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## **Poverty-Environment Initiative 2<sup>nd</sup> Sub-national Workshop for Provincial Authorities from Savannakhet and Saravane**

15-16 January, 2009, Savannakhet, Lao PDR

### **Draft Minutes of the 2<sup>nd</sup> Sub-national Workshop**

#### **I. Background**

1. Directly and indirectly, biodiversity contributes almost three quarters of per capita GDP and more than 90% of employment in Lao PDR. Almost 60% of Foreign Direct Investment in Lao PDR is related to natural resources. The natural resource base is particularly critical to the poorest people whose livelihoods rely on it most. With increasing integration of the national economy into the regional and global economy, Savannakhet and Saravane provinces are facing critical challenges and opportunities related to poverty reduction and sustainable natural resource management. The 2<sup>nd</sup> Sub-national Workshop of the joint UNDP-UNEP PEI was organized to assess poverty-environment linkages in the two provinces and develop the provincial-level component of the PEI programme.

#### **II. Workshop Objectives and Organisation**

##### **A. Key Workshop objectives**

The overall objective of the 2nd Sub-national Workshop was to increase levels of understanding and awareness on Poverty Environment linkages in Savannakhet and Saravane amongst key government sectors and identify key issues to be included within the PEI programme. Specific objectives included:

- (i) Introduce the PEI to participants and improve their understanding of Poverty-Environment linkages;
- (ii) Provide an opportunity for provincial authorities to discuss Poverty-Environment issues of the two provinces with representatives from the Central government; and
- (iii) Identify possible provincial-level interventions that enhance capacity of local authorities to improve long-term use of environment resources to support livelihoods of the poor.

##### **B. Key Workshop Activities:**

1. Introduction of Poverty Environment Initiative
2. Environmental considerations associated with the GMS East-West Economic Corridor
3. Participatory planning and environment
4. Provincial level perspectives on key poverty-environment linkages
5. Lessons learnt from the Poverty Environment Program Vietnam
6. Foreign Direct Investment and environment
7. Breakout groups and presentations by provincial authorities.

2. The detailed workshop agenda is provided in Annex I. Around 60 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 Savannakhet and Saravane and the UNDP-UNEP Poverty Environment Initiative.

### **III. Workshop Proceedings**

#### **Day 1: 15 January 2009**

##### **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 ,Khone Savanh Kounalad, Savannakhet Governor's Office; Mr, Bounthavy Lasasimma, Saravane Governor's Office; and Ms Linda Norgrove and Ms Seon-Mi Choi on behalf of the UNDP-UNEP Poverty Environment Initiative.

##### **Session 2: Identifying key Poverty-Environment issues in Lao PDR**

###### *Presentations*

5. Mr. Paul Steele from UNDP-RCB introduced the main concept of PEI to participants, including the important economic values of the environment. The presentation described how PEI assistance is implemented through key ministries and agencies to create pro-poor environmental outcomes. One of the areas PEI will focus on will be how environment and natural resources contribute to GDP, export earnings and the livelihoods of poor people. Foreign investments in gold mining, sugar, and rubber have both positive and negative implications in terms of access to land and availability of natural resources for poor people. Almost 60% of Foreign Direct Investment (FDI) in Lao PDR is related to natural resources and they are becoming an important source of government revenues. Strategies that mitigate the adverse impacts and maximize positive impacts of FDI need to be identified, including economic valuation of ecosystem services, fiscal reforms, regulations, spatial planning, socio-environmental impact assessments and monitoring. PEI's activities in other countries in Asia and the Pacific were also presented including in Cambodia, Thailand and Vietnam. In Southeast Asia, almost no country invests more than 1% of GDP in environment. There are similar challenges associated with weak environmental governance e.g. lack of enforcement of laws and regulations, access to land and resource rights. Governments in ASEAN countries also face difficulties in managing private sector development. PEI programme ideas were proposed, including: i) building poverty and environment mainstreaming capacity of MPI, National Committee for Rural development and Poverty Eradication, WREA and provincial agencies, ii) integrating environmental considerations in the 7<sup>th</sup> NSEDP, iii) increasing awareness of poverty-environment linkages through the National Assembly, and iv) developing provincial activities to incorporate P-E linkages in provincial planning processes and provincial strategies for Foreign Direct Investment.
6. Mr Souphit Darachanthara presented the environmental considerations associated with the Greater Mekong Sub-region East-West Economic Corridor. Before discussing the East-West Economic Corridor, he introduced a number of definitions of poverty including that of Webster, the World Bank and UNCDF. In Lao PDR, poverty means lack of fulfilment of necessary basic needs for daily livelihoods. In this respect, it is important to: i) raise awareness for self-sufficiency, ii) understand the needs of people such as rural irrigation and public services, iii) cooperate with international development partners for addressing the country's development needs, and iv) work at Kum Ban level consolidating scattered villages for better access to services.
7. Mr. Souphit explained the three key environmental considerations of the GMS Core Environment Program (CEP): environmental assessment of economic corridors and sector strategies,

implementation of biodiversity corridors in five pilot sites, and institutionalisation of the use of environmental performance assessment and indicators. GMS has a number of environmental concerns, one of which relates to biodiversity conservation. Forestry sector capacity to increase the value and sustainability of forestry activities needs to be strengthened. The fisheries sector should increase activities that support sustainable fisheries management. The hydropower sector needs to calculate per unit cost of electricity, incorporating the cost related to associated environmental impacts. The agriculture sector needs more investment capital while necessary measures should be undertaken to increase water use efficiency.

8. In terms of the environment in Savannakhet, the provincial goal is to exceed the national target of forest cover. This requires the identification of protected areas, appropriate definition of forests, and categorization of production areas. There is a need to estimate the value of the environment and forestry over the long-term. Concession fees currently do not cover any compensation fees and this should be corrected to maximize efficiency of natural resource use. Markets for small sized wood need to be expanded to decrease pressure on big trees. Alarming levels of forest degradation highlight the importance of effective conservation of forests alongside plantation and nursery development. Environment should be mainstreamed into the institutions and school curriculum.
9. Mr. Souphith introduced the Cambodia-Lao PDR-Vietnam (CLV) Development Triangle of which Saravane is part. Increased attention will be paid to provinces located in this Development Triangle over the next fiscal year. The Development Triangle programme promotes protection of forest areas especially watershed areas and associated ecosystems, wildlife and natural species. In the Development Triangle area, forest coverage needs to reach 2.15 million hectares by 2010. Protected areas should be managed with strict regulations, while new protected areas should be created. There will be surveys and assessments of existing environment and ecosystems to gather baseline information that can be used to measure the future impacts. This cooperation programme will be considered and implemented within the framework of the 7<sup>th</sup> NSEDP. Mr. Souphith also explained environmental issues of the Special Economic Zone (SEZ) e.g. Savannakhet-Seno SEZ, including associated considerations of underground water, downstream water users, provision of green areas 50 meters from the road side, standards for release of rain water, water treatment provision, and auditing. He emphasized the importance of strict implementation of environmental regulations regarding water, air and noise pollution in investment projects.

### ***Comments and Remarks***

10. A representative from Saravane raised a question on whether the PEI programme in the country would have a component aimed at reducing the vulnerability of poor people. P-E linkages were identified by participants from Savannakhet, who noted the abundance of natural resources within the province. Rural water supply and sanitation is critical for rural communities. People in rural areas rely on NTFPs for their income and food security. UXO is also a concern in Savannakhet and further funding for UXO clearance is required.
11. A representative from Savannakhet enquired the state of environmental monitoring and evaluation of the SEZ activities. Mr. Souphith referred to the role of the provincial authorities in implementing monitoring and evaluation activities.

## **Session 2: Poverty-Environment Planning at the Provincial-Level**

### ***Presentations***

12. Mr. Chit Thavisay, Deputy Director of the National Leading Committee for Rural Development and Poverty Eradication presented rural development and poverty reduction in line with environmental protection. The poor mainly depend on natural resources but they lack adequate capacity to manage natural resources. Mr. Chit asked participants whether shifting cultivation is the only cause of deforestation. Usually, the poor do not cause large-scale damage to the

environment as they use natural resources on a limited scale. However, intensive industrial activities can have significant adverse impacts on the environment and natural resources and the rural poor usually receive few benefits from such activities. This has the effect of widening the gap between the urban and rural populations. According to the Land Management Authority, tourists in Oudomxay proposed to provide financial assistance to stop clearing the forest for rubber trees. Mr. Chit shared the example of China in terms of forest protection: China has experienced decline in production (quantity and quality) due to environmental degradation, e.g. production of 7 tonnes of sugar cane per hectare in the first year, decreasing to 5 to 4 tonnes in the subsequent years. China recommended conserving forest and expanding forest cover for water resources and soil productivity. In fact, people in Lao PDR have a long tradition of preserving fish protection zones, sacred forest and sources of natural resources. Government's efforts to translate these good traditions into legislation are highly appreciated and very timely.

13. Policies related to Khum ban development were introduced long ago but progress towards their implementation needs to be strengthened. The idea of a "green village" has been discussed. It is important to ensure stability of local livelihoods in rural development as in some cases, such as the relocation of people affected by hydro power projects, instability may affect rural people's well-being. A Prime Minister's Degree may be established that addresses the need to create enabling conditions for local livelihoods that are affected by such development projects. Rural development needs to respect local culture and tradition and it should be distinguished from urbanization. Rapid urbanization processes have caused many problems as seen in the impacts on local cultures and marginalization of vulnerable populations, e.g. street children and beggars in Vientiane.
14. Participatory Planning (PP) and Environment was presented by Mr. Nanthavong Nathalath, Department of Planning, MPI. Objectives and goals of PP are to meet the needs of people. PP comprises of 5 key steps as follows. First step concerns collection of information on demography, climate, organisations, social issues, community behaviour and economic potential. The next step involves identifying key stakeholders, including those affected by and those responsible for planning and implementation. Step 3 involves selecting problems or issues e.g. rice insufficiency, disease, income, and discussing these problems using the problem tree methodology, e.g. the problem of malaria is caused by absence of mosquito net and breeding sources. Step 4 involves undertaking a problem analysis to identify future needs and transform the problem into relevant objectives, e.g. to decrease infant and maternal mortality, malaria should be tackled. The 5th step involves selecting the methodology and most effective measures to achieve objectives, taking into account human resources and financial capacity limitations, e.g. health education and destroying breeding sources. It is then necessary to identify activities, e.g. providing incentives to staff, supplying equipment, prioritizing projects by giving scores, and analyzing various factors such as severity, effectiveness, resources, conflicts, available support, alignment with government policy, etc. An information table needs to be compiled that addresses the problems, root causes, solutions, expected results and responsible parties. The final step involves developing a project proposal. Department of Planning and Investment has already provided support for Participatory Planning in 57 districts and 37 villages and is currently working in three provinces.

#### ***Comments and Remarks***

15. Mr. Souphith explained the vulnerability of rubber price to the global price fluctuations, e.g. 1 kg of rubber was worth 40,000 kip and now is down to 3,000 kip. However, by 2020 global demand for rubber is expected to double. China has a soaring demand for rubber but has halted the expansion of plantations within China and is now instead expanding to Lao PDR. Last month, NERI was involved with a project developed by Chinese partners whose original demand for land was 200,000 hectares and then reduced down to 150,000 hectares through the government review process (This is still a under negotiation process).

16. Ms. Latsamay, Country Representative of IUCN Lao PDR suggested that Khum ban can be a good entry point for Participatory Planning to integrate environmental considerations into planning processes.
17. A member of the National Assembly from Saravane expressed support for the ideas detailed in the different presentations. It is important to conserve tradition of Lao people and consider the uniqueness of the country. Lao people have abundant natural resources but lack adequate capacity to sustainably manage them. Lao PDR already has so many laws and legislation, but rural populations are not aware of them. There are a great number of poverty-reduction related projects but people still remain poor. People have sufficient land, water, natural resources. Wood is one source of national income (decreasing), while income from land use taxes is increasing. There is a need to find new ways to address the real needs of people. One of the causes of poverty is illiteracy and low levels of education. The challenges associated with monitoring & evaluation is frequently raised at the level of the National Assembly. There should be more effective coordination from central to sub-national levels. Lao PDR could learn from Vietnam's experiences in effective implementation.
18. A participant from Saravane explained that three of the Provinces' districts have high levels of poverty even compared to the rest of the 47 priority districts in the country. Corruption and remote locations add to the challenges of poverty reduction in this province. Saravane has reduced exploitation of wood, as declining forest cover has been closely associated with the decline in water quantity.
19. WREA participant raised a question on the environmental sustainability of increasing rubber plantations in the country, citing that China has stopped expansion of rubber plantations within their country. It was commented that maize and cassava production also lead to soil degradation. After 5 years of cassava plantation, the land is not suitable for producing any other crop. He also explained that due to environmental concerns, the number of hectares allocated for rubber plantations is being reduced. There is definitely a strong need for more scientific and evidence-based information which can facilitate sound policy and decision-making at the top level.
20. Saravanne participants indicated that there should be further capacity building support for Government staff, especially at the district level, so as to increase their levels of capacity in the implementation, coordination, and raising awareness of local people. He expressed that PEI is in line with the government policy and hopes that PEI can address weak management and implementation capacity at the local level.

### **Session 3: Provincial-level Perspectives on Key Poverty-Environment Linkages: Discussion with Provincial-level Representatives**

#### ***Presentation by Savannakhet***

21. Head of Cabinet, Savannakhet presented the key poverty-environment issues in the province. Development goals focus on improving the livelihoods of local people. However, at times this can conflict with sound environmental management, especially at the provincial level. Expanding industrial plantations, such as rubber, have generated questions concerning their environmental and social impacts. The question is whether any analysis of the impacts of rubber plantations has been undertaken at the central level. Large scale plantations have been authorized at the central level, and it is important that MPI be fully aware of their potential impacts before signing concession agreements. For instance, Savannakhet will have a second sugar cane factory with the production capacity of 7000 tonnes per year. Such factories require a lot of land and destroy paddy fields. They may employ up to 5,000 people, but pay very low wages, e.g. 75 baht or 25,000 kip maximum per day. Savannakhet has already experienced these problems with the first factory that has been established in the province, and people are concerned that further problems may arise

with the second factory. In reality, a concession lasts for 30 to 50 years leaving the land in the hands of investors without sufficient consideration for people's livelihood options. In addition, plantations are often developed in forest areas. Problems associated with poorly screened investments are frequently related to very weak assessment, lack of up to date and accurate information and analysis, inappropriate planning, and lack of a Participatory Planning process that fully engages local stakeholders from the early stage. Due consideration should also be given to the vulnerability of ethnic minorities, and it would be helpful if the environmental pillar could be strengthened in the assessment and planning processes.

### ***Comments and Remarks***

22. Mr. Souphith explained that there is lack of funding for conducting research. He asked whether Savannakhet provincial authorities take any measures to mitigate adverse impacts of industrial plantations and mining activities.
23. A representative from the Ministry of Finance, Savannakhet said that the province is vulnerable due to a general lack of capacity in planning and implementation. Savannakhet strives to achieve development using economic potential from resources such as gold, copper and sugar cane. Large scale sugar plantations are approved from central level but they use a lot of land and cause forest degradation and biodiversity loss. According to the Land Management Authority, 60,000 hectares of land were under concession to investors in sugar cane and rubber plantations this year. Some investors may invade protected areas and seriously damage the environment. People go to the National Assembly to address these issues. In order to resolve such problems it is necessary to conduct effective assessments before final decision-making. This question boils down to the human resource capacity for sustainable development: without capacity building, appropriate planning and strong ownership, poverty will persist.
24. A participant in Savannakhet commented that PEI is a very good concept which can help raise awareness of the linkages between poverty and environment. Linkages between these two topics have always existed as environment and poverty can not be separated, but PEI can help strengthen and sustain existing efforts. He is involved in the investment analysis and approval processes. There are some failures due to a lack of clear information on identification of different types of land e.g. agriculture, forestry. Whilst the law also identifies those areas to be allocated for concessions, there is lack of clear information on specific locations. For instance, the area for gold mine concessions may be limited to 3,000 hectares, they generate higher revenues when compared to industrial plantations. The responsibility for monitoring gold mining activities lies within the provincial government. In the cases of sugar cane and rubber plantations, there is a need to assess the benefits that will be generated for local communities and the social and environmental impacts, calculating the net benefit or loss. People are often only concerned about short-term benefits from rubber plantations, whereas the longer term benefits and costs should also be taken into account. Analysis should also consider the impacts on local culture and traditions.
25. A representative responsible for macro-economy at the Department of Planning, Savannakhet stated that FDI is very important for the country's economic growth. In the province, 30 companies are using a lot of land for rubber, sugar cane, cassava and eucalyptus (50 000 hectares). Amongst 77 foreign investment projects in the province, China is the top investor followed by Australia and Vietnam. The provincial authority faces challenges that relate to human resources, budget for conducting information collection and analysis activities (especially concerning land use planning and land allocation) and other activities necessary for informed decision-making on investors and investment projects. Some investors, e.g. Sun paper from China, are reluctant to invest in the province due to limited infrastructure and energy access. The provincial authority is aware of the pros and cons of development initiatives and has the responsibility to mitigate the associated negative impacts. There are more challenges associated with developing potential areas for plantations where ethnic groups live. The province has legislative tools but needs clear

identification of land areas e.g. watershed, protected areas. Effective participatory planning is also an important planning tool for addressing these issues.

26. A participant from Savannakhet explained the need to prioritize foreign investment. Savannakhet's flatland area is quite attractive for some investors. Human resource development is also a priority. When establishing plantations in forested areas, people just burn the trees and do not use the timber due to their lack of technological know-how. Eco-tourism also has good potential for the province as it does not require large investments and can generate income for rural populations. Total paddy land is estimated to be around 200,000 hectares in Savannakhet but the same amount of land is under concessions, e.g. 40,000 hectares under sugar cane. As the concession land continues to increase, there is a pressing need for effective impact assessment, especially before agreements are signed by the government authorities. Environment is often disregarded when attracting foreign investors. In this respect, relevant laws and regulations should be enforced and disseminated to local people. If we do not take appropriate measures, pollution will result, including of the Mekong river. The participant expressed his appreciation for the timely organisation of this PEI workshop and hoped that PEI efforts can contribute to the provincial capacity to mitigate the adverse impacts and strengthen positive impacts associated with expanding and increasing development activities.

***Day 2: Friday January 16 2009, Identifying possible tools, approaches and activities***

**Session 3: Provincial-level perspective on key poverty-environment linkages (continued)**

***Presentations by Saravane***

27. Saravane perspectives were shared with participants by the Chief of the Cabinet, Saravane. The province has been experiencing decreasing forest coverage, making it more difficult to achieve the target of 65% forest coverage. This is caused by many factors which include shifting cultivation, concessions by investors, and logging. Logging activities also damage roads whose repair and maintenance cost is very high. Laws and strict regulations should be enforced, supported by accurate information and statistics. For example, when clearing forests, people often extract large timbers but small ones are just burnt (i.e. high levels of wastage). Wages for local labour are very low and often lower than the level committed at the time of the original proposal. There should be more careful approaches to concession approval. It is especially important to undertake effective consultation with local stakeholders before authorizing concessions. Participants were informed that Chinese ambassador expressed his interest in assisting Lao PDR with rice production for export to meet increasing rice consumption. Rice from Lao PDR is organic compared to other crops such as cassava and eucalyptus plantations can also be envisaged along rice fields. Investment provides a good opportunity for the economy but should integrate environmental considerations.

***Comments and Remarks***

28. It was noted that provincial authorities are under pressure to comply with the contracts signed between foreign investors and the central government.
29. Chief of Saravane's Sa moi district said that the main impacts on the environment in his district are due to the war in the 1960-70s. Another cause of environmental degradation is slash & burn cultivation, especially in mountainous areas. Saravane has 8 districts, among which 3 districts are part of the 47 poorest districts in the country. Sa moi is the poorest of those 3 districts. Village relocation activities are undertaken to cluster scattered villages into a bigger one. This relocation is important for enhancing service delivery to local communities but the district faces difficulty in village relocation due to budget constraints. Shifting cultivation has now been prohibited by authorities. However, people can not secure food security as production yield is very low due to low soil fertility and limited areas allocated for shifting cultivation. Road construction often causes

destruction of forest and the environment. Flooding is another challenge causing erosion along the river banks and land slide. The district's development priorities are infrastructure development, irrigation and schools. They received support from Japan and the government for building schools. Sa moi has 7 health centers, 27 underground water pumps and 19 points of gravity-fed water, contributing to better livelihoods of rural populations. 7,000 hectares of land are used for industrial plantations. Irrigation is needed for paddy land to grow and export commercial crops to Viet Nam. Sa Moi district has 12,781 inhabitants, 2,059 households and 59 poorest households. The district defines poor mainly in terms of labor capacity meaning that many elderly people and children with impairment, e.g. blindness, constitute poverty. Successful poverty reduction models from other countries can be applied to Sa Moi district. Financial assistance for development activities can be provided in line with district development plans. These activities may include agricultural development, plantation of commercial trees considering environmental impacts with technical support, livestock, health sector and clean water supply through ground water points.

30. Mr. Souphith informed that the Government is requesting funds from Japan for building Road 15 which goes through Samoi to Vietnam as part of the CLV Triangle Development programme.
31. A representative of Water Resource and Environment Office in Saravane explained the potential of forest resources for economic development. NTFPs are important for rural people's livelihoods who rely almost 100% on natural resources for basic necessities such as food and clothing. A committee is set up at the provincial level for natural resource management and protection but its implementation remains very weak. Logging contributes to revenue collection, however, enforcement of regulations remains a challenge. Conflicts arise due to lack of inter-agency coordination. With regards to building Road 15, people are allowed to extract logs located alongside the road but they go further into the mountains, disrespecting the regulations. Foreign investors have an increasing demand for dense forest for rubber plantations. However, the province does not have a clear plan of land use and land allocation for different types e.g. forest land, and industrial land. In reality, local employment generation is quite limited as investors use their own labour. It is observed that some people steal wood for their own survival. Sedong river - which is critical for their daily lives and fishing - has less water than in the past due to unregulated and unplanned activities. Without strict law enforcement, the environment and the society will continue to be negatively affected. Strategies and plans are developed, but not implemented. It is important to note that the environment does not only belong to WREO but to all other sectors. Without coordination, environmental protection and sound natural resource management cannot be achieved.

#### **Session 4: Tools for Informed Poverty-Environment Decision-Making**

##### ***Presentations***

32. Ms. Latsamay, Country Representative, IUCN Lao PDR presented the Environmental Economics Tools for Pro-poor Growth, Natural Resources and the Environment, with selected case studies as well as Environment Impact Assessment. The map from the World Food Programme shows the poorest areas with natural resources and forest. Development interventions need to be very cautious, respecting local people's existing way of life. There are many protected areas within the poorest districts. Poor people in Lao PDR often have abundant natural resources and their awareness of natural conservation is key for both poverty reduction and environmental conservation. Communities rely on NTFPs for income and some communities practice sustainable NTFPs harvesting, e.g. sound management of bamboo shoot collection. Communities' ownership for conservation of their environment and natural resources as well as their negotiation capacity with outsiders should be reinforced through awareness raising. Protected areas provide direct benefits such as food, fire wood, herbal medicines, materials for handicraft as well as indirect benefits including shelter, wildlife habitat and optional values. People are not aware of the total value of their natural resources and biodiversity. Protected areas also provide value for the carbon

market. Biodiversity contributes to 480 million \$ and almost 1/3 of GDP per capita. Ms. Latsamay informed that more detailed statistics and information are available for interested participants, demonstrating the value of ecosystem, potential of the carbon market, and other direct and indirect benefits from forest conservation and protected areas.

33. Ecotourism revenues are not often shared with communities due to lack of effective investment and management methods. Revenues from tourism should contribute to environmental conservation. Local people need to be empowered and more actively engaged in impact and risk assessment and decision-making. People need to be involved in the whole EIA process which should consider direct, indirect and long-term effects, e.g. change in local livelihood patterns, % of income for the village, sales of production in local markets, soil erosion. The costs associated with environmental rehabilitation should be part of the compulsory budget of any project. Local authorities have the power and responsibility to monitor the concessions and to enforce regulations. The monitoring results at the local level should feed back to the policy setting at the central level.
34. Mr Vichit Sayavongkhamdy, UNDP Lao PDR presented lessons learnt from the Poverty Environment Programme (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, natural resources and environment under MPI; (iii) synchronisation with government priorities; and (iv) more than 130 P-E networks established. Poor monitoring and evaluation indicators, lack of involvement of MoF and insufficient follow up were the main weaknesses. Mr Vichit summarised the team's recommendations for Lao PDR, including a needs analysis at the provincial level, an inter-ministerial project board, and more widespread use of national expertise at the provincial level. Possible PEI interventions were presented including integration of P-E linkages into Participatory Planning Manual, Khoum ban Planning and planning guidelines, reinforcement of the M&E system, promotion of pro-poor and pro-environment foreign investment and scaling up of existing successful interventions e.g. SEM II's assistance with integrated spatial planning.
35. Mr. Phoutone, Deputy Head of the Legislation Division of the Department of Investment, MPI introduced the investment law and the links between foreign direct investment and the environment. Foreign investment can provide multiple benefits such as contribution to the government revenue (the foreign investment law has a provision on the contribution to the state budget), transfer of technology and experience, creation of employment, improvement of labour skill, promotion of domestic production and facilitation of Lao PDR's integration with the international community. Lao PDR's disadvantages for attracting foreign investment include low human resource capacity, poor infrastructure, lack of updated and accurate information and lack of coordination between central and provincial levels, land use conflicts, unclear regulations and reliance on embassies located overseas for marketing. Potential for investment includes mining, hydropower, crops, tourism, construction material production, light industries and services. The Foreign Investment Committee chaired by Minister of MPI invites sectors concerned and provincial authorities to participate in consultation processes at the central level. The Department of Investment, MPI is the central body for foreign investment. The entry point for any kind of investment should be MPI.
36. The investment law has been amended three times. Foreign investment law and domestic investment law will be merged soon. Key past milestones of investment legislation include the first draft Investment Law in 1999, implementing decree issued by PM in 2001, promulgation of the law on the promotion of foreign investment in 2004 and the implementing decree of the law in 2004. In order to meet increasing demand from investors, the Government is trying to simplify investment procedures, taking the example of Vietnam. Guidance notes and one-stop service for investors are being developed and the one stop service has already been introduced in Vientiane

capital. At the provincial level, DPI plays a role of central coordinator for different sectors and provides one stop service. After submission of the request, sectors respond within 15 days and investors will be informed of the decision within 25 days. For investments of more than 20 million US\$, MPI cannot make decision and should submit the request to the Prime Minister's Office. Less than 100 hectares of concessions can be authorized by provincial authorities, up to 10,000 hectares by the central government and more than 10,000 hectares by the National Assembly. The decision making process associated with large projects takes approximately 45 days. Hydropower project development and implementation takes a long time as it involves signing an MoU for feasibility study, consulting villages and districts, collecting information on the ecology, and signing a project development agreement followed by a construction agreement. As for mining, article 50 of the mining law is applied to small size projects, and article 59 is applied to large scale projects. In the past, there was no need for investors in the mining sector to provide collateral. Provincial authorities authorize investors to conduct feasibility studies, normally using tools and guidelines (if they have to use machines for undertaking feasibility studies, the central authorities provide authorization). For big projects, WREA should be involved in evaluating the associated environmental and social impact assessment.

37. Low capital requirements for natural resource-based activities attract investors to Lao PDR. Many countries are interested in investing in Lao PDR, e.g. Prime Minister of Kuwait has expressed interest in rice production and in constructing an embassy in Vientiane. Investment tenure should not initially exceed 50 years but can be extended up to 75 years. Border trade services cannot be longer than 15 years and after that period they should be reviewed to ensure competition. Promotion schemes include tax and duty exemption and they differ depending on the areas, e.g. mountainous, plateau, areas with roads. Area 1 is subject to 7 years of tax exemption, while Area 2 is subject to 5 years of tax exemption and 3 years of 15 % reduction rate. Extra provisions exist for selected promotion sectors. For instance, hotel investors do not need to consult sectors concerned and acquire licence from the tourism sector but the MPI approval is still required.
38. Thailand is the biggest investor followed by China and Vietnam among Top 10 approved foreign investments in Lao PDR from 2001 to 2008 December. Top sectors include electricity generation, agriculture, mining, industry, handicraft, services, trading, and construction. Legislation and services should improve to manage and support the increasing investment. Monitoring is difficult due to budget constraints and it falls under the responsibility of the local authorities. A list of promotion activities and sectors will be developed with inputs from local-level stakeholders and will be included in the implementing decree of the new investment law. Relevant information on regulations and legislation need to be disseminated nation-wide.

### ***Comments and Remarks***

39. A participant from Saravanne asked IUCN about a model proposed by the Borapha company (eucalyptus plantation company based in Sweden). IUCN has undertaken a research on rubber plantations in Lao PDR and the information on the research results will be made available later. EIA should include biodiversity issues and the budget for monitoring needs to be ensured. IUCN is not involved directly with EIA but is providing advice and recommendations on the master plan of EIA. If the EIA recommendations are not followed, penalty measures should be taken. There should also be proactive negotiations with investors for their contribution to the local livelihoods, protected areas, and monitoring of their activities.
40. Ms. Latsamay, IUCN asked what percentage of investment capital is collected as collateral, noting that the cost for repairing roads damaged by mining activities was sometimes higher than the collateral paid.
41. Mr. Vichit, UNDP raised a question on how environmental issues are considered in the current FDI policy and whether the feasibility study includes ESIA. Mr. Phoutone answered that the government tries to negotiate with investors for a monitoring and evaluation budget. Especially as

for the mining sector, investors have to provide some budget for monitoring, with the amount being provided varying according to the size of the project.

#### **Session 4: Break-out Groups to Discuss Provincial Ideas for Poverty-Environment Mainstreaming**

42. Mr Paul Steele 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?

#### **Session 5: Report back: Poverty-Environment priorities and suggested activities in Savannakhet and Saravane**

##### *Savannakhet*

43. Representative from Savannakhet presented the results of the discussions.
- a. Environmental issues: Forest degradation and decline in forest resources are caused by infrastructure development, industrial plantations e.g. rubber, eucalyptus and sugar cane, shifting cultivation and large scale investment projects such as gold mines. Their impacts include decreased availability of farm land and wildlife, soil erosion, climate change, and decreased availability of water. Air and water pollution from burning for plantations is another environmental concern. Possible measures to address these problems include strict enforcement of law and regulations, awareness raising, capacity building for locals, local population training in natural resource management, and land zoning. In the future, every project should undergo ESIA, as only feasibility study has been undertaken so far.
  - b. Poverty issues: Poverty is related to way of life, poor infrastructure, low levels of education and insufficient clean water supply and sanitation. Poverty reduction measures include infrastructure development, provision of health and education services, vocational training, creation of alternative employment and income generating opportunities such as handicrafts, ecotourism, home stay with ethnic groups, and training on efficient use of limited resources.
  - c. Major policies include Decree 01 and other legislation related to land and forest allocation, recognizing that land and forest are vital assets for local people. It is important to carry out land zoning and allocation for rice production and industrial plantations. Villages should strengthen ownership of their environment and actively engage themselves in development projects from the project design stage. Projects should allocate part of their budget to community development purposes.
  - d. Possible activities include
    - creating economic opportunities for local populations to improve local livelihoods;
    - investment in poor areas, supporting local infrastructure development;
    - allocation of land and forest - people in mountainous areas practicing shifting cultivation do not have land available for their food production when concessions are given;
    - establishment of a revolving fund with contributions from projects and communities for livestock, agriculture and trading;
    - strengthening village organisation and establishing village regulations regarding environmental protection and natural resource management, e.g. protection of National Protected Areas;
    - support for clean water supply systems for sanitation and for agriculture; and
    - effective impact assessment and M&E. Projects need to gather baseline data to measure the impacts in the implemented areas, M&E should be conducted to compare the information with the baseline data, e.g. income per household as baseline information, indicators of food sources, changes in travel time required for gathering food sources.

## *Saravane*

44. Representative from Saravane briefed the participants on the discussion results.
  - a. Environmental issues: forest degradation is caused by slash & burn cultivation, illegal logging activities and development projects such as commercial plantations, hydropower dam construction and wood processing factories. Forest coverage decreased to 42% (down from 47% in 2000). Water quantity has decreased in the river, affecting hydropower electricity generation. During the rainy season, electricity is exported to Thailand but in the dry season, Lao PDR should import electricity from Thailand at higher rates. Commercial crop plantations are causing degradation of wildlife and aquatic species and decrease in farming land. The number of factories is increasing beyond the provincial capacity to provide raw materials and to monitor their activities. Land use planning and zoning is necessary and awareness raising on poverty-environment linkages should be conducted. Saravane should focus on Khum Ban development as out of 20 Khumbans, the province completed only 3 project proposals.
  - b. Poverty issues: Distribution of benefits is not equal among communities. Those without land have to depend on rubber plantations for their livelihoods. In urbanized areas, people's awareness should be raised for efficient resource use and environmental conservation.
  - c. Possible measures: responsible organisations need to strengthen their capacity. Increasing efforts required to raise people's awareness on environmental protection and ensuring financial resources for environmental protection and management.
  - d. Recommended activities include:
    - Addressing shifting cultivation by introducing technical know-how in agriculture for upland areas;
    - village education;
    - water supply for dry season, especially for people in hilly and mountainous areas;
    - enhancing rural village access and roads between villages in rural areas; and
    - promoting solar energy as it is more accessible than hydropower in rural areas.

## *Comments and Remarks*

45. Mr. Souphith noted the importance of clear mapping of forest areas. He informed that MPI is seeking funds for Saravane as part of the CLV Development Triangle programme. There is a joint Lao-Vietnam website on the Development Triangle. He also informed that Northern provinces have regulations on shifting cultivation to prevent soil erosion.
46. Mr. Chit explained that a map of land allocation is being developed but only 3 provinces have completed the mapping exercise so far.
47. Mr. Paul Steele, UNDP/UNEP PEI reminded the participants that PEI intervention would focus on policy support, planning processes, conflict resolution, analysis and building partnerships. He asked both provinces about the state of the logging ban as well as their perspectives and experiences in land concessions and contract farming.
48. Representative from Saravane answered that from this year, export of logs is completely banned. The province reduced the number of Small and Medium Sized Enterprises (SMEs) in the wood processing industry to 40 and allowed them to use wood only from concession areas or planted trees. Authorized areas for logging have rotation cycles of 15 years. Contract farming has been introduced for corn and cassava in Saravane.
49. Representative from Savannakhet explained that there is a quota of wood for the province targeting 36 large scale wood processing factories and furniture factories. These factories should use wood from agricultural areas, planted and farm trees. Department of Agriculture and Forestry tried to reduce wood quotas from 50,000 per year to 20,000 now. Consumption of raw materials should be reduced. 2+3 concept contract farming has already been introduced in Savannakhet. The Investment Committee of the province provided instructions and companies should have both

concessions and contract farming. Contracting farming is practiced mainly in small scale farming such as peanuts or tobacco.

#### **Session 6: Closing Remarks and Next Steps**

50. Ms. Linda Norgrove delivered closing remarks and explained next steps on behalf of the UNDP-UNEP PEI team. She explained that many issues discussed at this workshop were very similar to those discussed in Oudomxay and Phongsaly. One of the key issues that has been central to both Southern and Northern workshops has been that of management of foreign investment, especially its social and environmental impacts. Building local capacity to undertake impact assessments is important to maximize benefits to local populations and to effectively evaluate investment project proposals. Other issues concerned rural development issues e.g. ecotourism, deforestation and wildlife management. Concerning the development of the PEI Preparatory Phase, two sub-national workshops have now been undertaken. These consultations will feed into the design of the national-level workshop which will be held in early March. This workshop will be coordinated by MPI and discussions will include the key issues identified during consultations with national and provincial level stakeholders. Representatives from Oudomxay, Phongsaly, Savannakhet and Saravane provinces will also be invited to this workshop to share their perspectives and have the opportunity to discuss these issues at the national level. She thanked provincial authorities, DPI and MPI for co-organizing this workshop and participants for their rich discussion and active participation.
51. Mr. Souphith, MPI, gave closing remarks on behalf of MPI. He noted the need for the provincial representatives to prepare their participation in the national workshop. Many issues were raised including conflicts between poverty reduction and environmental conservation such as slash burn and forest. These problems should be analyzed and tackled in an integrated manner through effective planning and implementation processes. Effective implementation of policies, plans and regulations is the top priority in the provinces. Provincial discussions on causes, impacts, measures and recommendations have been very fruitful. PEI's objective is to build capacity and provide support to policy development and planning processes. Provincial interventions will be developed targeting the four provinces as pilot. The results of the provincial interventions should be reported to the high level policy makers aiming to integrate poverty-environment linkages into national development processes. He expressed his appreciation to UNDP and UNEP for their cooperation, to Savannakhet for hosting the workshop and to participants for their contribution to the discussions.

## **Annex I: Workshop Agenda**

### **Day 1, Thursday, January 15, Identifying key issues**

<b>08.00 – 08.30</b>	<b>Registration</b>
<b>08.30 – 09.30</b>	<b>Opening Remarks: key environment issues that matter for pro-poor growth</b> Representative from MPI Representative from Oudomxay Governor's Office Representative from Phongsaly Governor's Office Self Introduction by participants
9.30 – 10.00	Coffee Break
<b>10.00 – 11.00</b>	<b>Introduction of the Poverty Environment Initiative</b> Paul Steele UNDP/UNEP Poverty Environment Team
<b>11:00 – 12:30</b>	<b>Environmental considerations associated with the Greater Mekong Sub-region East-West Economic Corridor (EWED)</b> Mr. Souphith Darachanthara, NERI-MPI
12.30 – 13.30	Lunch
<b>13.30 – 14.30</b>	<b>Rural Development, Poverty Reduction and Environment</b> Mr. Chit Thavisay – National Committee Office for Rural Development and Poverty Eradication
<b>14.30 – 15.30</b>	<b>Provincial Poverty-Environment Planning: Participatory Planning and Environment</b> Mr. Nanthavong Nanthalath, DP- MPI
15.30 - 15.45	Coffee Break
<b>15.45 – 16.45</b>	<b>Provincial level perspective on environment issues for pro-poor growth: discussion with key Provincial level representatives</b> Brief presentation by Provincial Sector representatives (i.e. DPI, WREO, PAFO, etc.) followed by discussion

### **Day 2, Friday, January 16, Identifying possible tools, approaches and activities**

<b>08.30 – 10.30</b>	<b>Environmental Economics tools: Pro-poor Growth, Natural Resources and the Environment with selected case studies</b> Ms Latsamay Sylavong, IUCN  <b>Lessons learnt from Poverty Environment Program Vietnam</b> Mr. Vichit Sayavongkhamdy UNDP CO Lao
10.30-10.45	Coffee break
<b>10.45-12.30</b>	<b>Introduction to the investment law and links between FDI and the environment</b> Mr Singdalath Phonethavong, MPI
12.30-13.30	Lunch
<b>13.30-15.00</b>	<b>Breakout Groups</b> <b>Two groups (one focusing on Savannakhet and one on Saravane) to all cover the following questions, focusing specifically on those issues that may be addressed by PEI:</b> <ul style="list-style-type: none"><li>• What are the major environment issues in the Province?</li><li>• What are the major causes of poverty in the Province?</li><li>• What are the major planning, policy and economic decisions in the Province?</li><li>• What are the possible activities that may be addressed by PEI?</li></ul>

<b>15.00-16.30</b>	<b>Report back from groups</b>
<b>16.30-17:00</b>	<b>Next steps and Closing remarks</b> MPI and UNDP Lao PDR

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## **Annex II: Participants**

### **Central and Regional**

Mr Souphith Darachanthara	Deputy Director General, National Economic Research Institute (NERI), MPI
Mr Chit Thavisay	Deputy Director General, National Leading Committee for Rural Development and Poverty Eradication
Ms Latsamay Sylavong	Country Representative, IUCN Lao
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 Phanthousone Khennavong	Programme Analyst, Poverty Reduction Unit, UNDP Lao PDR
Mr Outhone Singdara	Ministry of Energy and Mines
Mr Tod Bounilaivong	Department of Forestry, Ministry of Agriculture and Forestry
Mr Soulivanh Phassaysomba	National Leading Committee for Rural Development and Poverty Eradication
Ms Soytavanh Mienmany	Water Resources Environment Administration
Mr Phouthone Sayaseng	Deputy Director of Legal Division, Ministry of Planning and Investment
Mr Nanthavong Nanthalath	Deputy Director of Poverty Reduction Division, MPI
Mr Khamla Sinvisay	Department of Planning, MPI
Mr Boualivanh Thammavong	Land Authority
Charlotte Hicks	Trade Officer IUCN
Nidalone Viprasa	Workshop Assistant
Soulivanh Sithprasay	Workshop professional translator

#### Savannakhet:

Ms Khampheng Vilaythong	Deputy Chair of women's union
Mr Amphone Saypasong	Deputy Governor of Nong District
Mr Vanthong	Deputy Head of District Planning Office Nong District
Mr Khamstay Douangmala	Deputy Director of PAFES
Mr Sonesavanh Chanlina	Cabinet Chief Provincial Leading Committee
Mr Keomanyvong	Sector chief Department of Planning
Ms Nolasin	Sector Chief Department of Planning
Mr Phoukong Nammachack	Deputy Director of Department of Energy and Mines
Mr Noukan Inthapanya	Deputy Director of Department of Water Resources Environment
Mr Keoudon Souliya	Deputy Sector chief of planning Department of Agri. and Forestry
Mr Sengaloun Sylapanya	Deputy Director Department of Finance
Mr Anousone Phimma	Department of Planning
Mr Kongsy Prasisombath	Deputy Director of Land Authority
Ms Khamphin Phengmanivong	Deputy Director of Department of Planning and Investment
Mr Phanmaha Souliya	National Front for Construction
Mr Sinouan Sihalad	Chief of Cabinet WREO
Mr Dedpasa Phommasone	Department of Planning and Investment
Mr Khonesavanh Kounalad	Chief of Cabinet Governor's Office

#### Saravane:

Mr Somchai	Deputy Director Rural Development Committee
Mr Ounheuan Luesisamoud	Deputy Director Department of Water Resources and Environment
Mr Vianchian	District governor of Samuy District
Mr Bounphasit Vorasin	Acting Director
Mr Sommany Sayavong	Deputy Head of Land Authority
Mr Keomanyvong Phengnavong	Director
Mr Thongdy Chanthavong	Deputy Director
Mr Bounthavy	Governor's Office
Mr Sion Hounghuang	Deputy Director
Mr Thongsay Bounthysavad	Deputy Director of Department of Energy and Mines
Ms Kaophone Chanthabouly	Deputy Chief Department of Planning and Investment

Ms Manisong Leusisamoud  
Mr Thavone Khampakdy  
Mr Saysamone Inthisene

Chair of Women's Union  
Deputy Chief of Cabinet Lao National Front for Construction  
Deputy Director of Planning and Investment

### **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
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