaling, strengthen adaptation benefits, and address some of the outstanding barriers.</li> </ul>
<b>Replicability</b>	At the time of this Funding Proposal Formulation (2021-2022), Project 1 (FP117) laid the ground for the transformational change in the project area, including supporting policy mainstreaming, strengthening the regulatory framework, and implementing and improving the MRV system (with the establishment of provincial deforestation monitoring systems), among others. It also supported interventions on the ground in 3 provinces, namely: Houaphan, Sayabouri and Luang Prabang.	<u>Medium<sup>2</sup></u>	As outlined in Chapter B.1.6, the Programme (Projects 1 and 2) build on the experience of the Government of Lao PDR and diverse donors and other organizations in Lao PDR to replicate and scale up proven approaches. However, the FP highlights that the proposed project is complementary and additional, addressing persisting gaps that limit the transformation/ shift to more climate-resilient and deforestation-free development pathways.

<sup>1</sup> Medium ranking, according to the IRMF handbook, related to scale would imply "Clear evidence of a pathway towards increased quantifiable impact in mitigation and adaptation measures is emerging beyond project or programme targets. Evidence might include increased investment/interest from existing project holders, or new interested parties; the development of strategies covering larger target areas/populations; the achievement of better-than-expected results from GCF funded or influenced interventions."

<sup>2</sup> A medium ranking, according to the IRMF handbook, related to replicability would imply "Examples of intervention models which are similar or influenced by GCF funded/supported interventions are being planned, piloted or implemented in different contexts by a one or more different organisations"

<u>Core Indicator</u>	<u>Baseline</u>	<u>Baseline ranking</u>	<u>Justification for ranking</u>
	However, to fully reach the paradigm shift towards low-emission and climate resilient forest and land use practices, additional technical and financial support is needed to replicate and scale-up investments in climate resilient and deforestation free sustainable land management in 6 provinces.		
<b>Sustainability</b>	<p>At the time of this Funding Proposal Formulation (2021-2022), the Government of Lao PDR has shown commitment and ownership to REDD+ and strengthening climate resilience in Lao PDR, e.g. through the new Forestry Law, National REDD+ Strategy to 2025 and Vision to 2030, among others. Lao PDR's latest NDC (2021) emphasizes the need to strengthen linkages between adaptation and REDD+, however without additional technical and financial support – such efforts are limited.</p> <p>In terms of needed technical support, capacity building is critical at the sub-national level, where capacities are low and staff turnover is high. This limits the overall adoption and sustainability of investments in sustainable land management.</p> <p>In terms of financial support, a major barrier for investing in low-emission and climate resilient land use is the limited availability of public and private finance (see also Sections B.2 and B.5):</p> <ul style="list-style-type: none"> <li>▪ Lao PDR faces severe liquidity stress and has a limited capacity to take on further loans for climate action,</li> <li>▪ Producers and agri-MSMEs have limited access to financing (limited FIs in rural areas), and often do not meet the necessary conditions (e.g. lack of collateral).</li> </ul> <p>While private sector finance for climate action is considered critical to help fill financing gaps, there is a mismatch between private sector and public sector objectives and climate action. There tends to be a short-term perspective in land use management from the private sector and producers, driven by market conditions, which drives investments in unsustainable land management.</p>	<u>Low</u> <sup>3</sup>	<p>There is a clear need for additional technical and financial support to sustain the project's climate change mitigation and adaptation benefits, and such efforts would not exist to scale without this support. This is outlined in the ER-Programme Document, which highlights the need for GCF and additional finance to enable Lao PDR to unlock REDD+ results-based payments. It is further outlined in the NDC, as described in Chapters B.1.5, B.5 and B.6.</p> <p>That said, it is clear that the situation in Lao PDR is complex, and such a transition needs to be gradual and grounded in the local context. Stakeholder consultations and experience in Lao PDR has shown that it takes time to build capacities, and such processes need to be complemented with other measures (e.g. strengthening the regulatory framework, improving law enforcement and monitoring systems). While Project 1 has started, the baseline situation in Lao PDR is such that the transformational change would not be possible without Project 2 (as outlined in the Programmatic approach under FP117).</p>

<sup>3</sup> A low ranking, according to the IRMF handbook, related to replicability would imply “No or limited evidence that the institutional structures and behavioural norms required to sustain the climate mitigation and adaptation benefits are sufficiently robust to exist without external funding and support.”

## Section E.4: Outcome level: Enabling environment

Core Indicator	Baseline	Baseline ranking	Justification for ranking <sup>4</sup>
<p><u>Core Indicator 5: Degree to which GCF investments contribute to strengthening institutional and regulatory frameworks for low emission climate-resilient development pathways in a country-driven manner</u></p>	<p>Project 1 advanced with the strengthening of institutional and regulatory frameworks for REDD+ in Lao PDR. This included, supporting various regulations to mainstream REDD+ and sustainable land and forest management, updating development plans. In addition, project 1 started institutional strengthening and capacity building in 3 of 6 provinces (Houaphan, Luang Prabang and Sayabouri). With these advances, there are clear experiences that can be replicated in the remaining three provinces (e.g. trainings on gender equality, social inclusion, FPIC, PLUP, PSAP, VFAGs and VFM, establishing PDMS, capacity building).</p> <p>In addition, project 1 has generated valuable experiences and supported capacity building of EPF through providing EPF the role of EE. Through supporting EPF with the establishment of their climate change funding window, project 1 has improved channelling of climate finance to priority investments within villages across Houaphan, Luang Prabang and Sayabouri. EPF has since begun the process of applying for GCF accreditation, although additional support is needed to support them with this process.</p> <p>While these advancements are a step in the right direction, there are several barriers that persist in Lao PDR that limit the transition to low-emission and climate resilient development pathways. First of all, Lao PDR is a LDC, and there are insufficient government resources and capacities for climate change adaptation and mitigation. Lao PDR's NDC (2021) highlights the urgent need</p>	<p><u>low</u></p>	<p>The baseline was assessed using the enabling environment score card for Core Indicator 5. The assessment yielded a score of 10, which corresponded to a 'low' baseline ranking.<sup>5</sup></p> <p>It scored medium for the following factors (8 [points in total]):</p> <ul style="list-style-type: none"> <li>There is clear evidence and examples of improved legal/regulatory/policy frameworks being developed and put into place which show an appreciation of low emission climate resilient pathways (e.g. NDC, [draft] climate change strategy 2021, Forest Strategy 2035).</li> <li>There are clear budgets and resources allocated to supporting the development of institutional and regulatory frameworks with some evidence of progress being made. While Lao PDR faces major challenges to adequately finance climate action (as outlined in FP Sections B.2 and B.5), they are committed to the project and have shown clear ownership throughout the development of the overarching program, and implementation of Project 1. They remain committed to Project 2 and have again provided co-financing.</li> <li>Clear efforts being made to identify skills and capacity gaps to addressing the climate change crisis at both organisational and individual level, with evidence of training and learning being underway: With the ER-Programme, there has been clear efforts made to strengthen capacities within the government and ensure commitment to REDD+ (e.g. establishment and operation of REDD+ Task Forces at the National and Provincial Level). As outlined in the FS, there are clear efforts made (within Project 1 and within complementary projects – such as those described under FP Section B.1.6), however there remain clear capacity gaps that need to be filled.</li> </ul>

<sup>4</sup> Assessed using the score cards provided in the draft GCF Integrated Results Management Framework (IRMF): Results Handbook (V. 1, December 2021).

<sup>5</sup> Using the score card for enabling environment, a 'low' ranking corresponded to a "Total element score: <=10".

<u>Core Indicator</u>	<u>Baseline</u>	<u>Baseline ranking</u>	<u>Justification for ranking<sup>4</sup></u>
	to mobilize additional climate finance from the public and private sector to invest in climate change mitigation and adaptation, where forestry and agriculture are among two of its priority sectors. It further notes the need to strengthen the synergies between REDD+ and climate change adaptation, which are often untapped. A key opportunity for this is to integrate adaptation within PLUP, PSAP and VFM, however until now there is no systematic approach.		<ul style="list-style-type: none"> <li>There is clear evidence that MONRE and MAF and other key ministries in Lao PDR are aware of the need for coordination and additional support. They government departments/ministries and/or national and local governments are aware of the need for coordination and have initiated the development of coordination mechanisms to respond to climate change challenges. Particularly relevant for our project is the establishment of EPF to channel climate finance to the village level, in addition to the establishment of REDD+ Task Forces, who have representatives from diverse ministries and line agencies (the National and Provincial REDD+ Task Forces support project steering within both Projects.</li> </ul> <p>It scored low for the following factors (2 points in total):</p> <ul style="list-style-type: none"> <li>A private sector assessment, informed by interviews with private sector agri-MSMEs in the project area, found players were unaware of their contribution to climate change and do not have structures or skills to respond in a timely manner.</li> <li>Civil society organizations have insufficient knowledge and skills to address relevant climate change challenges or to hold the public and private sector to account. While they play an important role in the country, there is a need for additional mechanisms and support to facilitate stronger accountability within the AFOLU sector.</li> </ul>
<u>Core indicator 7: Degree to which GCF Investments contribute to market development/transformation at the sectoral, local, or national level</u>	Poverty and lack of alternative livelihood opportunities (e.g. off-farm employment) have resulted in a high dependence on land and forests for household income in the project area. Project 1 developed the PSAP approach for transitioning to deforestation free production in target villages. Further engagement of the private sector to support the development of deforestation free value chains is required. Agri-MSMEs are critical actors to support the development of these value chains given their position as a critical actor at the intersection of deforestation, production systems and value chains. However, they are often left out of	<u>medium</u>	<p>While this ranked medium with a total score of 6, the team would have ranked this as a low ranking, as the areas where it rank low highlight the challenges faced under the current baseline scenario.</p> <p>It ranked medium with the following factors (total of 4 points):</p> <ul style="list-style-type: none"> <li>Clear examples of projects and programmes that are contributing to market development – for example through new sources of finance, market consolidation, improved value chains job creation, (particularly for women and other excluded groups), economies of scale.</li> <li>Clear examples of where projects and programmes are on a positive trajectory towards improving market</li> </ul>

<b><u>Core Indicator</u></b>	<b>Baseline</b>	<b><u>Baseline ranking</u></b>	<b><u>Justification for ranking<sup>4</sup></u></b>
	discussions on sustainability, and here is a notable absence of financing opportunities for agri-MSMEs to invest in sustainable forestry, agro-forestry, and deforestation free climate resilient agriculture activities. These factors contribute to creating a bottleneck for the development of deforestation free and sustainability oriented value chains.		<p>conditions through cost or risk reduction or by addressing clear market barriers.</p> <p>It ranked low with the following factors (total of 2 points):</p> <ul style="list-style-type: none"> <li>▪ No evidence of projects/programmes contributing towards market development and transformation.</li> <li>▪ Clear evidence of increased demand and higher levels of interest from possible new market players.</li> </ul>