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Draft Summary: Poverty-Environment Initiative (PEI) 1st Sub-national Workshop for Local Government Authorities from Oudomxay and Phongsaly Provinces

17-19 December, 2008, Oudomxay, Lao PDR

I. Background and workshop objectives

The economy of Lao PDR is primarily based on natural resources. The natural resource base is particularly critical to the livelihoods of the poor. Forest resources are vital for food security and household income in rural areas. Most rural people rely on fish as main sources of food and hydropower is dependent on healthy upstream watersheds. With high levels of rural poverty and ethnic diversity, limited road infrastructure and a rapid influx of investment, Phongsaly and Oudomxay face unique opportunities and challenges to reduce poverty and improve environmental management. In this context, the first sub-national workshop on PEI in Lao PDR was jointly organized by the Ministry of Planning and Investment (MPI), provincial authorities from Oudomxay and Phongsaly and the UNDP-UNEP Poverty Environment Initiative (PEI). Forty five people from across the two provinces, the central level and development partners such as IUCN participated. A wide range of sectors was represented.

The objectives of the workshop were to:

- Provide information about PEI to national and provincial stakeholders;
- Provide an opportunity for provincial authorities to discuss Poverty-Environment issues with representatives from the Central government; and
- Suggest potential activities for the provincial-level component of the future PEI programme in the country.

II. Key Poverty-Environment issues and measures suggested by the two provinces

During first part of the workshop, participant learnt about the PEI which is being developed in ten countries including Cambodia and Vietnam across the Asia Pacific region. They were also able to improve their understanding of the tools for poverty-environment planning such as Participatory Planning, environmental economics and Integrated Spatial Planning.

Most of the priority issues of poverty and environment identified by the participants were common to the two provinces. They are as follows:

- Degradation of the environment and natural resources that are critical for people's livelihoods, including:
 - Decline in forest cover from industrial plantations, illegal logging, forest fires, shifting cultivation, and resettlement;
 - Biodiversity loss and reduction in non timber forest products (NTFPs) due to unsustainable use and habitat destruction;
 - Decreasing water quality and availability and declining land quality;
 - Increased levels of urban waste and pollution.
- Direct and indirect causes of the poverty and environmental degradation include:

- Difficulties associated with the geographic location and topography of the two provinces, e.g. highland areas and remote locations;
 - Limited road infrastructure and lack of market access for farmers;
 - High dependence of local livelihoods on natural resources and lack of alternative employment opportunities;
 - Limited access to appropriate land for agriculture and unplanned cash crop cultivation across the provinces;
 - Improper use of agro-chemicals causing water contamination and health problems;
 - Institutional, financial and capacity constraints such as low level of awareness in sustainable environmental management, environmental regulations and zoning at the village level, lack of qualified technical staff, poor environmental coordination system between different sectors, inadequate monitoring & evaluation system and insufficient development funds;
 - Two provinces are facing emerging pressures on local livelihoods and the environment from Foreign Direct Investment (FDI) and industrial and infrastructure development including plantation development, Northern Industrial Economic Development and Cooperation Plan and the Greater Mekong Sub-region Economic Corridor.
- Participants proposed measures to address the above identified issues as below, some of which may be included in the provincial-level interventions of the future PEI country programme:
 - Promote sustainable FDI that results in both sound environmental management and development benefits to local people;
 - Engage the private sector in environmental investment and conservation activities related to urban development, forestry, mining, tourism, energy and infrastructure projects;
 - Promote the economic potential of natural resources, particularly the economic value of forest protection and its benefits to local people;
 - Implement pro-poor ecotourism as priority industry;
 - Support the integration of environmental considerations into resettlement and provision of sustainable income generating opportunities for the rural poor and resettled populations, as well as capacity building in negotiation skills;
 - Support the use Integrated Spatial Planning (ISP) in policy, planning and practice;
 - Revise land allocation procedures and develop land use conflict resolution guidelines and training, e.g. between cash crops for biofuel and rubber, and food production;
 - Improve environmental regulations and strengthen capacities to minimise negative impacts of development projects and strengthen environmental cooperation between sectors;
 - Promote sound environmental management in urban areas, tourism and infrastructure projects and environmental investment and fiscal mechanisms;
 - Improve climate disaster preparedness, recovery and response plans.

III. Next steps for the development of the PEI Country Programme

PEI's 2nd sub-national workshop, for Savannakhet and Saravane provincial authorities, will be held in mid-January 2009, and a national workshop is planned to take place in February. Based on the results of these provincial and national consultations, a PEI country programme will be developed for discussions and agreement with Government and development partners.



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Poverty-Environment Initiative 1st Sub-national Workshop for Local Government Authorities from Oudomxay and Phongsaly Provinces

17-19 December, 2008, Oudomxay, Lao PDR

Draft Minutes of the 1st Sub-national Workshop

I. Background

1. Over three quarters of the country's population rely on natural resources for their livelihoods. In Oudomxay and Phongsaly provinces, non timber forest products (NTFPs) are vital for food security and rural household income. Forests also provide critical watersheds for the rivers, fisheries and hydropower plants downstream. With high levels of rural poverty and ethnic diversity, limited road infrastructure and a rapid influx of investment, Phongsaly and Oudomxay face unique opportunities and challenges to reduce poverty and improve environmental management. The Poverty - Environment Initiative (PEI) 1st Sub-National Workshop for Oudomxay and Phongsaly provincial officers was held to discuss these issues and to develop the PEI programme.

II. Workshop Objectives and Organisation

A. Key Workshop objectives

The overall objective was to increase levels of understanding and awareness on Poverty Environment linkages in Oudomxay and Phongsaly amongst key government sectors and identified key issues to be included within the PEI project document. Specific objectives included:

- (i) Raise awareness of PEI to participants;
- (ii) Provide an opportunity for provincial authorities to discuss Poverty-Environment issues of the two provinces with representatives from the Central government with ways to integrate them in planning; and
- (iii) Identify possible activities that enhance capacity of local governments to influence national policies to improve long-term use of environment resources to support livelihoods.

B. Key Workshop Activities:

1. Introduction of Poverty Environment Initiative
2. Environment and Development linkages: Poverty and Environment
3. Environmental Economics: Pro-poor Growth, Natural resources and Environment
4. Introduction to Spatial Planning
5. Lessons learnt from Poverty Environment Program Vietnam
6. Environmental considerations of Northern Master Plan

7. Introduction to Foreign Direct Investment
 8. Breakout groups and two presentations.
2. The detailed workshop agenda is provided in Annex I. Altogether, 45 participants attended the workshop. The names of the participants are provided in Annex II.
 3. The workshop was jointly organized by the Ministry of Planning and Investment (MPI), provincial authorities from Oudomxay and Phongsaly and the UNDP-UNEP Poverty Environment Initiative team.

III. Workshop Proceedings

Day 1: 17 December, 2008

Session 1: Welcome and Opening

4. Proceedings were jointly opened by Mr Souphit Darachanthara, Deputy Director General of National Economics Research Institute (NERI), MPI; Mr Bounchanh Sengmany, Deputy Chief of Cabinet, Oudomxay Province; Mr Sengdaluang, Deputy Chief of Cabinet, Phongsaly Province; and Ms Linda Norgrove and Ms Seon-Mi Choi on behalf of the UNDP-UNEP Poverty Environment Initiative.
5. Mr Souphith began proceedings by emphasising the high priority being placed by the Lao Government on poverty reduction. On 30 October, the PEI Preparatory Phase was approved by MPI and PEI is now in the preparatory stage in Lao PDR with MPI as coordinating body. Mr Bounchanh stressed the importance of building the capacity of management staff in order to improve the integration of P-E linkages into the planning process. Poverty reduction is a priority in Oudomxay province, with 240 poor villages spread across its 7 districts. Mr Sengdaluang urged participants to use the workshop to think about how development can benefit the environment through careful design and long-term sustainability. In particular, he stressed the geographical difficulties of managing the environment in Phongsaly province, noting the disperse location of villages and high levels of food insecurity. Ms Norgrove welcomed the participants and outlined the workshop objectives. Ms Choi emphasized the importance of local level participation in addressing the environmental issues that matter to the poor including deforestation, loss of biodiversity, soil degradation and water resources. UNDP and UNEP are working together in Lao to provide more effective environmental assistance under the One UN banner. The workshop was then officially opened.

Session 1: Identifying key Poverty-Environment Issues in Lao PDR

Presentations

6. Mr. Paul Steele from UNDP-RCB introduced the main concepts of PEI to participants, including the importance of understanding and representing the economic value of the environment. Directly or indirectly, biodiversity contributes 75% of per capita to GDP, more than 90% of employment and almost 60% of exports and foreign exchange earnings in Lao PDR. The NR base is particularly critical to the livelihoods of the poorest people. The presentation described how PEI assistance is implemented through key ministries and agencies to create pro-poor environmental outcomes. It is critical to also engage private investors in PEI as they are significant agents of environmental change in Lao PDR.
7. Ms Sisavanh, Deputy Director of Economic Planning Division, MPI, summarised the national and provincial issues and activities related to poverty reduction and environmental management. Economic growth is fundamental to poverty reduction but development and environmental management must both be integrated into poverty reduction planning at local and national level to be successful. The NSEDP outlines key activities for poverty reduction including infrastructure

development, education and health and agricultural priorities such as prevention of animal disease. The decline in NTFPs presents a major P-E challenge to both provinces.

8. Poverty data and maps for both regions produced by the ADB participatory poverty study at the village level in 2005 were presented and explained. The provincial figures included number of poor and very poor people, poverty density and priority districts for both provinces. In Phongsaly, the percentage of poor in each district ranges from 20-50%, in Oudomxay 40-60%. Key causes of poverty in the two provinces include: (i) limited access to appropriate land for agriculture; (ii) declining quality of land; (iii) livestock disease; (iv) limited knowledge and skills at village level; (v) drug abuse; and (vi) limited access to water and irrigation infrastructure. National poverty maps showed that, compared to regions in the south of Lao, Phongsaly and Oudomxay have moderate levels of poverty density and illiteracy. This information can be at least partially attributed to the low relative population densities of these two provinces. Economic growth in Oudomxay has stimulated the inter-provincial migration of poor from Phongsaly to Oudomxay province, due to the perceived economic opportunities in Oudomxay town. This is creating a new generation of urban poor in Oudomxay, and further diminishing the already limited human resource base of Phongsaly province.

General Comments and Additional Information

9. Mr Steele was asked to clarify the methodology that led to the figures in his presentation, in particular that up to 90% of employment in Lao is based on forestry, fisheries and natural resources. Ms. Latsamay, Country Representative of IUCN clarified the definition of NR based employment.
10. Participants were reminded that the government has responsibilities in addition to ensuring economic growth. These include culture and environment and they need to be reflected in provincial planning. Recently the government's commitment to 'poverty eradication' has been softened to 'poverty reduction', reflecting the enormity of poverty throughout the country. Participants were further encouraged to focus on the causes of poverty, e.g. migration, declining NTFPs and deforestation in the target areas.
11. It was noted that poverty density along the Mekong river is much lower than areas in the North and East of the country. Representative from WREO suggested that poverty maps should differentiate between various types of poverty (illiteracy, access to health, etc.), and also reflect the location of poverty more accurately. 95% of Phongsaly province is in poverty, but official maps present it as mid-range because of low population density. Data accuracy is essential for planning processes.
12. Additional causes of poverty identified by WREO, Phongsaly include land use, for example upland and low land people practice different economic activities and therefore their vulnerability and living conditions vary accordingly. Poor infrastructure, particularly roads is also a central issue. The low value placed on education has many implications and also precludes many remote people from accessing and understanding credit facilities.

Session 2: Provincial Poverty-Environment Planning

Presentations

13. Mr Souphith presented the environmental considerations associated with the Northern Industrial Economic Development and Cooperation Plan. Poverty reduction measures outlined in the Plan include: (i) raising awareness and changing attitudes to understand exports; (ii) increasing rural irrigation capacity through construction; (iii) infrastructure development (focusing on villages and households); (iv) resettlement – to turn two urban zones into development areas along main road; and (v) support for village level development through expanded market access for local products. In particular, the relocation of villages and provision of permanent employment opportunities are key poverty reduction strategies in the Plan. Mr Souphith stressed that once the relocation of

people is complete, there should be regular monitoring and support provided to secure permanent occupation.

14. The plan also sets out environmental considerations in key areas – mining, land management, forestry, water resources, protected areas and urban areas. For sustainable mining the plan suggests improving the environmental impact assessment system, introducing charges and fees to increase provincial revenue, aligning mining sector development with existing laws and regulations and taking ecosystem protection into account. The plan stresses the importance of improving land management capacity to protect NRs including NTFPs both within sites that have been given under concession and also in areas that are undeveloped or yet to be allocated a specific land use. Recommended measures for the forestry sector include: (i) raising the profile of economic value of forest protection; (ii) stricter protection of threatened and endangered plants and animals, including a nominated focal point and a protection network; (iii) identification of potential areas for environmental protection; and (iv) implementing conservation projects in order to improve levels of food security e.g. management and valuation of forests and NTFPs.
15. Measures outlined for the water sector focus on reducing the negative impacts of reservoirs, pesticide use and agro-chemicals on watershed functions through better management and rules. Protected areas should focus in particular on sites with forest, water resources, cultural artefacts, areas affected by forest fires, areas at high risk from earthquakes, areas that have significant NRs along the main road and potential ecotourism sites. The Northern Plan also sets out measures to protect the urban environment by minimising negative impacts of development projects in urban areas e.g. pollution, industrial and agricultural development, clean water projects, and improved water supply canals. Specific activities could include:
 - a. Set up forecasting system along Mekong and tributaries to record and predict negative impacts of development on the environment;
 - b. For large scale projects, establish environment monitoring systems – including control of the use of forest and water resources;
 - c. Allocation of responsibility for NRs and environment to a government agency who will be responsible for foreseeing the negative impacts their activities might have on the environment and minimizing companies un-sustainable use of Lao's NRs;
 - d. Support industrial companies in following environmental guidelines; and
 - e. Effective Environmental Impact Assessment (EIA) implementation and follow up.
16. Mr Nanthavong Nanthalath, Deputy Director Poverty Reduction Division, MPI, introduced the concept and process of participatory planning as a method of planning with people to prioritise which of their many development needs will be met with the limited resources available. He quoted a Lao expression 'we do not plan with 10 legs, but a whole village', to emphasise that successful planning depends on more than one person writing reports, consulting only with their desk and chair. The PP steps should include: (i) gather information; (ii) identify stakeholders and beneficiaries; (iii) identify key issues; (iv) turn problems into objectives; (v) develop measures to achieve the objectives; and (vi) design and prioritize activities to meet identified priority areas, particularly those associated with common problems of the community.
17. Representatives from key agencies in both provinces provided their perspective on environmental issues for pro-poor growth. The decline in NTFPs was a common issue, typically local people do not understand that NRs are finite and can be overused. Mr Souphit stressed that all sectors and people are responsible for environmental management, and that once people understand the issues, they will often work on improving management themselves.
18. Mr Sanwansay, WREO outlined the development context in Phongsaly: The province covers 16 200 km², 95% of the population lives in the highlands, 55% of villages are identified as 'poor' and two of the province's 7 districts are among the poorest in the country. Limited infrastructure (particularly roads) attributed to the mountainous terrain present numerous development issues, problematize service provision to remote villages and impacting FDI potential, despite the

province being rich in NRs. Drug abuse is prevalent in many villages. The government has been relocating villages to better provide education and to reduce shifting cultivation in the mountains. The improper use of pesticides and agro-chemicals by farmers poses a major environmental and health problem in the province. The chemicals contaminate waterways, NTFPs and poison villagers. Information sessions are held for farmers in Phongsaly, but low levels of awareness and capacity prevails. Environmental management depends on a strong government because the private sector will not modify their behaviour even if they understand the environmental impacts.

19. In Oudomxay WREO stressed that 80% of the population live in remote areas with limited access to information and directly dependant on NRs. There is a considerable need for increasing people's awareness of sustainable use of NRs and environmental regulations. Environmental management is the responsibility of all sectors, including Ministry of Energy and Mines (MEM), Ministry of Education etc. and not just WREA. It is important that local people are educated about zoning and the purpose of different zones around their villages e.g. protected forest, otherwise they will continue to use NRs indiscriminately. The Province already developed plans to address these issues but does not have adequate funds to implement them.

Comments and further information

20. Poverty reduction is critical to sustainable development and therefore integral to the Northern Plan. Any discussion of NRs and FDI cannot avoid the issue environmental management. Nevertheless, whilst we can discuss the sustainable use of NRs, the provinces have insufficient system and technical support to implement and monitor. The Chair agreed that NR exploitation is currently unsustainable because there is limited implementation capacity, follow up and monitoring.
21. Whilst government has already established environmental laws they are not strictly implemented. Local level interpretation and implementation of policy needs to be proactively pursued. It was suggested that the implementation of a model heritage town project in 1 or 2 towns in Oudomxay province, similar to Luang Prabang city could promote sound urban environmental management. Unlike neighbouring countries, low technical capacity has prevented Lao from managing NR exploitation – for example, in Thailand tea plantations follow guidelines and techniques that limit their environmental impacts. Similar guidelines should be developed in Lao. Furthermore, planning authorities are currently unable to conduct comparative valuations of various land uses and NR extraction options. The Chair responded by highlighting the potential of Lao as a carbon sink for neighbouring countries, particularly Thailand.
22. The underlying problem of coordination was emphasized. Monitoring systems and conservation plans have already been established in Oudomxay, but coordination systems are weak. There will be a meeting to discuss support for the existing Oudomxay management plan that exists between the Central level and Provincial authorities.
23. The international participants were asked to provide examples of their experiences with participatory planning (PP), particularly in making it more effective. Mr Steele (UNDP-RCB) agreed that participation is central to effective PP – particular barriers to participation including planning fatigue in communities, and limited time of farmers. Mr Vichit, UNDP Lao PDR CO, asked the presenter if environment is included in PP discussions with local communities. There are three scales of PP projects – small, medium (up to 50 billion Kip) and large (more than 50 billion Kip) – and project design differs according to budget. Provincial participants emphasised that funding is the primary barrier to effective PP, and that if MPI provided funding they would conduct environmental questionnaires with local stakeholders as part of planning process. It was also noted that there is lack of technical staff and a need for capacity building (training, etc.) at the grassroots level to conduct PP effectively.
24. Colleagues from Phongsaly elaborated on the issues presented. 125,000 ha of Phongsaly form watershed areas and of this 72,000ha are protected. 179,000 ha is restored forest and 13 protected

area cover 402,400 ha, 26,000 ha of rubber plantations have been planned and approved for concession by the government already, 12,000 ha of these have already been planted. Whilst it is illegal to import certain agro-chemicals, use is widespread and increasing steadily. A question was raised on concerning potential contradictions in policy – relocating villages with the intent of phasing out shifting cultivation and protecting forests from deforestation, and simultaneously granting substantial concessions to rubber companies. It was stressed that even if rubber plantations have existed for 20 years, they may constitute a source of land use conflict in watersheds, and land allocation may need to be revised.

25. In Oudomxay province, ecotourism is acknowledged as a sustainable development strategy as compared to finite export of NRs, but requires significant financial support from donors to develop. The authorities have already identified an appropriate land use strategy which allocates areas for households considering theoretical capacity per person/hectare/use e.g. maize, rice, but lack the money to implement and enforce it. Similarly land titling commenced in 2005 on a limited budget but has not been completed due to low levels of resources. Consequently the people continue to destroy the forest in a “tragedy of the commons” type situation. There is also a prevailing conflict between the use of land for cash crops for biodiesel and rubber, and for food – in a province that suffers significant food deficit. Whilst proceeds from FDI cash crops continue to flow out of the country the level of development benefits that they will provide minimal to local people, either in terms of income or food, is questionable.

Day 2: 18 December, 2008

Session 3: Tools for Poverty Environment Planning

26. Mr Singsavanh Singkavongxay, Director of the Environment Data and Information Division, Department of Environment, WREA outlined the potential of integrated spatial planning (ISP) for P-E planning. ISP is useful for identifying available NRs, zoning and devising management plans, thus prioritising the use of limited land and other resources, thus helping prevent conflict. He outlined the planning process and summarised the technical and participatory methods utilised for ISP. In Champassak, ISP from the district level has already commenced – it has been used to identify where inputs are needed to increase rice yields, as well as the potential environmental hazards from chemical use in rubber plantations. In Oudomxay, ISP has been realized and now being implemented at the district level. Mapping across Lao PDR has been supported by SIDA and all mining, plantation and hydro concessions have already been plotted using the GoogleEarth platform. These maps are not available in the public domain yet.
27. Ms Latsamay Sylavong, Country Representative of IUCN, highlighted the linkages between environmental conservation and poverty reduction, stressing that if you do not commit to poverty reduction, conservation achievements will not be sustainable over the long term. It is important to correct the misconception in Lao that ‘conservation’ refers to not using NRs at all, rather than sustainable use. Lao PDR is abundant in biodiversity – over 852 NTFP items listed in one province – however, abundant does not mean abundant forever. Biodiversity contributes to poverty reduction by providing income and ecosystem services and its conservation is critical if Lao hopes to graduate from LDC status by 2020. Biodiversity is also essential for food security in terms of NTFPs, the primary food supplement to rice. 2,482 villages are listed as food insecure by WFP because of decline in NTFPs from forest degradation. The crucial areas are along the Vietnam border and in the north, including Oudomxay and Phongsaly.
28. It is important that linkages exist between local NTFP management and national policy. Whilst biodiversity is integral to economic growth, NTFP management is not reflected in any national or provincial planning. NTFPs are neglected at every level of legislation and planning, and no law punishes those who destroy or unsustainably exploit them. NTFPs constitute Lao’s resources and investment, so there needs to be better planning and more accountability for their misuse. The economic contribution of NTFPs is significant; USD 8 million in government revenue, one third of rural livelihoods is based on biodiversity and every sector is impacted by its decline. Lao is undergoing rapid development and hydropower in particular is dependent on healthy upstream watersheds.
29. Management plans should reflect current capacity and not shy away from starting small at village level. There needs to be community agreement in each village that establishes areas for NTFP protection, in order to ensure their longevity. Once the principles of sustainability and finite resources are explained to villagers, the only outside help they require is some technical assistance. Training programmes that provide opportunities to increase income sustainably (e.g. handicrafts) through markets should also be identified, particularly for women. An IUCN NTFP project in Nam Pang village trained villagers to cultivate and negotiate sale of bamboo shoots in the market. As a result the gap between the poorest and middle income earners decreased and 10% of proceeds from NTFPs went to Village Fund for conservation activities. When engaging the private sector, for example in promoting ecotourism, it is important that there are proper plans based on NTFP data.
30. Mr Vichit Sayavongkhamdy, UNDP Lao presented lessons learnt from the PEP in Viet Nam. Members of MPI, NRD, WREA and UNDP joined the PEP evaluation team to assess the extent of P-E integration and make recommendations for Lao PDR. Strengths of the PEP include: (i) use of local experts; (ii) partnership with department of education, NRs and environment under MPI; (iii) synchronisation with government priorities; and (iv) more than 130 P-E networks established. Poor indicators, lack of involvement of MoF and insufficient follow up were the main weaknesses. Mr

Vichit summarised the team's recommendations for Lao PDR (see presentation), including a needs analysis at the provincial level, an inter-ministerial project board, and more widespread use of national expertise at the provincial level. P-E should be mainstreamed across all sectors including the village level (awareness raising, environmental issues included in resettlement activities through an eco-village model), private sector (involvement of energy and mining sector, ecotourism, development of clean energy) and existing policy planning (inclusion of climate disaster preparedness, recovery and response activities).

31. Mr Phonethavong Singhalath, Director of Investment Promotion Division, MPI introduced Lao investment law and highlighted the function FDI promotion can play in poverty reduction. The benefits of FDI are multiple for host countries: associated financial and human resources can underpin local development, investors may take loans from national banks, technology is transferred, local business opportunities developed, local employment opportunities generated, contributing to government revenue, and poverty levels decreased. In 2007-2008, 33,000 families were lifted from poverty status due to FDI. But it is also important that local companies benefit from FDI, and thus there should be opportunities for them to be co-investors.
32. FDI potential is increased by political and social stability, low capital investment, membership of international networks, and NRs, characteristics strongly displayed by Oudomxay province. FDI will be discouraged by poor infrastructure, low technical capacity, data gaps, unclear regulations and the poor links to international markets typical of landlocked countries. Investment potential in Laos includes minerals, hydropower, tourism, construction, light industry and services. In 2008, USD2,807 million of FDI has been implemented with a further USD 659 million approved over a combined 146 projects. By value of investment, the top 5 sectors in Lao PDR are electricity generation, agriculture, mining, industry and handicraft and services. By country – Thailand, China, Vietnam, France and Japan. All investors should abide by host country regulations, including the law on Promotion and Management of Foreign investment (2004, available in English). MPI chairs a steering committee on investment in which technical staff from concerned Ministries participate. MPI is working to improve the existing laws and establish a one stop service for investors in Lao PDR. Foreign investors are not allowed to purchase land and the period of the investment depends on the activity but can last up to 50 years. Domestic investment should represent more than 30 % of the total investment. Activities that require approval by the government include forestry, handicrafts, processing of products using high-technology, environment and biodiversity conservation, human resource development, improvement of health and construction of infrastructure. FDI offers tax exemptions for the first 7 years and the charge is 10% of total investment. Second zone offers 2 years of tax exemption and the charge is 20% of total investment (See presentation for details).

Comments and further information

33. The Chair opened comments by stressing the importance of ISP in allocating specific places for specific activities. He would like to see modern ISP programmes rolled out in all provinces. Secondly, microfinance is an effective tool for poverty reduction, however the government still lacks a clear indication of the percentage each tool can actually reduce poverty. Each province should share indicators of poverty reduction to assist implementation. A lack of implementation has plagued Lao development, where other countries have progressed – for example, the Sufficiency Economy policy (designed to insulate households from global economic fluctuations and promote sustainability) originated in Lao but has only been implemented in Thailand. Mr Thippasone, MPI encouraged participants to refer back to the MDGs and earlier government decisions, where PEI goals are already reflected – PEI is not a new idea, but so far implementation has lacked. One solution is relocation of villages, particularly in Phongsaly where they are scattered and too difficult to coordinate.
34. Mr Singsavanh was asked how ISP recommendations could be implemented at the village level. Firstly, it is critical to match development work with education programmes so villagers can

understand the government policies that affect them. As for permanent occupation and relocation policies, designed to improve village living conditions, these will fail if accurate data is not reflected in maps – therefore there is a need for improved ISP capacity to support existing policy. ISP is often compromised by incorrect data, for example, discrepancies between where people are registered to live and where they actually live, affecting service provision and land use policies. This is particularly the case with minority groups.

35. Mr Vichit, UNDP Lao PDR CO asked Mr Singsavanh how ISP incorporates community participation and how people are informed about decisions on land allocation. ISP is based on participatory planning; implementation of policy at the provincial level is up to the local agency. Therefore the people themselves decide land use at village level (animal husbandry, protected forest, etc.) with support from technical staff to draw the final maps.
36. Numerous participants discussed the role of ISP to manage relocation policy. It was stressed that if you relocate people to areas with insufficient resources for their livelihoods, you can't blame them for moving away illegally. Forward planning through sound ISP can address this problem. For example, the minimum number of households in one village is 36; sometimes villages are combined and increased to 70 or 80 households without consideration of the limited agricultural land available. The example was given of a policy to intensify animal husbandry, without using ISP to plan where livestock feed would be produced. Insufficient land means a lot of feed is now imported from Korea. In Phongsaly, problems are related to a lack of clean water (not land) and ISP is made difficult by small scattered villages, high ethnic diversity and lack of accurate information, particularly in villages with no development projects. Furthermore, resettlement conflicts with inheritance traditions create discord that is not reflected in ISP. It was added there are district zoning plans already in Oudomxai, but no funds to implement zoning decisions. Funding is central to both participatory planning and implementation.
37. The Chair commented that there also needs to be a common understanding of the word 'sustainability' in Lao language as it is difficult to translate. He added that the decline in NTFPs is reflected in increasing purchase costs in local markets, and this can be attributed to insufficient environmental management.
38. Clarification was requested whether the FDI law had any environmental requirements. MPI itself does not deal directly with environmental specifications but liaises with the relevant ministries for each sector e.g. MEM. Participants emphasised that responsibility of environmental impacts from FDI lies with *government* not *the investor*. EIAs should be conducted and problems addressed before FDI is approved, with the relevant sector accountable for monitoring and enforcement. The pollution generated by gold and copper mines across the country are well known but there is no evidence the investor is being made to deal with the impacts, as it appears the government has limited capacity to act. It was then stressed that whilst the central law specifies zoning based on potential for FDI, for small and medium size FDI projects it is up to subnational authorities to specify what constitutes appropriate and sustainable investment.

Session 4: Break-out Groups to Discuss Country Ideas for Poverty-Environment Mainstreaming

39. Mr Vichit asked the participants to break out into provincial groups and to prepare presentations answering the following questions, focussing specifically on those issues that may be addressed by PEI:
 - a. What are the major environmental issues in the province?
 - b. What are the major causes of poverty in the province?
 - c. What are the major planning, policy and economic decisions in the province?
 - d. What are the possible activities that may be addressed by PEI?

Day 3: 19 December, 2008

Session 5: Report back: Poverty-Environment priorities and suggested activities in Phongsaly province

40. The WREO representative from Phongsaly Mr Sanwansay began by stating the province's poverty-environment planning will be based on issues identified by the Party and reflected in the NSEDP. Environment is a key element of central government planning and Phongsaly provincial authorities will also use planning processes to maximise poverty-environment benefits from NRS in their province. Phongsaly province faces numerous causes of poverty, which include: (i) high dependence of local livelihoods on NRs; (ii) lack of employment opportunities; (iii) low economic growth; (iv) significant geographic constraints (mountainous, poor road access); and (v) low investment potential. The primary factors contributing to environmental degradation include the following:
- a. Majority of population live in remote areas and have insecure employment (affecting the livelihoods of people);
 - b. Cultural constraints: education is given a low priority, particularly by minority groups
 - c. Inadequate development funds;
 - d. Lack of technical staff: most technical staff are insufficiently qualified;
 - e. Inequality (gender): women in minority groups have a larger burden;
 - f. Develop land quality, reduction in NTFPs, problems of water quality, and an increased use of chemicals in the province which also affects the water resources;
 - g. Urban waste problem – this is due to the increased population in urban areas; and
 - h. Air pollution, water pollution and erosion, air pollution is not such a large problem although it is increasing.
41. The measures and activities proposed to address poverty include: (i) expansion of agricultural area and improved land quality to improve food security; (ii) increased animal husbandry; (iii) cash crops and industrial tree plantations for export; (iv) developing the services sector; (v) provide access to the Village Development Fund (VDF); and (vi) realize resettlement and provision of permanent employment (not shifting cultivation) for resettled populations. Specific environmental measures include: (i) recognise NRs' economic potential and benefits to the people; (ii) improve environmental regulations; (iii) promote conservation in urban areas, tourism and infrastructure projects; (iv) engage the investment sector; (v) promote environmental investment and financial mechanisms; and (vi) strengthen environmental cooperation between sectors. The proposed Phongsaly action plan is:
- a. Organisation of consultation meetings and workshops;
 - b. Data collection and analysis;
 - c. Work plan and master plan;
 - d. Raise and secure funding – that is key, because the Province has about 60 projects but funding is a significant problem for their implementation; and
 - e. Implementation, monitoring, evaluating and reporting.

Comments and Responses

42. **Funding:** Whilst there are funds available at the local level, VDF, etc. these are insufficient for meeting the unique development needs of Phongsaly. For example, where infrastructure funds might cover the cost of an entire road network in other provinces, there are additional costs associated with Phongsaly's topography. Similarly, the terrain limits capacity to expand agriculture, so animal raising is a priority for upland people, but vaccinations and veterinary assistance are expensive and beyond the fiscal capacity of authorities, and as a result so many animals die – these provincial factors are not reflected in development funding. Nevertheless, it was suggested that even limited funds require a sound strategy to ensure they are managed most effectively

43. **Ecotourism:** Mr Phonethavong urged Phongsaly representatives to put more effort into promoting the province to investors. Phongsaly borders Viet Nam and China, and the government will soon open another border check point, therefore they must plan now how to make the most of this new transport route in terms of exports. Mr Visai added, the province is very close to the Ho Chi Minh trail and has high tourism potential – natural beauty (highest mountain is 1,600m) and specific historical sites – that are very attractive to tourists (particularly those interested in history and the liberation of Lao, Viet Nam war, etc). Phongsaly’s beauty is comparable with Luang Prabang and would be ideal for ecotourism and trekking. Phongsaly’s ecotourism potential was commented on by numerous participants who suggested organic tea tasting ventures and asked why the province wasn’t promoting ecotourism further. It was also suggested that Phongsaly promote the wide diversity of ethnic cultures living in the Province for tourism purposes.
44. WREO clarified that Phongsaly’s historical sites are already promoted in a DED funded brochure. Barriers to ecotourism include (i) lack of provincial funds; (ii) poor roads – impassable in rainy season, although airport available; and (iii) little capacity to support large number of tourists with good quality food – tourists currently bring food with them from Vientiane. The provincial government recognises ecotourism potential, but lacks funds to develop it further. 0.5% of Phongsaly GDP of funds activities that promote the conservation of NTFPs, and will assist ecotourism. Pro-poor tourism is big opportunity for Lao as priority industry and it needs to be officially incorporated into the NSEDP.
45. A representative from MAF added, other economic opportunities for Phongsaly include trading animals and tea cultivation, as rice production is difficult due to the Province’s unfavourable topography. A successful case of Na Paeng village was also introduced where villages found alternative livelihood options from harvesting and selling bitter bamboo shoots and paid 5 % of associated earnings in to a village fund. Phongsaly could be a hub of animal raising for trade with other provinces, but an animal husbandry strategy must also have measures in place aimed at preventing outbreaks of disease. Phongsaly has extremely valuable species of 400 year old tea that are particularly valued by Chinese, but local people are unaware of its value and have poor negotiation capacity. As a result, resources are often significantly under priced. Technical support is needed to increase levels of knowledge about laws, value of land, negotiation processes and market dynamics amongst the local people so as to ensure fair prices and equity. Poor people often cultivate crops with low demand e.g. ginger, and in some provinces, trees have been cut down to grow maize, but in the last year the Thai traders rejected maize from some parts of Lao.
46. **Competing land use:** Securing a balance between economic development, conservation and investment is critical. Mr Phonethavong assured participants he would promote province’s potential with Thai, Chinese and Vietnamese investors, but without any improvements in road infrastructure, etc., it is difficult to promote the investment potential of province. He was asked what environmental impacts further tea plantations would have on the province. A representative, described the rapid decline in forest coverage, including NTFPs, compared to 10 years ago, including a loss of biodiversity due to improper environmental management and land quality degradation caused by unsustainable agrochemicals use and questioned whether further FDI would continue to generate such negative impacts. A participant asked whether the province has a specific food security strategy. Phongsaly province currently grows enough rice to feed 28% of population. Land allocation has only occurred in two districts, and the province will promote intensified agriculture to decrease food deficit through (i) terraced rice fields; and (ii) fertiliser and chemical application – which have long term environmental impacts.
47. A participant raised the dilemma facing local people over the conservation of wildlife, particularly elephants, due to the damage they cause and danger they pose to local people. The government should compensate local people for destroyed crops and injuries by elephants. Furthermore, if the government encourages people to adopt permanent occupations such as growing tea, it would be extremely useful if training is provided to villagers in negotiating skills so they can deal with the

traders (primarily foreigners) who are buying their produce. Despite the increased demand, the price of tea has declined from 50 000 kip/kilo to 20 000 kip/kilo.

Session 6: Report back: Poverty-Environment priorities and suggested activities in Oudomxay province

48. In Oudomxay, a master plan for development has already been developed and an emphasis will be placed on land allocation for agriculture at the household level. The primary environmental problems affecting the province are the decline in forest cover from industrial plantations e.g. teak, and the unplanned and scattered cash crop cultivation across the province. Limited forest cover affects poverty because it diminishes availability of NTFPs and reduces land quality. The province's forest cover is also affected by illegal logging and forest fires. Agricultural production is similarly causing environmental degradation through the use of inappropriate chemicals and technologies to increase crop yields and lower risks. The high mountains in Oudomxay provide a source of water for crop irrigation through gravity fed irrigation systems but limit the sustainable expansion of agriculture.
49. Other environmental issues include:
- e. Decreasing biodiversity – dry rivers, slash and burn, overuse of NTFPs, and hunting of threatened and endangered animals, all impacting rural people whose livelihoods are dependent on NTFPs and NRs;
 - f. Water shortages – caused by over irrigation, expansion of slash and burn, deforestation;
 - g. Urban pollution - migration of people to urban areas and consolidation of villages – if not carefully planned – can create new environmental problems including waste disposal issues, domestic pollution from population growth, and insufficient food; and
 - h. Lack of market access for farmers - need to raise the price of agricultural products.

Comments and Responses

50. Additional participants from Oudomxay questioned whether the impacts associated with population growth were a result of real population increase or rapid growth in migration from other provinces. Formerly, many migrants from Phongsaly to Oudomxay were middle-rich income who moved for employment prospects, but now, all levels of people are migrating from Phongsaly and the majority are job insecure. Therefore Oudomxay's population growth issues need to be dealt with by both provinces. Similarly, environmental management to limit the impacts of floods needs to go beyond Oudomxay province to be effective – the flash flood in 2008 destroyed crops, fish farms, houses, schools and irrigation systems. It would be instructive to “climate proof” future irrigation and construction as many reservoirs that are built by local people are not strong enough to resist flash flooding. Erosion associated with deforestation is also widespread across Oudomxay.

Closing Remarks and Next Steps

51. Mr Steele thanked participants for rich discussion and advised them that a workshop report would be made available to them through MPI. Ms Norgrove suggested that development of an appropriate, sustainable and diverse FDI base would be key to both provinces, and could potentially assist in minimising the vulnerability of local people to international and domestic macroeconomic fluctuations, etc. In particular, cultural richness and high forest cover are major ecotourism opportunities. Apart from FDI, PEI may be able to consider the key issues of shifting cultivation, resettlement and the NSEDP, all of which have been emphasized as priority by the workshop participants. A second workshop, for Savannakhet and Saravane provincial authorities, will be held in mid-January 2009, and a national workshop in February, which will lead to the development of the PEI programme for discussions and agreement with Government and development partners.

52. Mr Soupith closed proceedings by asking participants if any important offices had been missed out from the PEI preparatory stage. It was agreed that Land Management Authority should also be included in subsequent meeting/discussions. Degradation of the environment is the result of actions from poor and rich investors, poor people have no incentive to improve quality or sustainability of their activities because of poor market access and poor negotiation skills with external traders. In the south, a policy of village funds has been successfully implemented but it is unclear if it has been pursued in the north. Village funds could facilitate P-E mainstreaming at the local level and an important entry point for PEI to build local capacity.

Annex I: Workshop Agenda

Day 1, Wednesday, December 17, Identifying key issues

- 08.00 – 08.30** **Registration**
- 08.30 – 09.30** **Opening Remarks: key environment issues that matter for pro-poor growth**
Representative from MPI
Representative from Oudomxay Governor's Office
Representative from Phongsaly Governor's Office
Self Introduction by participants
- 09.30 – 10.30** **Introduction of the Poverty Environment Initiative**
Paul Steele UNDP/UNEP Poverty Environment Team
- 10:30 – 10:45 Coffee Break
- 10.45 – 12.00** **Environment for Pro-poor growth: national and provincial level issues**
Ms. Sisavanh Didaravong, MPI
- 12.00 – 13.00 LUNCH
- 13.00 – 14.30** **Environmental considerations associated with the Northern Master Plan**
Mr. Souphith Darachanthara, NERI - MPI
- 14:30 – 15.00 **Participatory Planning**
Mr. Nanthavong Nanthalath, DP- MPI
- 15.00-15.15 Coffee Break
- 15.15-16.30 **Provincial level perspective on environment issues for pro-poor growth: discussion with key Provincial level representatives**
Brief presentation by Provincial Sector representatives (i.e. DPI, WREO, PAFO, etc.) followed by discussion

Day 2, Thursday, December 18, Identifying possible tools, approaches and activities

- 08.30 – 10.30** **Spatial planning for informed environment decision-making**
Mr Sing savanh Singkavongxay WREA
- Environmental Economics tools: Pro-poor Growth, Natural Resources and the Environment with selected case studies**
Ms Latsamay Sylavong, IUCN
- Lessons learnt from Poverty Environment Program Vietnam**
Mr. Vichit Sayavongkhamdy UNDP CO Lao
- 10.30-10.45 Coffee break
- 10.45-12.30** **Introduction to the investment law and links between FDI and the environment**
Mr Singdalath Phonethavong, MPI
- 12.30-13.30 LUNCH
- 13.30-15.00** **Breakout Groups**
Two groups (one focusing on Phongsaly and one on Oudomxay) to all cover the following questions, focusing specifically on those issues that may be addressed by PEI:
- What are the major environment issues in the Province?
 - What are the major causes of poverty in the Province?
 - What are the major planning, policy and economic decisions in the Province?

- What are the possible activities that may be addressed by PEI?

15.00-15.15 Coffee break

15.15-16.30 Report back from groups

Day 3, Friday, December 19, Draft workplan and next steps

8:30-10:30 Consolidated Provincial activities and draft workplan
Government of Lao PDR and PEI team
Plenary discussion

10.30-10.45 Coffee Break

10.45-12:00 Next steps: Panel responses (MPI, WREA, Governors office, UN PEI team etc
Closing remarks MPI and UNDP Lao PDR

Annex II: Participants

Mr Souphith Darachanthara	Deputy Director General, National Economic Research Institute (NERI), MPI
Mr Bounchanh Sengmany	Deputy Director Cabinet, Oudomxay
Mr Sengdaluang	Deputy Director Cabinet, Phongsaly
Mr Bounlien Vorrakot	Deputy Director Cabinet, La District, Oudomxay
Mr Bounthanh Bounvilay	Deputy Director General, WREI- WREA
Mr Phonethavong Singhalath	Director of Investment Promotion Division, MPI
Mr Thippasone Soukhathamavong	Director of Planning and International Relation Division, National Committee for Rural Development and Poverty Eradication
Ms Sisavanh Didravong	Deputy Director of Economic Planning Division, MPI
Mr Singsavanh Singkavongxay	Director of the Environment Data and Information Division, Department of Environment, WREA
Ms Latsamay Sylavong	Country Representative, IUCN Lao
Mr Nanthavong Nanthalath	Deputy Director Poverty Reduction Division, MPI
Mr Soudchay Nhoyvanisavong	Deputy Director Rural Development Coordination, Ministry of Finance
Mr Thittan Chomkeo	Chief of DPI, Phongsaly
Mr Visai	Chief of Provincial Rural Development, Oudomxay
Mr Yinsay Keona	Chief of Provincial Rural Development, Phongsaly
Mr Khamdeng Lattanavong	Chief of Energy and Mines, Oudomxay
Mr Somchit Sitthivong	Acting Director of Energy and Mines, Phongsaly
Mr Sopha Sitthisom	Chief of PAFO, Oudomxay
Mr Sengsavanh Thammavong	Chief of PAFO, Phongsaly
Mr Duangsay Kingsana	Technical Staff, Department of Finance, Oudomxay
Mr Khamstay Mannisothe	Deputy Director of National Lao Front, Oudomxay
Ms Chompy Keona	Deputy Director of National Lao Front, Phongsaly
Ms Chansuk Lelavong	Chief of Women's Union, Phongsaly
Ms Sitthone Moungmisay	Deputy of Women's Union, Oudomxay
Dr Khamphiew Taybaovone	Chief of WREO, Oudomxay
Mr Sanwansay Sengmany	Chief of WREO, Phongsaly
Mr Khampaow Moundala	PAFES, Oudomxay
Mr Lekvongsa	Secretary of Phongsaly District Cabinet
Mr Sengtor Namvong	Acting Director of Department of Finance, Phongsaly
Mr Somdy Mahachit	Deputy of General Planning, Oudomxay
Mr Sisouphanh	Provincial Planning, Phongsaly
Mr Khamnuan Chitdavong	Deputy of Technical Promotions, MPI, Phongsaly
Mr Khamsona Daophonechaleun	Technical Staff, MPI DIC
Mr Xaysavanh Lattachack	Technical Staff, Ministry Energy and Mines
Ms Linda Norgrove	Environment Unit Chief, UNDP Lao PDR
Mr Paul Steele	Environment Advisor, UNDP- RCB
Ms Seon-Mi Choi	Associate Programme Officer, UNEP- ROAP
Mr Vichit Sayavongkhamdy	Programme Analyst, Environment Unit, UNDP Lao PDR
Mr Sean Foley	PEI Consultant, UNDP Lao PDR
Ms Alana George	PEI Consultant, UNDP-RCB
Mr Senguane Inthilad	PEI Assistant

Annex III: List of Acronyms

ADB	Asian Development Bank
DIC	Department of International Cooperation
DPI	Department of Planning and Investment
EIA	Environment Impact Assessment
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ISP	Integrated Spatial Planning
IUCN	World Conservation Center
MDG	Millennium Development Goals
MEM	Ministry of Energy and Mines
MoF	Ministry of Finance
MPI	Ministry of Planning and Investment
NAPA	National Adaptation Program of Action for Climate Change
NGO	Non-governmental Organization
NR	Natural Resources
NSEDP	National Socio Economic Development Plan
NTFP	Non-Timber Forest Product
PAFES	Provincial Agricultural and Forestry Extension Service
PAFO	Provincial Agriculture and Forestry Office
P-E	Poverty-Environment
PEI	Poverty-Environment Initiative
PEP	Poverty and Environment Project (Vietnam)
PP	Participatory Planning
UNDP-RCB	UNDP Regional Centre in Bangkok
UNEP-ROAP	UNEP Regional Office for Asia-Pacific
SEA	Strategic Environmental Assessment
VDF	Village Development Fund
WREA	Water Resources and Environment Authority
WREI	Water Resources and Environment Institute
WREO	Water Resources and Environment Office
UN	United Nations
UNDP	United Nations Development Program
UNEP	United Nations Environment Program