

LAO PDR

BASIC FACTS ABOUT PEI LAO PDR

Timescale: Phase I (2009–2012); Phase II (2012–2015).

Partners: The Ministry of Planning and Investments (MPI), in coordination with the Department of Planning, Investment Promotion Department and the National Economic Research Institute (NERI). The Ministry of Natural Resources and Environment, the Department of Environment and Social Impact Assessment (DESIA) and the National Assembly. Provincial authorities of six pilot provinces (Oudomxay, Phongsaly, Saravan, Savannakhet, Vientiane, Houaphan).

Focus: Ensure that the country's rapid economic growth and flow of foreign direct investments into the natural resource sectors generates sustainable and inclusive development.

MAINSTREAMING CONTEXT

Lao PDR has and continues to have impressive economic growth of over 6% annually in the past decade, largely driven by private investments which account for 60% of growth. As such, opportunities exist for private investment to contribute to poverty reduction, job creation and environmental sustainability. Nevertheless, poverty persists throughout the country and the major challenges include food security, access to clean water, sanitation, and limited access to cultivation land, education and employment.

MAIN ACTIVITIES

Improving the capacity of national and provincial authorities in planning and managing private investment for pro-poor and environmentally sustainable outcomes through the support and development of:

- Monitoring & Evaluation framework of 7th and 8th National Social Economic Development Plan (NSEPD)
- Investment strategies (National & Provincial)
- Investment promotion tools – profiles & website (push quality investments nationally)
- Screening of investment applications
- Investment guidance book One Stop Service at MPI
- Mine Financial model (share of financial benefits)
- Model contracts to support quality investments (inclusive, equitable and sustainable)
- Environmental guidelines and checklists for EIA (Agriculture)
- Public Involvement mechanism in investment approvals and management
- Data management software (Compliance database for Concessions in Lao)
- Joint monitoring tools (Establish mechanism, procedures and reporting requirements)
- Support investment oversight by the National Assembly
- Economic Research on poverty-environment issues to guide policy formulation
- Build government capacity on all of the above

ACHIEVEMENTS

The government capacity to manage quality investments for green growth is increasing. The new Provincial Investment Monitoring Framework identifies economic, environmental and social impacts of investments. Provincial governments have the means of tracking investments into their districts for the first time thanks to the framework and a new database.

Socio-economic development plans now take into consideration environmental sustainability. The 7th NSEPD and its monitoring framework now integrate poverty and environment considerations.

National assembly's capacity to take decisions that promotes sustainability is increasing. Further, the Lao PDR National Assembly's hotline is now inundated with calls regarding land rights and compensation. For the first time, mid-level planning officers are equipped with legal tools for responding to those appeals.

Environmental and Social Impact Assessments (ESIA) have been institutionalized and are being conducted more systematically. This has resulted in the monitoring of 287 projects in 17 districts in 6 provinces across Lao PDR.

Lao PDR has developed legal tools that help vulnerable groups address their needs. For example, a new model contract to ensure that foreign investments promote job creation, environmental standards and poverty alleviation that will also help Government to measure the contribution of agricultural concession contracts to the delivery of the national strategy.

Private investments influenced by improved capacity to undertake and monitor Environmental and Social Impact Assessment are demonstrating results, two case study investments have already led to tangible improvements in environmental and social practices.

Lao's Ministry of Planning and Investment announced a four-year suspension on new land concessions for rubber plantations and new mining licenses. In the words of the Minister Somdy Duangdy "before approving any more projects, we will ensure that a thorough survey and allocation of land is undertaken".

Lao PDR catalyzed \$4 million from the Swiss Development Cooperation and established partnerships with GIZ, ADB, WB and the Finnish Development Cooperation to implement a coordinated mainstreaming programme to mitigate potential negative impacts of climate change and private investment on the country's natural resources and ecosystems.

GIZ scaled up PEI approaches and tools in three other provinces in Lao PDR through its GIZ Land Management and Rural Economic Development Programme.

PEI over 2013-14 trained over 200 central and provincial level environment officials in conducting EIA with a new provision for public consultation. In this way the process was being made more inclusive and reflective of poverty-environment concerns.

LESSONS LEARNED

It proved difficult to involve district and village people in the investment decision process. This is due to the lack of outlets for community input into national decision-making currently in Lao PDR.

Increasing capacity of local authorities for monitoring and for reviewing IEE reports will become more important as the provincial level will be authorized to review and approve IEE reports.

The studies on cost and benefits of investments were successful in raising awareness and capacity and have improved compliance. More representative case studies are needed that disaggregate data on gender and vulnerable groups.

WAY FORWARD

A new phase III of PEI Lao will focus on the further implementation of the tools, mechanisms and strategies which have been developed to work towards the promotion of quality investments, screening and approvals, investment monitoring and compliance, with environmental and social safeguards put in place to minimize negative social and environmental impacts. It will provide more targeted capacity development support to national assembly members on promoting quality investments, and strengthen the capacity of research institution, NERI, to undertake socio-environmental analysis. The new phase will also be scaling up PEI to more provinces in the country.