PRESS RELEASE

United Nations Development Programme

25 SEPTEMBER 2009

Minimising the Social and Environmental Impacts of Investments in Lao PDR - Inception Workshop of the Investment Component of the Poverty Environment Initiative (PEI)

On September 25 2009, the Government of the Lao PDR conducted the Inception Workshop for *Investments in Lao PDR: Minimising the Social and Environmental Impacts,* a new project implemented by the Investment Promotion Department of the Ministry of Planning and Investment as part of the United Nations Development Programme/ United Nations Environment Programme Poverty Environment Initiative.

This project aims to strengthen the capacity of national and provincial authorities to plan and manage investment in such a way as to minimize negative social and environmental outcomes. The project will support the Investment Promotion Department of the Ministry of Planning and Investment (MPI) and provincial authorities of Phongsaly, Oudomxay, Saravane and Savannakhet to strengthen skills to design, negotiate, plan, monitor and enforce appropriate investment contracts. In particular the project will encourage central and provincial authorities to use integrated spatial planning resources (mapping), existing cost-benefit analysis materials and community consultation mechanisms, along with close coordination with the Environment and Social Impact Assessment Department of WREA, and south-south learning events. These methods can be used to produce integrated investment strategies that are beneficial at the province level and that will assist Lao PDR to achieve the Millennium Development Goals by 2015 and graduate from Least Developed Country status by 2020. These activities will support the government to implement the new Investment Law for Lao PDR.

The Poverty Environment Initiative - PEI - will coordinate its provincial activities with the ADB-IFAD Sustainable Natural Resource Management and Productivity Enhancement project in Saravane and Savannakhet. Activities will also link closely with the existing UNDP Governance and Public Administration Reform (GPAR) programme in Saravane.

The recent rapid influx of Foreign Direct Investment into Lao PDR is both an important source for government revenues and a force for accelerating economic growth. In 2007 alone, USD 2,807 million in Foreign Direct Investment, or FDI, has been used on schemes within Lao PDR, with a further USD 1.1 billion approved for 191 projects. The majority of these investments focus on the rich natural resource base of Laos, and in particular on mining, hydro and agricultural concessions. FDI has increased from just 6.5% of total investment in 2001 to over 47% by 2005, and continuesto grow exponentially.

Whilst carefully managed investments can contribute significantly to the development of Lao PDR, poorly managed benefits can generate significant social and environmental

costs for the country. These range from the inappropriate use of agricultural chemicals which can affect the health of local people and natural ecosystems, to the conversion of land for agricultural plantations such as rubber, which in some instances reduces the access of rural people to the non-timber forest products that are critical to their nutrition. Further key challenges facing Lao PDR include deforestation, loss of biodiversity, depleting fish stocks, rural populations' inadequate access to clean water and sanitation, inappropriate use of chemicals, climate change and natural disasters. The 2008 Mid-Term Report for the Millennium Development Goals for Lao PDR indicates that targets related to environmental sustainability for MDG7 are unlikely to be met by 2015 without substantial efforts by the Government of Lao PDR and donors. Given the close linkages between environmental health and poverty, malnutrition levels, health, income and other factors, sustainable natural resource management is critical for the Lao PDR to achieve the MDGs.

Robert Glofcheski, Chief Resident Economist for UNDP in Lao PDR emphasized that "For Lao PDR to achieve its most important development goal of graduating from LDC status by 2020, much greater focus will be needed on attracting quality foreign investment". Glofcheski added that: "Quality foreign investment is investment that generates new jobs and incomes for Lao people, transfers valuable skills and technology, and safeguards the country's highly valuable environmental assets".

With strengthened capacities, Government authorities will be increasingly able to work with investors to minimize negative environmental and social impacts, whilst promoting inclusive growth for the benefit of Lao PDR and the Lao people.

For more information please contact:
Janet Pontin, UNDP Public Information Unit Tel: (021) 267 777 ext: 715, Email: janet.pontin@undp.org

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