



**Minutes of the Local Project Appraisal Committee (LPAC)
of the *Poverty Environment Initiative (PEI) Framework* and
*Investment in Lao PDR: Minimizing the social and environmental impacts***

9 to 11am, Thursday, 26th March

Welcome and opening remarks

The meeting was initiated with a short round of introductions. Opening remarks were made by the DDG of the Department of Planning of MPI, Mr. Ouneheuane Chittaphong, who outlined two objectives of this meeting: firstly, to discuss the preparatory phase of PEI, and secondly to outline the activities of the project, receive feedback and inputs from participants in the LPAC, and identify next steps. Mr. Chittaphong explained that economic development in Lao PDR is highly dependent on natural resources. Given that eighty percent of the population depends on natural resources and non timber forest products (NTFPs), environment and poverty are closely related. However, the environment is already changing as a result of climate change, with increasing intensity and frequency of floods and drought. Local livelihoods are being affected by poor environmental management, for example, the use of chemicals for agricultural production has a negative impact on health. Poverty-environment linkages were a cross-cutting issue in the 6th 5-year plan and must be further strengthened within the next 7th 5-year National Social Economic Development Plan (NSEDP). It is very important to strengthen capacities to actively consider poverty-environment linkages, and in this respect PEI can contribute. Mr. Ouneheuane Chittaphong also expressed his gratitude to UNDP and UNEP for the good preparatory work and emphasized that action is now needed.

Mme. Sonam Yangchen Rana, Resident Coordinator emphasized the importance of sound environmental management and explained that the PEI programme involves multiple partners. The PEI seeks to address environment and poverty issues by working beyond environment institutions, such as this partnership with Ministry of Planning and Investment. The preparatory phase of PEI has involved a visit by a delegation of Government officials to Vietnam to learn from their experience, plus a process of wide consultation with multiple sectors and development partners. The four main objectives are the 7th NSEDP, private investment, environment and social impact assessment, and capacity building with National Assembly members. PEI also involves a strong component of south-south collaboration.

Overview of Preparatory Phase and Phase I Framework in Lao PDR

Sisavanh Didaravong, Deputy Director of Division, Department of Planning of the MPI presented the PEI framework:

- The objectives of the PEI include capacity building to mainstream environment for poverty reduction into national development and local planning processes, budget and sector strategies. Environment is to be made relevant to Ministries of Finance, Ministry of Planning and to the Provincial Government. Environment for poverty reduction cover the links between environment and the health, livelihoods and vulnerability of poor people. The PEI approach involves providing technical and financial assistance to non-environment and environmental institutions to change their decision making on policy, financing, and investments, to achieve pro-poor environment outcomes.

- The Preparatory Phase of PEI was coordinated by the MPI and involved provincial consultations in the north and the south and at national level. Key poverty and environment issues which were highlighted included dependence on NTFPs, investments and concessions, decline in forest cover, unsustainable logging, resettlement and shifting cultivation. Partnerships are being built with ADB-IFAD, AfD-EC-GTZ-SDC and ongoing UN projects and programmes.
- The PEI will support government to address these issues through four outputs.
 - Strengthening poverty-environmental linkages in the 7th NSEDP
 - Strengthening capacity to manage private investments
 - Strengthening environment and social impact assessment (ESIA) of investments
 - Improving understanding of poverty-environment issues by National Assembly members.

Pakkavanh Phissamay, Head of Division, Environment Social Impact Assessment (ESIA) Department of the Water Resources and Environment Administration (WREA) presented the component of support to the ESIA Department of WREA. This will include strengthening financial sustainability, establishing an ESIA Information Centre, developing technical guidelines and procedures, providing technical and management training, and building up a panel of ESIA experts. Activities will be carefully identified so as to avoid overlap and ensure complementarities between support being provided by UNDP and other development partners which include the World Bank and SEMII.

Khampasong of the National Assembly presented PEI support to the National Assembly. The National Assembly plays a key role in monitoring the executive, approving the NSEDP and budget, and also responding to petitions and complaints from constituents. PEI will support awareness raising on poverty environment issues, capacity strengthening of key committees, increasing dialogue and assessment mechanisms to handle related petitions, and promoting south-south lesson learning.

Manothong Vongsay, Deputy Director General of the Investment Promotion Department of the MPI detailed PEI support to managing social and environmental impacts of private investment. Foreign investments have increased from 6% of total investment in 2001 to almost half of total investment by 2005. Between 2001 and 2008, investment inflow has increased, however, the currently economic slowdown can provide an opportunity to strengthen the regulatory framework so as to make Laos a more competitive environment for well-managed investment in the future. Although investment has many benefits, if poorly managed investment can also generate negative social and environmental impacts. To address these challenges, an important step has been taken in the drafting of the new investment law. National and provincial investment strategies have to be promoted, which include appraisal and assessment of investments, location and negotiation of investments as well as more effective monitoring and enforcement. Furthermore information and feedback mechanisms with affected people need to be improved.

Plenary discussion

During the discussions SIDA, GTZ, ADB and the World Bank welcomed the opportunity to review the programme and encouraged further donor coordination and building on existing and planned support by other development partners. This included support to WREA on spatial planning, model concessions for hydro, mining and other key investments, and River Basin management. WREA also agreed with the need to coordinate SIDA, World Bank and UN support. IUCN and government stakeholders agreed on the importance of land use planning and the need to share data more effectively. SIDA and GTZ mentioned that a number of databases of concessions and investments have been developed, and that it would be important to consider the use and population of these. The Initiative was recognized as taking a holistic approach and clearly addressing some of the key linkages between poverty and environment.

The Department of International Cooperation of MPI agreed with the programme and encouraged high level endorsement of the programme, indicating that the Framework is to be approved by the Minister of Vice-Minister of MPI. The Department of Planning of MPI indicated that their assessment of the PEI Preparatory Phase has been documented and is very positive.

Summary and Closing

The PEI framework and outputs were approved and endorsed. It was agreed that PEI is an important and timely Initiative which is holistic in its approach and introduces new ways of working where – in the spirit of the Vientiane Declaration – integration is key. The following feedback should be incorporated within the Initiative: the importance of working in partnerships with other stakeholders in government and development partners, the establishment of an effective coordination mechanism, and the need to ensure that activities must build on ongoing work particularly in the area of support to the ESIA process and the development of model concessions. The importance of communication, developing linkages and data sharing was also highlighted.

The minutes will be circulated within two weeks, and one week will be provided for comments. The PEI documents will be signed by Government and UNDP and, together with approval of the AWP, PEI Phase I will begin.

Approved by:



Mr. Ouneheuang Chittaphong
DDG Department of Planning
Ministry of Planning and Investment



Mme Sonam Yangchen-Rana
Resident Representative
UNDP

List of Participants

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