



Report No: RES01450

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF

FCPF Carbon Fund: Lao PDR Northern Laos Emission Reductions Payments Project

APPROVED ON 11-Dec-2020

TO

Lao People's Democratic Republic

Environment, Natural Resources & the Blue Economy
East Asia And Pacific

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ABBREVIATIONS AND ACRONYMS

BSP	Benefit Sharing Plan
CAP	Community Action Plan
CEP	Community Engagement Process
CTA	Chief Technical Advisor
DAEO	District Agriculture and Environment Office
DoF	Department of Forestry (under MAE)
ER	Emission reductions
ERPA	Emission Reductions Payment Agreement
ERM	Emission Reductions Monitoring Report
ESMF	Environmental and Social Management Framework
FCPF	Forest Carbon Partnership Facility
FGRM	Feedback and Grievance Redress Mechanism
GFL	Northern Lao Governance, Forest Landscapes and Livelihood (GFL) program
GoL	Government of Lao PDR
IBRD	International Bank for Reconstruction and Development
IPF	Investment Project Financing
Lao PDR	Lao People's Democratic Republic
MAE	Ministry of Agriculture and Environment
MOF	Ministry of Finance
PAEO	Provincial Agriculture and Environment Office
PDO	Project Development Objectives
NPMU	National Program Management Unit
TPM	Third Party Monitoring
VVB	Validation and Verification Body
WB	World Bank

**BASIC DATA****Product Information**

Operation ID P165751	Operation Name FCPF Carbon Fund: Lao PDR Northern Laos Emission Reductions Payments Project
Product/Financing Instrument Investment Project Financing (IPF)	Geographical Identifier Lao People's Democratic Republic
Approval Date 11-Dec-2020	Current Closing Date 31-Dec-2025
Original EA Category Partial Assessment (B) (PAD Approval Package-08 Sep 2022)	

Organizations

Borrower Ministry of Finance	Responsible Agency Ministry of Agriculture and Environment
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OPERATION STATUS**Project Development Objective (DO)**

Original Development Objective

To make payments to the Program Entity for measured, reported and verified Emissions Reductions (ER) from reduced deforestation, forest degradation and enhancement of forest carbon stocks (REDD+) in six Lao PDR provinces and to distribute ER payments in accordance with an agreed benefit sharing plan (BSP).

Disbursement Summary (in USD million)

Source of Funds	Net Commitment	Disbursed	Undisbursed	% Disbursed
IBRD	--	--	--	0
IDA	--	--	--	0



Grants	42.00	16.02	25.98	38.15
Policy Waivers				
Does this restructuring trigger the need for any policy waiver(s)?				No



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I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Introduction

1. This restructuring paper seeks the approval of the Division Director on a proposed Level II Restructuring of the FCPF Carbon Fund: Lao PDR Northern Laos Emission Reductions Payments Project (P165751). The proposed restructuring includes: i) an extension of the closing date by 18 months to June 30, 2027 (from the original December 31, 2025), and ii) change of institutional arrangement which is reflected in point 2 of the legal document. This will be the first restructuring of the project, and it is based on the official request from the Ministry of Finance (MoF) and the Ministry of Agriculture dated September 30, 2025.

B. Program Background

2. The Lao People's Democratic Republic (Lao PDR) ("Program Entity") and the International Bank for Reconstruction and Development (IBRD), as trustee of Tranche A of the Carbon Fund of the Forest Carbon Partnership Facility (FCPF) ("Trustee of Tranche A of the Fund"), entered into an Emission Reductions Payment Agreement (ERPA), dated December 30, 2020 (TF0B4674), for the Northern Laos Emission Reductions Payments Project. The Program Entity (PE) also entered into a separate ERPA with the IBRD, acting as trustee of Tranche B of the Carbon Fund of the FCPF ("Trustee of Tranche B of the Fund"), dated October 30, 2020 (TF0B4673) for the same Project. The total value of the ERPAs is US\$42 million for a delivery of 8.4 million tonnes of CO₂e Emission Reductions (ERs) for the crediting period of January 1, 2019 – December 31, 2024.
3. The ER Program is referred to by the government as the Northern Lao Governance, Forest Landscapes and Livelihood (GFLL) program and is comprised of six northern provinces¹ covering an area of 8.1 million hectares. The ER Program is results-based, i.e., payments are made to the PE for monitored, reported, and verified ERs resulting from actions and measures to reduce emissions from deforestation and forest degradation in accordance with the ER Program design, and payments are made by the Bank in accordance with the terms and conditions of the ERPAs. The ERPAs have two reporting periods (reporting period 1: January 1, 2019 – December 31, 2021; reporting period 2: January 1, 2022 – December 31, 2024) during which ER monitoring reports are submitted and verified. ER payments are distributed to beneficiaries in accordance with an approved Benefit Sharing Plan (BSP) for the ER Program. 77% of the gross ER payment is allocated as performance-based payments to communities, sub-national government agencies and pilot initiatives, 18% allocated to cover operational costs at national and sub-national government and 5% as a set aside as performance buffer.

C. Implementation Status and Program Performance Ratings

4. In October 2023, the PE successfully completed an independent third-party validation and verification of its first Emission Reductions Monitoring Report (ERMR-1), covering the first reporting period January 1, 2019 – December 31, 2021. The verification resulted in the issuance of 3,204,614 ERs, with a corresponding payment of US\$16,023,070 made in July 2024 (of which an advance payment of US\$3,000,000 was made in June 2022). Of this gross payment,

¹ Bokeo, Houaphan, Luang Namtha, Luang Prabang, Oudomxay and Sayabouri



US\$11.8 million was allocated for distribution to villages, US\$642K to sub-national agencies (re-allocated from the amount for pilot initiatives as none were identified for implementation under the first payment), and US\$3.7 million for operational cost to implement the BSP and Safeguards requirements. A total of 247 target villages across the six provinces were planned to receive benefits from the first ER payment.

5. **The overall achievement of the development objective and implementation progress rating is Moderately Satisfactory as of the ISR of October 7, 2025.** The rating was underpinned by the progress made by the PE in the delivery of the first ERMR-1, payment transferred from World Bank on July 17, 2024, submission of the second ER monitoring report (ERMR-2) was delivered on schedule on September 15, 2025 for third party verification and validation, completion of Community Action Plans (CAPs) by and distribution of payments to target villages under the ERMR-1 started on March 31, 2025. CAPs were developed through a two-step community engagement process (CEP) and are a pre-requisite for villages to receive ER payments. This process has taken a significant amount of time which has caused delays in getting the payments distributed to villages. Further, many target villages are remote and inaccessible during the rainy season (June–October) i.e., prone to flood and landslides, thereby, delaying fieldwork needed to develop and complete the CAPs. The World Bank task team has worked closely with the PE including to provide regular guidance on improving efficiency through streamlining the CEP process and better budget planning and allocation of resources at the sub-national level to speed up CAP development and distribution of payment to villages. As of October 2025, a total of 92 CAPs has been completed, and an additional 43 are under preparation, placing the Program on track to achieve its target of 135 CAPs by December 2025 and remaining 112 CAPs and payment before December 2026. ER payment transfer to 52 additional villages with completed CAPs, including upfront payment to villages that have completed the first step of CEP is also underway with Ministry of Finance (MoF). The streamlining of CEP is institutionalized in government systems, and implementation momentum has notably increased across provinces prior to the first distribution of payment. Department of Forestry's (DOF) leadership and coordination among the National Program Management Unit (NPMU), Provincial Agriculture and Environment Offices (PAEOs) and District Agriculture and Environment Offices (DAEOs) have been strengthened.
6. **Environmental and Social Safeguards' performance is rated Satisfactory.** The project environmental and social safeguard system is in place with all required instruments adequately complied with. The project is ensuring the monitoring of safeguards related to BSP implementation and forest management activities supporting ER. All agreed actions were completed or largely on track. Safeguard instruments including Environmental and Social Management Framework (ESMF), Ethnic Group Development Framework (EGDF), Process Framework and associated instruments have been updated to ensure safeguard requirements are consistent and mainstreamed into project activities. A Feedback and Grievance Redress Mechanism (FGRM) is in place in 135 (i.e target for 20205) villages where CEP1 has been completed of the 247-target village under ERMR-1. Safeguard and CEP implementation capacity has been strengthened with project staff and consultants adequately mobilized and trained. Safeguards report was submitted in July 2024 and the recent report submitted through Annex 2 of the second ER monitoring report which reports on safeguards implementation.



7. The PE has submitted ERMR-2 report, which has undergone review by the World Bank task team and the FCPF Facility Management team. The independent verification is expected to begin in December 2025. Verification is estimated to take around eight months after which the second payment can be made to the PE.
8. The BSP is also being revised to increase the operational cost to 23% by reallocating funds from the performance buffer. The program exhausted the original 18% allocated operational costs faster than anticipated due to unforeseen implementation challenges, including the high cost of supervising remote project areas, higher-than-expected cost for capacity building at provincial, district, and community levels, and the need to tailor of the community engagement process for the selected 247 villages. The GoL has consulted all relevant stakeholders and worked collaboratively with the World Bank to incorporate the revisions into the BSP. The revised BSP will be completed by January 31, 2026, reviewed and cleared by the World Bank (including the FCPF) and disclosed by February 28, 2026.
9. While no new risks are introduced by the proposed restructuring, residual implementation and reputational risks remain and are being actively managed. These include potential delays in Community Action Plan (CAP) completion due to seasonal accessibility constraints in remote villages, execution risks associated with the accelerated sequencing of BSP implementation for ERMR-2 villages, and reputational risks should benefit distribution be perceived as delayed or inequitable. These risks are mitigated through a sequenced and time-bound action plan, strengthened sub-national coordination, streamlined CEP procedures, enhanced financial management support to villages, and close World Bank implementation support and supervision throughout the extension period.

D. Rationale for Restructuring

10. On September 30, 2025, the PE submitted a letter requesting for the extension of the ERPA closing date by 24 months to enable completion of ERMR-2 verification and ensure continued and complete distribution of payments through the implementation of the BSP for both the first and second ERPA payments. Following discussions with the PE on the progress made to date, including increasing efficiency and accelerating payment distribution to villages — an 18-month extension was proposed and agreed.
11. The proposed extension will enable Lao PDR to fully leverage World Bank support to deliver on the ERPA and meet the PDO while ensuring fiduciary, BSP and safeguards compliance in line with the updated FCPF Directive of December 2024. Specifically, the extension will enable: (i) completion of first ERPA payment distribution to all 247 villages before December 2026 from the ERMR-1, (ii) completion of ERMR-2 verification, and (iii) completion of second ER payment distribution to a further 140 target villages; and (iv) sufficient time for the PE to prepare for transition of its FCPF REDD+ program to other standards and potential access to carbon markets or other bi-lateral results-based payments. Lao PDR has also received a Bank-executed technical assistance funding through the Scaling Climate Actions by Lowering Emissions (SCALE) trust fund to assess ER program implementation, including the effectiveness of ER payments, in addressing the drivers of deforestation and forest degradation and the potential for scaling up the program. The proposed extension will support this transition by allowing the program to incorporate findings from the SCALE TA.



II. DESCRIPTION OF PROPOSED CHANGES

12. The objective of the restructuring is to extend the closing date of the project. This also requires an amendment of the ERPAs to extend the closing date by 18 months, from December 31, 2025, to June 30, 2027. The change of institutional arrangement is also reflected in the amendment of the ERPAs, to update that the Ministry of Agriculture and Environment is the successor to the Ministry of Agriculture and Forestry (as referenced in both Tranche A and Tranche B ERPAs).
13. A detailed action plan (January 2026–June 2027) is presented below to ensure full achievement of the three PDO indicators: (i) Verification of measured and reported ERs generated under the Government’s GFL program (ERM-R1 and ERM-R2); (ii) Payments for verified ERs under ERM-R1 and ERM-R2; and (iii) Distribution of the ER payments in accordance with the BSP. This action plan focuses on completing benefit distribution to all 247 villages from the first ER payment and expanding implementation to an additional 139 villages under ERM-R2, bringing the total to 386 villages. It prioritizes accelerated CAP completion, strengthened financial management, and timely delivery of both the first and second ER payments to all eligible villages with approved CAPs. ERM-R2 verification is expected to be finalized by July 30, 2026, with BSP implementation for the expanded village set continuing through June 2027. All activities are sequenced to ensure completion of benefit-sharing, safeguards, financial reporting, and the PE Closing Report by June 30th, 2027.

	Action Area	Milestone	Lead/Support	Deadline
A.	Overall Coordination & Extension Management	Re-structuring of the NPMU with stronger, concise, strict and clear KPIs and deliverables for the Chief Technical Advisor (CTA)	DoF/WB	30 January 2026
		Safeguards: Key consultants to be based in provinces to implement the safeguard system (Luang Prabang or Luang Namtha)		
		M&E Consultant: Establish accessible Real-time Progress Dashboard and online spatial database.		
B.	BSP Implementation - Completion of ERM-R1 payment distribution to 247 target villages	Finance Team: Update the workplan and budget forecast for 2026–2027, taking into account the second ER payment.	NPMU/PAEO	December 31, 2025
		Complete CAPs for the remaining 43 out of the 135 target villages for 2025.		
		Complete transfer of CAP payment to the 43 villages (the balance of 135)		
		Conduct Implementation Support Mission (ISM) including a Provincial Workshop – all 6 provinces.	WB/GoL	March 2026



	- ISM to review implementation progress for ERMR-1 villages and preparation for ERMR2 target villages. - ISM could serve as a review of the extension progress.		
	Complete CEP and transfer of CAP payments for remaining ERMR1 target villages - 112 villages in two batches of 56 each	PAEO/DAEO	Batch 1 – March 2026 Batch 2 - June 2026
	Review FM & safeguards implementation for all 247 villages (post ER payment transfer review)	NPMU/PAEO	30 June 2026
	M&E Report on CAP implementation	NPMU	30 July 2026
C. ERMR-2 verification	Initiate independent verification of ERMR-2 by a Validation and Verification Body (VVB).	WB	December 2025
	VVB mission, draft verification report and GoL response	VVB, WB, GoL	February/March 2026
	Completion of verification & issuance of ERMR-2 verification report	VVB/NPMU	June 2026
D. BSP Implementation – ERMR-2 payment to 139 Villages	Complete CEP 1 including fiduciary assessment, capacity building for ERMR-2 for first batch of 70 villages	PAEO/DAEO/NPMU	May 2026
	Complete CEP 1 including fiduciary assessment, capacity building for ERMR-2 for second batch of 69 villages	PAEO/DAEO/NPMU	June 2026
	Open bank accounts for ERMR-2 villages	NMPU including their Finance team/DAEOs	July 2026
	Transfer of ERMR-2 payment to GoL – payment of verified ERs per the final Verification Report.	WB/MoF	July 2026
	- Conduct an ISM - including a Provincial Workshop (all 6 provinces) - ISM to review implementation progress in ERMR-1 villages and CAP progress of ERMR-2 villages implementation	WB/GoL	October 2026
	Complete CEP2/CAP and transfer CAP payments to first batch of 70 villages	PAEO/DAEO/NPMU, MOF	July - December 31, 2026
	Complete CEP2/CAP and transfer CAP payments to second batch of 69 villages	PAEO/DAEO/NPMU, MOF	January 2026 - June 30, 2027
	Third Party Monitoring – this is the second TPM for the program.	WB/GOL/NPMU	January – April 2027



		Second BSP Implementation Report	GoL	June 30, 2026
E. Safeguards		<i>Effective implementation of Simplified CEP Process to all 386 villages</i>	NPMU/SESU	Jan–Jun 2026
		Complete Second Annual Safeguards Report	NPMU	30 June 2026
		Conduct field audits in difficult-access villages	SESU/DAEO	Jul–Sep 2026
F. FM & Procurement		<i>Strengthen FM support to 386 villages (refresher training)</i>	NPMU Finance team/PAEO	Jan–Apr 2026
		Roll out simplified FM reporting templates	NPMU Finance team	Jan 2026
		Quarterly FM reporting to WB	NPMU Finance team	Quarterly 2026–2027
G. Project Closing		Submit Draft Completion Report	NPMU/DoF	Feb–March 2027
		ERPA Closing mission	WB/GoL	April 2027
		Final Completion Report submitted (3 months before end date)	NPMU/GoL	May 2027

III. PROPOSED CHANGES

Operation Information	Proposed Changes	Operation Information	Proposed Changes
Development Objective	No	Loan Closing Date Extension	Yes
Safeguard Policies Triggered	No	Loan Cancellations	No
ISDS	No	Reallocations	No
MFD/PCE	No	Financial Management	No
Results	No	Procurement	No
Risks	No	Institutional Arrangement	No
Legal Covenants	No	Implementation Schedule	No
Conditions	No		
Implementation Modalities	No		
Disbursements Estimates	No		
Disbursements Arrangements	No		
DDO	No		
Clients	No		
Appraisal Summary	No		
Components	No		



IV. DETAILED CHANGE(S)

COSTS & FINANCING

Private Capital Facilitation

Is this an MFD-Enabling Project (MFD-EP)?

Is this project Private Capital Enabling (PCE)?

LOANS

Loan Closing

Loan/Credit/Trust Fund	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-B4673	Effective	31-Dec-2025	31-Dec-2025	30-Jun-2027	30-Jun-2027
TF-B4674	Effective	31-Dec-2025	31-Dec-2025	30-Jun-2027	30-Jun-2027