



UNDP-UNEP POVERTY-ENVIRONMENT INITIATIVE
PNUD-PNUE Initiative Pauvreté-Environnement
PNUD-PNUMA Iniciativa Pobreza-Medio Ambiente



Lao PDR

Basic facts of the PEI in Lao PDR

- In Lao PDR, the focus of PEI is to ensure that the country's rapid economic growth and flow of foreign direct investments into the natural resource sectors generates sustainable and inclusive development.
- The programme objective is to strengthen institutional capacity of targeted national and provincial government authorities to integrate the environmental concerns of poor and vulnerable groups into policy, planning and implementation processes for poverty reduction, pro-poor growth and achievement of the MDGs.
- The PEI Lao PDR framework document was signed in May 2009. The programme of work was prepared jointly by the Government of Lao PDR and the UNDP-UNEP PEI. An extensive Preparatory Phase was conducted, including national consultation workshops with pivotal stakeholders from national and provincial administrations to define priorities.
- The PEI Lao PDR Phase I started in May 2009 and will run until December 2011.
- The programme is implemented by the Government of Lao PDR through its national institutions, coordinated by the Ministry of Planning and Investments (MPI) and with project components managed by Department of Planning, Investment Promotion Department (IPD), National Economic Research Institute (NERI), and the Water Resources and Environment Administration (WREA). Provincial authorities of four pilot provinces (Oudomxay, Phongsaly, Saravan, Savannakhet) are also involved.
- Main government partners include Ministry of Agriculture and Forestry, National Land Management Authority, Ministry of Energy and Mines, Lao Women's Union (both national and provincial levels), and the Governor's office of selected pilot provinces.
- On-going collaborations include the ADB-Environment Operations Center, GIZ, University of Bern's Center for Development and Environment, and IUCN on both technical issues and on ensuring/leveraging programmatic synergies.
- The total PEI programme budget is USD 2.1 million, combining funds from PEF, UNDP country office (TRAC) and UNEP-DEPI.

The context of poverty-environment mainstreaming in Lao PDR

- In Lao PDR, more than 50 per cent of GDP is derived from agriculture, forestry, livestock and fisheries; approximately 80 per cent of the population relies on the natural resource base for livelihoods; and almost 60 per cent of foreign direct investment is related to the country's environment and natural resource base.
- Poverty rates in Lao PDR declined from 46 per cent (1992) to 34 per cent (2002) due to sustained economic growth and poverty reduction programmes. Poverty persists, however, throughout the country and the major challenges include food security (37 per cent rate of malnourished children

under five), access to clean water resources and sanitation, ensuring environmental sustainability, and limited access to cultivation land, education and employment.

- Key environmental issues affecting the poor include deforestation, illegal logging, conversion of land for agriculture and plantations, decline in non-timber forest products, loss of biodiversity and water resources, depleted fish stocks, and an increased susceptibility to extreme weather conditions caused by climate change (flooding, droughts).
- The economy has been expanding at the average rate of over 6 per cent annual GDP growth over the last decade, much of which is driven by foreign direct investments in the natural resource sectors. In terms of value, the hydropower, agriculture and mining sectors attract the most investment; the largest investors are China, Thailand, Vietnam and France. There is an urgent need to strengthen investment processes and investment management to minimize social and environmental impacts.
- The Lao PDR National Growth and Poverty Eradication Strategy (NGPES), the 6th Five-Year National Socio-Economic Development Plan, and the National Strategy on the Environment include references emphasizing poverty reduction processes that actively consider poverty-environment linkages as essential for development of sustainable livelihoods.
- Lao PDR's principal development master plan, the 7th National Socio-Economic Development Plan (2011–2015), was developed in 2010, led by the Ministry of Planning and Investment. The plan has set high economic growth targets for the country, but also a clear mandate for sustainable development, with minimal negative impacts on the natural resource base.
- Over the next two years (2010–2011), the National Assembly will debate a series of critical legislative proposals with far-reaching implications for poverty reduction and sustainable development. These include a draft Fisheries Law, draft Investment Law, draft Law on Land and Natural resources, revision of the Environment Protection Law and more – all of which would strongly benefit from improved integration of poverty-environment concerns and indicators.

Main activities

PEI supports a cross-government approach to mainstream poverty-environment linkages into national planning processes. Key activities in 2011:

- Support implementation of the 7th National Socio-Economic Development Plan, in collaboration with the UNDP Poverty Reduction Unit. This includes capacity building on the development of poverty-environment indicators for the monitoring and evaluation of the Plan, and the incorporation of poverty-environment issues in the development of government annual plans and in the participatory planning process at community level.
- Improve capacity of national and provincial authorities in planning and managing private investment for pro-poor, pro-environment outcomes. Key activities include the use of relevant criteria in identifying investment opportunities and the screening of investment applications, developing model agriculture concession contracts, and strengthening contract negotiation skills.
- Support implementation of the Environmental and Social Impact Assessment (ESIA) Decree through development of technical guidelines, delivering training to WREA staff at national and provincial levels, and strengthening institutional coordination between WREA and IPD on ESIA and investment management.
- Provide evidence on investment impacts on rural poverty-environment to the National Assembly, to direct decision-making towards sustainable and inclusive investment planning.

- Develop capacity for research and analysis on economic valuation of ecosystem services, with field work on land use changes in the case study province of Oudomxay.
- Develop a targeted communications strategy to direct this evidence towards decision-making on sustainable development.

What has been achieved to date?

- Framework programme document signed in May 2009 and full PEI team in place by February 2010.
- Poverty-environment and sustainable natural resource management issues have been integrated into the 7th National Socio-Economic Development Plan, which will be approved by National Assembly in mid-2011. Selected poverty-environment indicators have been included in the national monitoring and evaluation of the Plan.
- In the four pilot provinces, working teams with representatives from key agencies are established. Co-chaired by the Governor's office and Department of Planning and Investment, these teams provide the institutional linkages in addressing the cross-cutting issues of poverty, environment and development, and help identify opportunities for strategic actions.
- An assessment of environmental and social costs and benefits were carried out for selected investments in two pilot provinces, in collaboration with provincial authorities, IUCN and NERI. The assessment was designed as a capacity building exercise for the provincial authorities and has led to provincial and national government actions that address its findings.
- An integrated framework for investment monitoring has been developed and is being implemented by interdepartmental teams in the pilot provinces. This is a first effort by the provincial governments to monitor and collect comprehensive baseline information on economic, social and environment impacts of investments. A database has also been developed as part of this activity. Extensive capacity building on monitoring techniques and database use are being delivered at both central and provincial levels.
- Technical guidelines have been developed for the review of Environment and Social Impact Assessments of investment projects. Training on the use of these guidelines has been delivered at both central and provincial levels.
- Eight policy briefs on poverty-environment issues and on costs and benefits of investments in different natural resource sectors have been developed to provide evidence of research and policy recommendations available to key policy makers.
- A national investment strategy is being drafted in addition to provincial investment strategies in the four pilot provinces.

Lessons learned

- It has taken time to understand the procedures and capacity level of the central Investment Promotion Department, as well as those of the various agencies at the provincial level – and to earn their trust. This is starting to pay off in terms of identifying concrete actions and strategic approaches as to how they can be institutionalized within the department.
- Training with government counterparts is best achieved through a learning-by-doing approach. This may include, for example, monitoring investments in the field, development of a provincial investment strategy, and/or economic valuation of ecosystem services and changes in land use. In all cases, government staff has actually undertaken this work in the field, gaining practical experience and sustained technical expertise.

Way forward

- The poverty reduction and environmental sustainability linkages incorporated in the 7th National Socio Economic Development Plan (NSEDP) 2011–2015 will be implemented through capacity building on the construction of poverty-environment indicators for the NSEDP monitoring and evaluation system, and in the participatory planning process at the community level.
- Technical tools/inputs and pilot activities developed with the Investment Promotion Department to be turned into concrete actions that can be readily used within IPD's management procedures, and institutionalized in the investment management strategy at national and provincial levels.
- Review criteria for identifying and prioritizing investments on the "investment calling list", and for approving investment applications to include social and environmental criteria.
- Investment management capacity strengthened through support for a model agricultural concession agreement and development of contract negotiation skills.
- Technical guidelines on reviewing ESIA's and relevant trainings delivered at central and provincial levels.
- Institutional collaboration between the Environmental and Social Impact Assessment (ESIA) Department of WREA and Ministry of Planning and Investment (MPI) strengthened to support sustainable investment goals.
- National Assembly members' understanding of poverty reduction and environmental management as joint development goals and the linkages of poverty-environment issues to investment management increased.
- Targeted policy communications on results from the study on economic valuation of environmental services in different land use options delivered to key decision-makers.
- Government counterparts to participate in a series of technical exchanges between PEI Thailand and PEI Lao PDR to share strategic approaches, expertise and lessons learnt.
- Participate in global PEI programme review as a first step to extend Phase 1 of PEI in Lao PDR through the end of 2012.
- Identify synergies between PEI outputs and programmes of development partners, such as ADB, GIZ, Finland Government and SDC, as part of a PEI sustainability and exit strategy.