

IMPROVING WELFARE THROUGH FORESTRY PROJECTS: LAO PDR AND MEXICO

The study explores how forestry projects can enhance household welfare, by offering employment, income, natural capital, and empowerment. It applies the PRIME framework to analyze the findings from two projects under the Climate Investment Funds' (CIF) Forest Investment Program (FIP): the Sustainable Forestry for Rural Development-Scaling Up Project (SUFORD-SU) in the Lao People's Democratic Republic (Lao PDR); and the Special Program for the Yucatán Peninsula (PEPY) of the Forest and Climate Change Project in Mexico.

CONTEXT

Over one billion people living within the vicinity of forests rely on forest products, services, and land for their livelihood. Around 20 percent of their household income is derived from forests through extraction, processing forest products, and wage activities. Unfortunately, there is a strong correlation between forest cover and poverty, with most forest households living below the extreme poverty line.

However, sustainable forest management and proper forest care can help reduce poverty. Specifically, households in forest communities can benefit from engaging in forest ecosystem services and from learning how to sustainably manage timber and non-timber forest products. The proper management of forest resources can provide them with an important source of livelihood and enable them to meet their daily needs.

Through FIP, CIF aims to produce positive impacts on the forests and climate, while promoting development. The case studies on PEPY and SUFORD-SU offer an important in-depth exploration of the different pathways through which FIP supported the welfare of the respective communities with livelihood activities, while also protecting forests.

KEY FINDINGS

Overall, the study found that FIP projects contributed to improvements in welfare primarily through two PRIME pathways: ecosystem services for poverty reduction and investing in institutions and public goods (see the box below). More specifically, key findings included:

- Both SUFORD-SU and PEPY were effective in supporting the diversification of income-generating opportunities for beneficiary households, while reducing forest degradation and promoting forest care.** FIP funds were channelled towards the formulation and implementation



QUICK FACTS

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RELEVANT CIF PROGRAM

Forest Investment Program (FIP)

IMPLEMENTING AGENCY

World Bank

RELEVANT COUNTRIES

Lao PDR (Provinces of Bokeo, Luangnamtha, Oudomxay, and Xaiyabouly) and Mexico (Yucatan Peninsula)

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of forest management plans, payments for forest restoration activities, technical assistance, and the alignment of agricultural and forest management policies.

→ Specifically, through PEPY, the payments for ecosystem services scheme limited the expansion of the agricultural frontier and encouraged the implementation of traditional forest management practices. Under SUFORD-SU, FIP funding was allocated to pay beneficiaries to engage in forest care activities and develop alternative village livelihood options, such as making crafts and furniture for sale.

- 2 In addition to cash benefits, both FIP projects increased **nonmonetary benefits, enhanced community governance, and strengthened institutions to provide public goods, improving welfare both at the household and community level.** Within individual households, beneficiaries were able to meet their basic needs and send their children to school. At the community level, the SUFORD-SU project established a revolving fund to disburse grant resources to beneficiaries, which led to the institution of economic governance mechanisms, rules, and regulations. Similarly, PEPY's boosting of community participation and governance helped to cultivate community cohesion and promote investments in public goods and services (e.g., water tanks, road infrastructure, and ecotourism centers).
- 3 **Beneficiaries in both projects lacked a sufficient understanding of the relationship between their new livelihood activities and forest care and management.** In some cases, households' reliance on forest-degrading activities would not decrease as a result of newly adopted livelihood activities. This could be attributed to the absence of a clear communication strategy on the overall project goals and activities.
- 4 **The financial benefits of the expanded range of livelihood activities were not fully realized.** Although SUFORD-SU encouraged communities to develop products for sale, it did not help in providing sufficient market access. Another limiting factor was the inadequate provision of technical assistance to increase labor productivity and improve skills for newly adopted activities. Beneficiaries in Lao PDR reported difficulties in obtaining the required training and sustained technical assistance to maintain their new livelihood activities beyond the duration of the project.

- 5 **While the projects seemed to have increased women's participation in community discussions and meetings, disempowering gender norms prevailed.** In Mexico, women needed men's permission to participate in public meetings. In Lao PDR, women were largely confined to weaving and handicrafts, instead of being empowered to engage in more profitable activities, such as selling agricultural products.

RECOMMENDATIONS

- **Design projects using the PRIME framework, to harmonize the project implementers' and beneficiaries' understanding of welfare and livelihood activities.** While the FIP projects alleviated poverty and boosted investments in public goods, forestry projects need to be designed to factor in how they can enhance productivity and market access. Only then would project implementers be able to cater to the beneficiaries' diverse conceptualizations of welfare and achieve more sustainable impacts.
- **Develop strong instruments to monitor the project's impacts and ensure timely data collection throughout the project cycle.** Data should be collected at the start, midterm, and end of the project. Measures include: using nationally harmonized questions to generate responses that can be compared with national data; employing the Forest-SWIFT evaluation and monitoring survey that enables easy adaptation for efficient predictions of poverty; and constructing representative samples of the beneficiary population.
- **Identify behavioral and structural barriers to sustainable forest management through a multidimensional lens.** This requires project implementers to achieve a deep understanding of the social norms governing the individual and collective dynamics within the communities. Project implementers should also uncover the distinctive local needs and aspirations of the communities. Based on this knowledge, training and livelihood opportunities could be developed to motivate the beneficiaries to adopt positive new activities for the long term.

THE PRIME FRAMEWORK EXAMINES WELFARE IMPROVEMENTS IN FORESTRY PROJECTS THROUGH FIVE PATHWAYS:

