



The overall goal of PEI Phase I was to support the effective integration of 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. Over the two and half year timeframe of PEI Phase 1 (2009 – 2011), PEI has worked to include poverty-environment (PE) concerns in national and provincial development planning through multiple channels. The main channel is in development of tools and mechanisms for effective management of private investments, the primary driver of growth in Lao PDR.

Lao PDR has had impressive economic growth of over 6 percent annually in the past decade, and the overwhelming majority of private investments are in the natural resource sectors. This has placed intense pressure on the country's environmental assets, the livelihoods of rural people who depend on these assets, and on the long-term sustainability of the national economy. Private investments need to be managed carefully, from the promotion, screening to approval and monitoring, and environmental and social safeguards have to be squarely placed within the investment process.

Overall the program has been very effective in raising awareness and developing tools to manage investments. Key achievements include capacity building (PEI has been successful in changing how people think about the links between investment, environmental management and poverty), successful development of tools such as the investment database and methodology for assessing the social and environmental impacts of investments, integration of PEI principles into the 7th National Socio Economic Development Plan, and development of the Draft National Investment Strategy.

Bann C. The Poverty-Environment Initiative Lao PDR Evaluation of Phase I & Recommendations for a Possible Next Phase, 2011

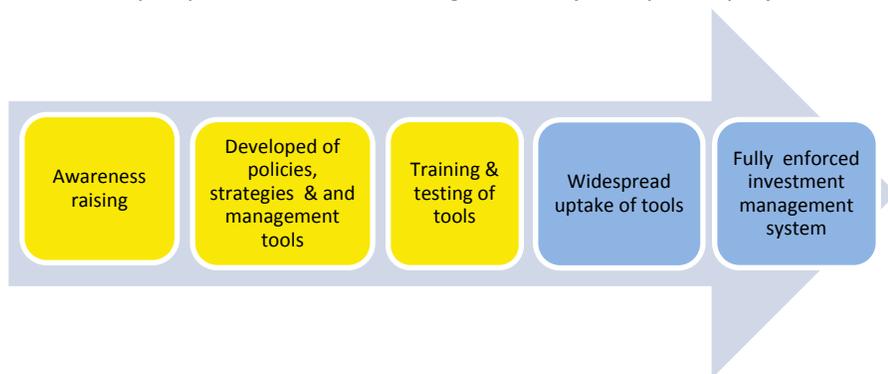
PEI Lao PDR has created awareness and ownership among government staff and enhanced the capacity of staff in the Investment Promotion Department and the Departments of Planning and Environmental and Social Impact Assessment to better address issues in relation to regulating foreign direct investment, improving environmental sustainability and ensuring communities benefit and their livelihoods aren't negatively affected. The program has also provided PE policy contributions with the draft National Investment Strategy and the inclusion of PE indicators in NSEDP 7.

Rao, K.B., Mid Term Review of the UNDP-UNEP Poverty-Environment Initiative (PEI) Scale-Up, Lao PDR Country Report, 2011

The PEI components at a glance:

- **Component 1 - PEI-NSEDP: Integration of poverty-environment linkages in the 7th National Socio Economic Development Plan (2011-2015)**
- **Component 2 - PEI-Investments: Strengthen capacities to manage investments for pro-poor and pro-environmental outcomes**
- **Component 3 - PEI-ESIA: Develop tools and strengthen capacity for effective review and monitoring of Environmental and Social Impact Assessments.**
- **Component 4 – PEI-National Assembly: Strengthen capacity and raising awareness on poverty-environment linkages**
- **Component 5 – PEI-Research: Ecosystem valuation and policy-making with a focus on poverty reduction and ecosystem degradation**

By working to improve governance over investment management and to increase the proportion of quality investments into Lao PDR, the Poverty-Environment Initiative phase 1 has set a solid foundation for moving towards a pro-poor and sustainable growth trajectory. The project is now starting its second phase (2012-2015)



and will be working for a widespread implementation of the tools, mechanisms and strategies and towards a fully enforced investment management system. PEI will continue to support the Government of Lao PDR to achieve inclusive and sustainable growth for the country.

Anticipated impact over time

Action	Impact over time 		
Raise PE awareness amongst decision makers	<p>Assumptions and enabling conditions:</p> <p>Criteria for sustainability are included in planning</p> <p>Proportion of quality investments has increased</p> <p>Social equity and environmental sustainability are core concerns in decision making</p>	Evidence based decision making	Inclusive and sustainable growth
Provide evidence on cost/benefits of land use and investment options		Minimized negative environmental and social impacts	
Include PE issues in development planning		Sustainable land use practices	
Strengthen institutional systems and staff capacity for effective investment management		Increased transparency and governance in investment management	
Strengthen compliance management and enforcement of laws		Improved livelihoods of people and reduced poverty rates	
Ensure involvement of communities in investment decisions		Equitable sharing of benefits from economic growth	

Progress and achievements of phase 1:

Component 1 – PEI-NSEDP

Integration of poverty-environment linkages in the 7th National Socio Economic Development Plan (2011-2015)

National implementing partner: Department of Planning, Ministry of Planning and Investment (MPI)

Budget: \$ 60,000

Implemented through UNDP Poverty Reduction Unit: Project of Support for Implementation of the Sixth Five-Year Plan (2006-2010)

- Poverty-Environment linkages are well integrated in the final 7th National Socio-Economic Development Plan (NSEDP) and the plan highlights quality growth and equity.
- A set of poverty-environment indicators was developed for the national monitoring and evaluation system of the 7th NSEDP. The indicators show distinct poverty-environment linkages that have highly contextual- and policy-relevance to Lao PDR, such as land use management, food security, forest, environmental pollution control/waste management and natural disaster. The poverty-environment indicators, along with the other social, economic and environmental indicators, are a tool to monitor the progress of development activities and provide an important basis for sustainable decision-making.
- PEI provided technical advice for the review of the participatory planning manual at kumban level to integrate environment and sustainable natural resource management.
- The Department of Planning participated in a study exchange to Indonesia and met with Indonesian Governmental and Non Governmental Organizations to learn about their practice in implementing a National Green Growth Strategy. Drawing from this experience the Department has initiated a local-level green growth planning approach, starting with two pilot districts in Houaphan and Saravan.

Key achievements component 1:

- Poverty-Environment issues are included in the 7th National Socio-Economic Development Plan
- Poverty-Environment indicators are developed for inclusion in the National Monitoring & Evaluation System
- Local level green growth planning is initiated for two pilot districts in Saravan and Houaphan

Component 2 – PEI-Investments

Strengthen capacities to manage investments for pro-poor and pro-environmental outcomes

National implementing partner: Investment Promotion Department Ministry of Planning and Investment (MPI), and Provincial Departments of Planning and Investment in 4 PEI provinces (Saravan, Savannakhet, Phongsaly and Oudomxay)
Budget: \$ 885,311

Strengthened investment management at central level:

- A draft of the National Strategy for Private Investment Promotion and Management 2020 was produced. The strategy highlights actions to be undertaken by The Ministry of Planning and Investment's (MPI) Investment Promotion Department (IPD) to achieve the sustainable development and poverty-environment goals set in the 7th NSEDP. The strategy will act as a guide for promoting and selecting quality investments, and strengthening effectiveness and institutional coordination between all involved ministries in managing investments.
- Key actions from the Draft National Strategy are integrated in the 2012 work plan of the Investment Promotion Department. This includes actions to strengthen screening, approval and monitoring of investments.
- A study was carried out to examine how investment incentives can attract quality investments to support sustainable development goals, with recommendations for Lao PDR. The study was conducted by the International Institute for Sustainable Development (IISD).
- PEI has worked closely with the Promotion Division of IPD to develop practical criteria for quality investments that are consistent with national development and sustainability goals. The criteria support the investment screening process and the development of provincial Investment Calling Lists, which are promoting priority investments in each of the countries provinces.
- Supported by PEI, the Investment Promotion Department has developed and is now using a new Investment Database. Two National data collection workshops resulted in a comprehensive investment database hosting investment project data from all 17 provinces of the country. The database software and a user manual were distributed to all Provincial Departments for Planning and Investments and PEI provided intensive training on the use of the software at central and provincial levels. The database also includes data from field monitoring activities in the PEI pilot provinces.
- PEI initiated the work for developing a model contract for agricultural concessions. This work is carried out by experts from the International Institute for Environment and Development (IIED). PEI has conducted stakeholder consultations with all key ministries and IIED is doing a review of existing plantation contracts and concessions.

Key achievements component 2:

- Draft National and Provincial Investment Strategies are developed
- Establishment of cross-sectoral working groups in the PEI provinces, to jointly address issues of poverty, environment and development
- A new Provincial Investment Monitoring Framework identifies economic, environmental and social impacts of investments. Field monitoring of all investments in the 4 PEI provinces was carried out by an inter-departmental monitoring team.
- New investment database is used at central and provincial level. For the first time, IPD has a national database system to consolidate all investment project data in the country.
- Case study assessments of costs and benefits of selected investments lead to actions to enforce compliance and reduce negative impacts
- Development of model agricultural concession contract initiated

- PEI has supported IPD to develop a new Investment Promotion Brochure that promotes Lao PDR as a destination for quality investments. The brochure highlights the comparative advantages of the country for investors and explains investment policy. It emphasizes that economic sustainability, social equity and sustainable land and resource use are core concerns.
- PEI has facilitated coordination between IPD and the Department of Environmental and Social Impact Assessments (DESIA). Regular roundtable meetings have generated strong discussions between the two departments and areas identified for increased collaboration include potential joint monitoring and the sharing of investment information.

Strengthened investment management at provincial level:

- In the four pilot provinces, working teams with representatives from key agencies are established. PEI works with an inter-departmental working group with representatives from the provincial offices of Planning and Investment, Agriculture and Forestry, Land Management, Industry and Commerce, Energy and Mines, Labor and Welfare and Lao Women's Union, amongst others. The working group is co-chaired by the Governor's office and the 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.
- PEI closely supported the development of Provincial Investment Strategies in PEI pilot provinces by conducting various capacity building sessions. The process of developing the strategy is designed to guide the provincial government officials to include poverty-environment issues into the provincial planning and budgeting processes. PEI has worked with the teams to identify and prioritize for key investments that can support sustainable growth in the provinces.
- A new integrated framework for investment monitoring is being implemented by interdepartmental teams with members from key line ministries in the pilot provinces. This framework includes economic, social and environmental indicators, an accompanying database system and relevant guidelines and manuals. This effort by the provincial governments allows monitoring and collection of comprehensive baseline information on impacts of investments and compliance. The database which is hosting the monitoring information, allows analysis of these impacts for an improved investment management. Extensive capacity building on monitoring techniques and database use was delivered at both central and provincial levels.
- Case study assessments of environmental and social costs and benefits was carried out in two pilot provinces (Savannakhet and Saravan) in collaboration with provincial authorities across line departments, and led by the International Union for Nature Conservation (IUCN) and the National Economic Research Institute (NERI). The assessments were designed as a capacity building and learning by doing exercise for the provincial teams. Discussion forums to present the assessment results were held at both national and provincial levels. In some cases this has led to actions by the local authorities to address environmental health and compliance issues with the investors with satisfactory solutions.

Component 3 – PEI-ESIA

Develop tools and strengthen capacity for effective review and monitoring of Environmental and Social Impact Assessments.

National implementing partner: Department of Environmental and Social Impact Assessments (DESIA) of the Ministry of Natural Resources and Environment (MONRE)

Budget: \$ 340,000

- General technical guidelines for the review of Environmental and Social Impact Assessment (ESIA) and Initial Environmental Examination (IEE) reports and for monitoring procedures of Environmental and Social Management Plans are developed. The review of ESIA's by the department is a critical first step in managing and mitigating potentially adverse poverty-environment impacts of investment projects.
- PEI has collaborated with the Environmental Management and Support Program (EMSP) of the Government of Finland to refine an earlier developed draft of EIA report writing guidelines. This guideline is targeted at consultancy companies and investors and has the objective to improve the quality of submitted reports. PEI has organized training sessions on EIA report writing for both, DESIA staff and consultancy companies.
- PEI also supported the development of the "Financial Management Regulations Manual", as a guideline to the operation of a sustainable ESIA financing system. With this, the ESIA department has a tool to manage various funding sources including payments from developers/investors to monitor the implementation of the Environmental Management and Monitoring Plans. A sustainable financing assessment for the ESIA department will feed into this guideline and further support the development of a sustainable financing system for DESIA.
- Capacity building modules on all guidelines with a focus on "learning by doing", such as on the job training and training of trainers approaches, were delivered to DESIA. In addition, training workshops to strengthen capacity of DNRE (provincial offices) in reviewing of IEE reports, monitoring of the implementation of environmental mitigation measures, and the implementation of the ESIA decree were conducted in all provinces of the country.

Key achievements component 3:

- Technical guidelines for EIA report writing, for EIA/IEE review and for monitoring procedures are available and an important tool for managing potentially negative impacts of investment projects.
- The ESIA department has increased their staff's capacity at central and provincial levels to review EIA and IEE reports
- DESIA has taken measures to improve the quality of submitted reports

Component 4 – PEI-National Assembly

Strengthen capacity and raising awareness on poverty-environment linkages

Implemented through UNDP Governance Unit (Support to an Effective Lao National Assembly SELNA program)

No budget allocated

- PEI has contributed to the National Assembly Intersession 2011 by providing input on how to ensure that investments are benefiting the poor and maintain natural capital. These intersession

Key achievements component 4:

- PEI presentation on "How to ensure that investments can benefit the poor and maintain natural capital" at the National Assembly Intersession workshop.
- Dissemination of Issues brief on "Poverty reduction and environmental management: Joint development goals for sustainable growth" to all National Assembly members newly elected in 2011

workshops are an appropriate arena for PEI to increase the understanding of the National Assembly members on poverty-environment and investment management issues.

- All members of the newly elected parliament in 2011 have received a PEI issues brief as part of their introductory training program.
- PEI has contributed to an Economic Law Review Conference organized by the Economy, Planning and Finance Committee of the National Assembly. The conference aimed at identifying gaps and possible improvements in the existing legal framework related to finance and economy as well as natural resource management.
- National Assembly members have participated in key PEI events. PEI has started to identify a working group within the National Assembly to focus dissemination of messages and training to this group. A more effective knowledge sharing among all National Assembly members is expected.

Component 5 – PEI-Research

Ecosystem valuation and policy-making with a focus on poverty reduction and ecosystem degradation

National implementing partner: National Economic Research Institute, Ministry of Planning and Investment (MPI)

Budget: \$ 223,000

- A National expert group was established to design and carry out a study on economic valuation for different land use options. The research team included representatives from the National Economic Research Institute (NERI), Ministry of Natural Resources and Environment (MONRE), Ministry of Agriculture and Forestry (MAF), National University of Laos (NUOL), and from the National Agriculture and Forest Research Institute (NAFRI).
- The study assesses the financial and environmental costs and benefits of four land use systems: rubber and maize plantations, upland rice farming and non-timber forest product collection. The research resulted in clear policy recommendations for the provincial and national development planning. PEI has conducted workshops with decision makers as well as technical expert groups to show research progress, results and recommendations and to distribute final reports and a policy brief.
- NERI and the National Expert Group have increased their knowledge of poverty and environment issues related to land use, and capacity in economic valuation research. The study methodology and processes are consolidated, documented and will be used as a manual for trainings at the MPI Training Center as well as a basis for the next valuation study.

Key achievements component 5:

- A National expert group was established to design and carry out a study on economic valuation for different land use options.
- The research results are translated into policy recommendations for provincial and national development planning.
- NERI and the National Expert Group have increased their knowledge and capacity in economic valuation research.

Lessons learnt and challenges:

- Provincial and central government from IPD and DPI showed strong interest and good cooperation in the provincial investment monitoring activities as well as in the application of the investment database. PEI needs to build on this momentum and further **support improvements in the quality of monitoring evidence, and build capacity in data analysis and data management**. This will be important for **compliance management**, which will be an important mechanism for the Government to put into place. It will also be essential to **identify sustainable financing mechanisms for monitoring** as a long-term activity that is critical for investment management.
- In general, the provincial authorities have had some difficulty with developing their provincial investment strategies and it is important to **work closely in a step-by-step process with involved action-oriented and on-the-job capacity building**.
- It was difficult to find a mechanism 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 practice in Lao PDR. Further effort will be directed towards **strengthening capacity of mass organizations and civil society to facilitate local involvement in the ESIA public consultation process**.
- PEI has increased the capacity for reviewing ESIA reports the staff in DESIA and at the provincial-level. Further efforts need to focus on **development of sector specific requirements in the agriculture and forestry sector**. **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 in the near future.
- The PEI-National Assembly component (implemented through the SELNA project) did not have many achievements due to the lack of budget from PEI and through SELNA program. PEI needs to properly fund this component and increase coordination with the UNDP governance unit.
- The NERI/IUCN case studies on cost and benefits of investments were successful in terms of raising awareness and capacity to carry out assessments of financial, social and environmental impacts associated with investments and have lead to actions for enforcement of compliance. **More representative case studies are needed to strengthen the evidence base and support informed decision making. Assessments need to better disaggregate data between poor women, men and vulnerable groups**.
- The economic valuation study of land use changes has lead to increased research capacity of NERI and the National Experts Group. The working mechanism with the Experts Group needs to be reconsidered to maintain effective engagement with all members. **There needs to be a better coordination with the involved line ministries when selecting Expert Group members and clear criteria of qualification**.
- **More demand driven research and rigorous assessments of ecosystem services and land use** of Lao PDR are needed to build a solid baseline of information across the entire country and mainstreamed into the national development and planning.
- The nature of the management arrangements of PEI resulted in a lack of cohesiveness in the overall programme and communication between the various PEI components. **Increased collaboration needs to be fostered through joint activities and regular reporting of the overall 5 components**.

PEI documents and multimedia

www.unpei.org

www.youtube.com/user/PEILaoPDR

Brochures and Factsheets:

- Brochure of the Poverty-Environment Initiative in Lao PDR
- PEI-NERI Factsheet: Economic Valuation of Ecosystem Services from Land Use Change
- PEI-IPD Factsheet: Provincial investment monitoring framework

Research and case studies:

- Investment incentives for sustainable development: The case of Lao PDR, Oshani Perera, IISD, 2011
- Economic, Social and Environmental Costs and Benefits of Investment in Saravan Province, IUCN-NERI, 2011
- Assessment of Economic, Social and Environmental Costs and Benefits of Dak Lak Rubber Plantations: Case study in Saravan Province, 2011
- Assessment of Economic, Social and Environmental Costs and Benefits of Wood Processing Investments: Case study in Saravan Province, 2011
- Economic, Social and Environmental Costs and Benefits of Investment in Savannakhet Province, IUCN-NERI, 2011
- Assessment of Economic, Social and Environmental Costs of Savan Vegas Casino & Hotel: Case study in Savannakhet, 2011
- Assessment of Economic, Social and Environmental Costs and Benefits of Mitr Lao Sugar Plantation and Factory: Case study in Savannakhet Province, 2011
- Economic valuation for sustainable land use – A case study from Oudomxay province, NERI 2012

PEI issues brief series:

- PEI Lao PDR Issues Brief 01/2010: Poverty reduction and environmental management: Joint development goals for sustainable growth
- PEI Lao PDR Issues Brief 02/2010: Poverty-Environment Indicators for monitoring and evaluating sustainable growth goals
- PEI Lao PDR Issues Brief 03/2010: Investment and women's economic empowerment
- PEI Lao PDR Issues Brief 04/2010: Economic, social and environmental impacts of investments in plantations
- PEI Lao PDR Issues Brief 05/2010: Investments in biofuels
- PEI Lao PDR Issues Brief 06/2010: Investments in hydropower
- PEI Lao PDR Issues Brief 07/2010: Investments and sustainability in the forestry sector
- PEI Lao PDR Issues Brief 08/2010: Economic, social and environmental impacts of investments in mining
- PEI Lao PDR Issues Brief 01/2011: Investment management in South-East Asia - lessons for Lao PDR
- PEI Lao PDR Issues Brief 01/2012: Ecosystem services consequences of poverty reduction: A case study in Oudomxay province

Short videos:

- Quality investments for sustainable growth, an introduction to PEI Lao PDR
- PEI NERI environmental valuation study in Oudomxay, Lao PDR, report from Lao National TV
- 11.11.11 - one day on earth - How can investments in agricultural plantations contribute to sustainable growth?