

POVERTY ENVIRONMENT INITIATIVE (PEI): PHASE II

Project ID: 00078225

Project Background

Since 2001, the Government of Lao PDR has relied heavily on natural resources to boost foreign investment and economic growth. As a result, investment from neighboring countries and regions has grown rapidly, focusing on extractive industries, chiefly mining, hydropower and agro-forestry plantations.

This rapid investment in and growth of extractive industries requires careful management to safeguard Lao PDR's interests and environment while still promoting quality investment. The Government of Lao PDR has been working to promote quality investments with the support of the United Nations Environment Program (UNEP) and the United Nations Development Programme (UNDP) through the *Poverty Environment Initiative* since 2009.



Lao PDR's rapid economic growth has been fueled by heavy foreign investment in extractive industries such as logging in Khammouane Province. Photo: UNDP Lao PDR/Stanislas Fradelizi

The overarching objective of the second phase of the Poverty Environment Initiative is to contribute to poverty reduction and improved wellbeing of poor and vulnerable groups in Lao PDR through strengthening the capacity of targeted central and

Project Summary

- Duration: October 2012 – December 2015
- Geographic coverage: Vientiane Capital, Oudomxay, Phongsaly, Huaphan, Saravan, Savannakhet and Vientiane Provinces
- Focus Area: Environment and Energy
- Implementing Partners: Ministry of Planning and Investment: Investment Promotion Department, Department of Planning, National Economic Research Institute; Ministry of Natural Resources and Environment: Department of Environmental and Social Impact Assessment; United Nations Development Programme; United Nations Environment Programme
- Websites: www.unpei.org

provincial authorities to manage quality investments. Integrating poverty-environment concerns into development planning, implementation and enforcement for sustainable development, sustainable use of natural resource and inclusive growth is the key to a sustainable future for Lao PDR.

Main Objectives and Outcomes

Building on the design and success of the first phase of the project, phase two aims to strengthen the Government's capacity to manage investment more systematically and increase the number of quality investments across the country.

This begins with support to the process of selection of appropriate investors and consideration of the poverty-environment linkage through investment management and approval processes.

This project is structured around five core working areas, or objectives, with specific outputs as follows:

Objective 1: To strengthen the capacity of the Ministry of Planning and Investment to mainstream poverty-environment issues into development planning and translate the five-year National Socio-Economic Development Plan into effective results-based annual implementation plans, including public investment programmes, aimed at securing continual progress towards development goals.

Objective 2: To support the Government in strengthening national and provincial investment management systems for quality and sustainable growth in Lao PDR.

Objective 3: To enhance capacities of the Environmental and Social Impact Assessment Department to ensure comprehensive review and approval processes of environmental and social impact assessments, conducted by project developers and investors, based on legal guidelines and good practice in effective coordination with concerned line ministries and state enterprises.

Objective 4: To strengthen the capacity of the National Assembly to provide oversight and support on the selection of quality investments.

Objective 5: To carry out targeted economic and environmental research and policy analysis to better inform investment decisions. This objective aims to support all Poverty Environment Initiative components through providing economic and environmental research service, policy analyses and evidence to inform better decision making to manage the quality aspect of investments.

Results and Achievements to Date

As a result of the success of the first phase of this project, the development of the 8th National Socio-Economic Development Plan has more systematically involved social and environmental sustainability issues. Criteria for identifying green growth projects are being developed to promote better quality and environmentally sensitive investment.

Institutional and staff capacities at the Investment Promotion Department and the Department of Environmental and Social Impact Assessment at central and provincial levels have been strengthened through provision of Poverty Environment Initiative investment and environmental management tools, South-South cooperation, training courses and on-the-job training. Poverty Environment Initiative tools include; writing for environmental impact assessments, reviewing and monitoring guidelines, development of a 'one-stop-service guidebook' and brochure, a Memorandum of Understanding and Concession Agreement template for the agriculture and tourism sector, a financing model for mining and a web-based investment compliance database.

With training provided by the project, the Department of Environmental and Social Impact Assessment has evidence to measure the level of public involvement in the Environmental

Impact Assessment and Initial Environmental Examination approval process for hydropower, agriculture plantation and mineral sectors. The Department will use this evidence to guide improvement of public involvement guidelines in the last quarter of 2015.

With the direct intervention of the project, the National Assembly was able to visit problematic hydropower project sites and affected communities in Luang Prabang and Attapue Provinces to monitor environmental and social impacts on two local communities and ecosystems. Issues have been raised to the National Assembly Standing Committee and conflict resolution has been pursued to safeguard interests of affected local communities and sustainable use of natural resources.

Raising awareness on the impact of contract farming and on local communities and environment was documented and presented in the form of a policy brief to influence further planning by policy makers.

For the first time, the impact of extractive industries in Lao PDR is being researched through the research project, "Impact of Mining Operation on the Development of Small and Medium Enterprise." The results of this research project is expected by the end of 2015.

Coordination and collaboration between government agencies is increasing through direct intervention of project activities, which is most evident in the joint monitoring agreement of the Investment Promotion Department and the Department for Environmental and Social Impact Assessment to link their investment compliance database and environmental and social compliance databases.

Funding:

- Project budget (2012-2015): USD 4,194,751
- Donors:
 - Swiss Agency for Development and Cooperation: USD 2,958,558
 - Poverty Environment Fund (UNEP): USD 749,193
 - UNDP: USD 487,000
- Unfunded budget: USD 0
- Delivery (2014): USD 1,037,086 (72%)

For more information:

Dr. Margaret Jones Williams, Environment Unit Manager, UNDP Lao PDR; E-mail: margaret.jones.williams@undp.org; Tel: (856 21) 267 710

Ms. Chitlatda Keomuongchanh, Programme Analyst, E-mail: chitlatda.keomuongchanh@undp.org; Tel: (856 21) 216 782