

## UNDP Management Response

**Evaluation Plan:** 2012-2013

**Evaluation Period:** Mid-term review

**Evaluation Title:** Poverty-Environment Initiative Lao PDR Phase 2 (2012-2015)

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**Input into and update in ERC:**

**Position:**

**Unit/Bureau:**

**Overall comments:** The Poverty-Environment Initiative has made strides in strengthening the institutional capacity (systems, tools and strategies) of Lao PDR's Ministry of Planning and Investment (IPD) and its Ministry of Natural Resources and Environment (MONRE) for planning, management, monitoring and evaluation of investments at national and sub-national level for equitable, sustainable and climate-resilient growth. It has made significant progress in achieving PEI's objective and outcomes, managing to increase the number of provinces participating in the programme from four to six. The programme has generally managed funds and expertise economically to deliver high quality products and services. Efficiency is satisfactory, although timeliness could be improved. An impressive number of products and services have been delivered and all stakeholders appreciate the participatory approach to implement the activities towards these outputs. PEI has been credited with helping to improve coordination and exchange of information between IPD and DESIA. The programme is also contributing towards improved transparency and good governance centrally and in the provinces. Lao PDR has learnt much about the social, economic and environmental issues associated with the current major types of investments through the research facilitated by PEI. The livelihood impact is high and the impact itself would be substantial on the condition that PEI continues its support until there is evidence that all strategies, processes and tools developed under the project's auspices are completed and in application.

| Key Issues and Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Management Response* | Tracking**                                                                                                                                                                                                                                                                                    |           |                           |                     |                                                                                                                                                                                                                                                                                                                                  |  |
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| Implementation and Execution Issues                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                      |                                                                                                                                                                                                                                                                                               |           |                           |                     |                                                                                                                                                                                                                                                                                                                                  |  |
| 1. Immediately put in place a succession strategy if the current PEI STA is leaving at the end of 2015 to avoid project implementation disruption at this critical stage and to secure a smooth transition to possible next phase.                                                                                                                                                                                                                                                                   | Agreed               | 1. Hiring a local technical advisor and coordinator to continue supporting project implementation.                                                                                                                                                                                            | Jan 2015  | UNDP CO                   | Completed           | The project activities have been managed well and are on track.                                                                                                                                                                                                                                                                  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                      | 2. Hiring the CTA to provide support to document the results of PEI and prepare draft PEI Phase 3 project document, as well as to facilitate and support preparation of the PEI Donor Steering Committee Meeting to show case of PEI Lao PDR in investment management for quality investment. | Mar 2016  | UNDP CO                   | Completed           | The draft PEI Phase 3 project documents were shared with the government counterparts for comments and finalization. In 2017 UNDP CO and government counterpart will focus on using this document for the resource mobilization.                                                                                                  |  |
| 2. Prioritize the finalization and formal approval of all strategic developments and tools, in particular the national and provincial investment strategies and the investment compliance database. MPI managers should take the lead in ensuring that the required high-level consultations and endorsement of the national investment strategy takes place as soon as possible. MONRE managers should take the lead in ensuring the completion and formal adoption of all EIA/IEE technical tools. | Agreed               | 1. PEI to provide comments on draft PISs to facilitate the provincial consultation on the draft strategies for consideration of approval by the provincial governor.                                                                                                                          | Aug 2016  | UNDP CO, PEI and IPD team | Completed           | Two PIS (Savanakhet and Saravanh) were approved. Three rounds of revision of the draft for four PISs for Houphanh, Oudomsay, Vientiane and Phongsaly were done. The final drafts are now available for DPIs at the provincial level to use for consultation and consideration of the provincial governors in the four provinces. |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                      | 2. UNDP to send a letter to IPD on support from PEI in developing the NISs has been done properly, and asking IPD to continue taking the lead in revising, improving and submitting to MPI for approval and consideration                                                                     | Mar 2016  | UNDP CO                   | Completed           | A letter from UNDP to IPD was sent and IPD DG and DDGs are now working on the improvement of draft NIS.                                                                                                                                                                                                                          |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                      | 3. Continues working with IPD team and IT firm to improve, test, train and link IPD database with other ministries' database.                                                                                                                                                                 | Dec 2016  | UNDP CO, IPD              | Partially completed | Assessment of the database for linking database was done. Several meeting with IT firm and IPD team was conducted to discuss and follow up on the adjustment of the reporting function and technical function of the database. Training to be organized end of August 2016.                                                      |  |

| Key Issues and Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                | Management Response* | Tracking**                                                                                                                                                                                            |           |                     |                     |                                                                                                                                                                                                                                     |
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| 3. Design a financial sustainability strategy for investment compliance monitoring under the leadership of IPD and with the involvement of the Ministry of Finance. In the absence of a predictable and adequate budget for regular investment monitoring centrally and in the provinces the likelihood of investors' compliance with national legislation and contractual requirements is low.                                                                                                                                                                                                                                               | Agreed but not be able to implement in Phase 2 |                      | 4. Follow up with DESIA team on the official signing on all EIA/IEE technical tools.                                                                                                                  | Aug 2016  | UNDP CO             | Partially completed | DESIA approved all EIA/IEE technical tools, awaiting for signing by MONRE.                                                                                                                                                          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                |                      | Consult with IPD management team if the regular monitoring could be implemented as part of the implementation of order 13/PM.                                                                         | Jun 2016  | UNDP CO             | Completed           | IPD has requested budget for MPI for 100,000,000 kip to implement Order 13/PM in monitoring the investment project, and this will also implement as part of their provincial monitoring mission.                                    |
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| 4. Provide support for the finalization of a data sharing agreement between MONRE (environment and social safeguards database) and IPD (investment compliance database). Clarify what information may be accessed by provincial authorities, other line ministries and by the general public. Provide support to ensure that the databases are populated with the information collected through the monitoring processes and continue supporting joint monitoring efforts on the ground to ensure experience is gained and quality reports are produced, triggering actions or responses to ensure compliance. The proposed annual investment | Agreed                                         |                      | 1. Hiring a local consultant to assess the functioning of the database, what attribute to be linked with MONRE and other ministries and finalizing the data linkage between DESIA/MONRE and IPD/M/PI. | May 2016  | UNDP CO, IPD        | Completed           | Assessment of the effective functioning of database and which attribute to be linked with MONRE and other selected ministries was completed. Linking data with MONRE was completed.                                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                |                      | 2. Consult with IPD team on the limitation and role of different users at IPD and DPIs levels and work with IT to define condition for accessing to the database information.                         | Jun 2016  | UNDP CO, IPD        | Completed           | Access to database by provincial authorities has been defined.                                                                                                                                                                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                |                      | 3. Closely work with IPD team and DPIs to populate data, deliver training and populate the baseline data during the training to ensure completion of baseline data populated in the database.         | Aug 2016  | UNDP CO, IPD        | Partially completed | Always follow up with IPD on the populated baseline data. Training and populating baseline data to be organized in late August 2016. Design of training material and closely working with IT firm to monitor and fix the database.. |

| Key Issues and Recommendations                                                                                                                                                                                                                                                                                                                                                   | Management Response*                   | Tracking**                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Timeframe                | Responsible unit(s)              | Status***                  | Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| compliance report to the National Assembly would be very useful but in the absence of a database reporting system to reduce the burden of preparing such report it may not be feasible or sustainable. Ease of mandatory reporting is the most important incentive for staff to maintain the database. Adding geo-referencing capabilities to the database would be very useful. |                                        | 4. Work with DPIs to identify and select projects at the provincial level and provide financial support and deliver a training to guide DPIs in conducting and leading the joint investment monitoring and the provincial levels.<br><br>5. Support IPD to enforce the annual investment reporting template through support preparation of issuing the notification to investor and informing provincial and relevant agencies at provincial and national levels to apply this new annual investment template. This will also facilitate information to be populated in the investment compliance database. | Sep 2016<br><br>Aug 2016 | UNDP CO, IPD<br><br>UNDP CO, IPD | Completed<br><br>Completed | Criteria were provided to DPIs to select the problematic investment project for monitoring mission. Issues base approached was applied in selecting the project to e monitor. Training was provided and come up with list of compliance to be monitored. IPD and DPI was completed monitoring missions.<br><br>Official letter of notification using the new annual reporting templates was issued by MPI. Information was posted on the IPD website, Facebook, Vientiane Times and Vientian Mail newspaper. The letter was CCd to DPIs 17 provincial and relevant agencies at national level. |
| 5. Continue building the baseline on both the quality of EIA for agriculture projects and the quality of the EIA report by government. Completing this work is important to help assess whether the government's capacity to approve good EIA has increased.                                                                                                                     | Agreed but cannot implement in Phase 2 | To include this activity in the draft PEI phase 3 project documents in close consultation with the government counterpart.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Dec 2016                 | UNDP CO                          | Partially completed        | Draft PEI Phase 3 project document incorporated the work relevant to EIA/IEE capacity building. The development of the baseline is not a priority of the DEISA. PEI team will continue discuss this with the DEISA and IPD team on the possibility to include in the draft PEI Phase 3 project document.                                                                                                                                                                                                                                                                                       |
| 6. Continue building the baseline information to assess changes/improvements on quality of investments and compliance. This involves continued support to build the capacities of NERI to conduct and disseminate high-quality policy-relevant economic research and analysis that considers social and environmental issues. The investment compliance database is a            | Partially agreed                       | 1. Baseline information on the quality investment and compliance to be monitored through enforcement of the annual reporting template.<br>2. Capacity building for IPD is needed in order to be able to analyse the change of the investment management and developing state of investment report for Lao PDR.                                                                                                                                                                                                                                                                                              | Aug 2016                 | UNDP CO, IPD                     | Completed                  | The annual investment reporting has been enforced through official announcement of the MPI in beginning of Aug 2016.                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

| Key Issues and Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Management Response* | Tracking**                                                                                                                                                                                                                                  |           |                     |                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  |
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| useful tool to access and manage data and information on investments but periodic in-depth analysis of cumulative impacts of investments in regions and sectors should be performed by NERI.                                                                                                                                                                                                                                                                                                                                           |                      | 2. In the future there is a need for PEI to facilitate the engagement of the academic research institute to implement the demand driven research in collaboration with NERI. This might be proposed in the next phase of the PEI programme. | Dec 2016  | UNDP CO             | Completed           | Draft PEI Phase 3 project document was developed and shared with government for comments. Capacity building of NERI is included as well as continues the work on the demand driver research. However, PEI still explores possibility to engage with academic and research institute to conduct priority research for the government as a baseline for future investment management.                                                                                                                                                                                                               |  |
| 7. Given the exponential growth of contract farming and its impact on local communities and the local environment PEI may continue helping the government to monitor its effects particularly on women and disadvantage groups.                                                                                                                                                                                                                                                                                                        | Partially agreed     | Recommend to IPD and DPIs to consider selecting investment project that engage the contract farming practice to be monitored as part of the joint provincial monitoring mission and implementation of the order 13/PM.                      | Oct 2016  | UNDP CO, IPD        | Partially completed | If PEI Phase 3 could mobilize the resource. PEI might consider to continue support investment monitoring and include monitoring of the project that involves the contract farming practice.                                                                                                                                                                                                                                                                                                                                                                                                       |  |
| 8. Once the NIS is approved, assist the government to further identify and address conflicting mandates or gaps and prepare specific suggestions to revise the mandates of the entities involved up to the departmental level.                                                                                                                                                                                                                                                                                                         | Agreed               | Continue supporting IPD in order to enable them to improve and finalize the draft NIS.                                                                                                                                                      | Dec 2016  | UNDP CO             | Pending             | The NIS is now under the leadership of IPD to review and finalize.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |
| 9. The 8th NSEDP is to be outcome oriented. Research supported by PEI under component 5 has provided evidence that FDI performance significantly affects the development outcomes of the NSEDP. Ideally, there should be one or more indicators relevant to P-E to specifically track FDI performance in the NSEDP M&E framework. The data to track the indicator(s) would be part of the DESIA/DPI environmental and social safeguards and investment compliance databases; therefore, no additional data would need to be collected. | Agreed               | Review the indicators relevant to quality investment in the 8th NSEDP as well as the M&E Framework to strengthen those indicators.                                                                                                          | Dec 2015  | UNPD CO             | Completed           | Indicators relevant to quality investment were improved following the comments from PEI team. The new indicators related to the quality of investments and natural resource management can be seen in the latest version of the 8th Plan M&E framework and read as below: (i) % of public investment projects approved by National Assembly that were subsequently implemented; (ii) % of investment projects deemed to require EIA/EE/ESIA/SIA by MONRE/DESA that have been evaluated against social and environmental criteria; public infrastructure investment projects, concessions, special |  |

| Key issues and Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Management Response*                                | Tracking**                                                                               |          | Timeframe    | Responsible unit(s) | Status*** | Comments                                                                                                                                                                                                                                                                                                                                                                       |
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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                     |                                                                                          |          |              |                     |           | Economic Zone (SEZ) projects; (iii) % of investment projects that have undergone a financial assessment: public infrastructure investment projects, concessions, Special Economic Zone (SEZ) projects; (iv) % of investment projects that have undergone an economic assessment: public infrastructure investment projects, concessions, Special Economic Zone (SEZ) projects. |
| 10. Intensify the delivery of training including by scaling up TOT in the pilot provinces and beyond. It was suggested that 3 regional hubs be created to expand the training effort. Co-financing and technical support from other development partners should be sought. A training strategy and detailed work plan should be developed and implemented if a PEI Phase III materializes. A more robust method to assess the results of capacity building and training needs to be developed and implemented. | Agreed                                              | To be considered to include in the activities of PEI phase 3 if it will be materialized. | Dec 2016 | UNDP CO      | Completed           |           | Scale up the PEI approach has been discussed and is included in the PEI Phase 3 draft proposal.                                                                                                                                                                                                                                                                                |
| 11. Strengthen ownership of tools and processes among a critical mass of staff at IPD. The ability to update and adapt the tools on the basis of experience or for consistency with new legislation is an important component of PEI's sustainability?                                                                                                                                                                                                                                                         | Agreed                                              | To improve the existing plan for the PEI programme.                                      | Dec 2016 | UNDP CO, IPD | Pending             |           | To be implemented in Q4 of 2016                                                                                                                                                                                                                                                                                                                                                |
| 12. Adjust as appropriate the component related to green growth investment profiles in the provinces. Explore the possibility of securing UNEP's technical and financial support for this activity to meet national                                                                                                                                                                                                                                                                                            | Agreed that we have to adjust activities related to | Work with DOP to finalize the green growth criteria guideline                            | Dec 2016 | UNDP CO      | Pending             |           | Scheduled to work with DOP in Q3 of 2016.                                                                                                                                                                                                                                                                                                                                      |

| Key Issues and Recommendations |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Management Response* | Tracking**                                                                                                                                       |           |                     |                     |                                                                                                                                                                    |
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|                                | stakeholders' demand for increased knowledge on green growth investment opportunities in various sectors, technologies, patents and legal issues, access to credit, fiscal incentives, among others. As a short-term measure, if the GEF Small Grants Programme (SGP) reinstitutes operations in Lao PDR, assess the opportunity to align the SGP national strategy to pilot community green growth and sustainable livelihood initiatives and negotiate their possible co-financing with PIP or other resources available to the Provinces. | green growth.        |                                                                                                                                                  |           |                     |                     |                                                                                                                                                                    |
| 13.                            | Expand the support to the NA for P-E mainstreaming and in particular assist the NA to implement third party verification of investment monitoring and compliance. This is a very promising avenue to improve the quality of investments and achieve high standards of investment management in Lao PDR.                                                                                                                                                                                                                                      | Agreed               | To be included in the PEI phase 3 project documents and partner with the government counterpart and NA to mobilize the resource for PEI phase 3. | Dec 2016  | UNDP CO             | Completed           | If PEI Phase 3 could mobilize the resources, PEI will continue support the third party monitoring of the NA. This has been included in PEI Phase 3 draft proposal. |
| 14.                            | Strategically use the development of the new UNDAF cycle to enlist other UN agencies to help achieve some of the P-E outcomes in the 8th NSEDP.                                                                                                                                                                                                                                                                                                                                                                                              | Agreed               | Link the PEI with the new UNDAF and UNDP CO CPD                                                                                                  | Dec 2016  | UNDP CO             | Completed           | Link PEI with new UNDP Strategic plan, CPD and UNDAF and 8th NSEDP                                                                                                 |
| 15.                            | Enhance communications, in particular dissemination of research results. The PEI Lao website requires an update to ensure all recent publications and communications materials are posted.                                                                                                                                                                                                                                                                                                                                                   | Agreed               | Post PEI NERI research in the IPD, UNDP CO website to facilitate accessible to the research. Update project brief.                               | Dec 2016  | UNDP CO, IPD        | Partially completed | DG of IPD has agreed to post the NERI research in the IPD website.                                                                                                 |
| 16.                            | Make strategic use of the Programme Board, with more frequent and focused meetings to clear bottlenecks and address implementation challenges.                                                                                                                                                                                                                                                                                                                                                                                               | Partially agreed     | Organize annual review meeting and combine with the board meeting will be organized                                                              | Dec 2016  | UNDP CO, IPD        | Pending             | Annual review meeting will be organized in Q4 of 2016.                                                                                                             |

| Key issues and Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Management Response |                                                                                                                | Tracking  |  | Responsible unit(s) | Status              | Comments                                                                                                                                                                  |
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| 17. The work to upgrade the MPI website needs to be completed. The new website is up but still having incomplete information on the investment process which may have a negative repercussion on potential investors' interest. English text editing is needed.                                                                                                                                                                                                                                                                                                                                 | Agreed              | Update IPD website by posting information related to investment approval process e.g. OSS guidebook, etc.      | Dec 2016  |  | IPD                 | Completed           | OSS was posted in the IPD website which consists of information on investment approval process and other relevant procedures.                                             |
| 18. Develop an exit/sustainability strategy in parallel with the development of a subsequent Phase 3 (2016-2020). Such a strategy should clearly identify the key drivers that would lead to the desired impacts of the programme in Lao PDR. The development process of the new ProDoc needs to reassess whether the risks and assumptions identified in the Phase II Prodoc still hold. The RRF for the next Phase should commit IPD and DESIA to specific targets in terms of quality investments and enforcement of investment agreements.                                                  | Agreed              | To update exit plan as well as finalizing the PEI phase 3 project documents for resource mobilization in 2017. | Dec 2016  |  | UNDP CO, IPD        | Partially completed | Draft exist plans was developed and will be revisited at the end of 2016. At the same time draft PEI phase 3 has been developed and waiting for comments from government. |
| 19. Describe in one document the entire set of processes and tools related to FDI management with a summary of their status and further action to ensure all processes are operational. It was difficult for the evaluator to have a full appreciation of progress and the effectiveness of the system being put in place in the absence of such document. The document would also be useful to share the Lao PDR experience with other countries. PEI's website, with the authorization of the Lao PDR Government, may include a section showcasing a selection of tools that may have broader | Agreed              | Discussed with IPD to poste all investment management tools develop with support from PEI in the IPD website.  | Dec 2016  |  | UNDP CO             | Partially completed | Only some PEI tools were posted. To continue discusses with IPD to post other relevant investment management tools of PEI.                                                |

| Key Issues and Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                               | Management Response* | Tracking**                                                                                                                                                      | Timeframe | Responsible unit(s) | Status*** | Comments                                                                                                                                                                                                                                                 |
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| applicability and enabling visitors to download the tools for use or modification.                                                                                                                                                                                                                                                                                                                                                                                           |                      |                                                                                                                                                                 |           |                     |           |                                                                                                                                                                                                                                                          |
| 20. Continue the work on corporate social responsibility. This is an important topic that would reinforce the work done on improving the quality of FDI. The main investors in the country are from neighbouring nations where few companies have probably been exposed to CSR approaches. UNDP and UNEP HQ and regional offices may be called upon to provide support.                                                                                                      | Agreed               | Work with IPD team to continue testing the CSR reporting template and encourage investors to use it.                                                            | Dec 2016  | UNDP CO, IPD        | Ongoing   | Need to update the template before testing the reporting template.                                                                                                                                                                                       |
| 21. The PEI modus operandi in Lao PDR offers a foundation to implement the new directives for UNDP programming at country level, breaking the silos and strengthening inter-disciplinary work to support the government address priority development challenges. This could inform the processes in other UNDP COs. At the same time PEI's implementation in Lao PDR offers a good example of how UNEP can deliver its services at country level in a more effective manner. | Agreed               | Maintain partnerships with other development partners to work together in support the government address priority development challenges.                       | Dec 2016  | UNDP CO             | Completed | UNDP has developed partnership with other UN agencies and international organization within the country and at the regional and HQ levels to support the government in different priority development challenges such as UNEP, UNCDF, FAO, WB, WHO, ADB. |
| 22. Improving FDI management performance in the entire region is important to avoid investors moving into countries where standards for investments and compliance are low. The PEI regional team should explore whether it can further expand its support in this field to other countries or Develop Strategic Partnerships, with organizations in the region to address this transboundary aspect.                                                                        | Agreed               | Regional team also supports the implementation of their countries in this region in improving FDI, which replicate some of the work of PEI Laos in PEI Myanmar. | Dec 2016  | PEI Regional team   | Completed | Some of PEI Lao activities were replicated in PEI Myanmar such as database, financing model, model of contracts.                                                                                                                                         |

| Key Issues and Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Management Response |                                                                                                                                                           | Tracking |  | Timeframe | Responsible unit(s) | Status <sup>***</sup> | Comments                                                                              |
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| 23. Explore how to take advantage of new opportunities emerging from the National Assembly Strategic Support Project under the Governance Unit of UNDP to mainstream P-E in other aspects of the governance agenda, for example, issues related to public participation, decentralization, information disclosure, access to justice, including an effective system for presenting grievances and for redress in cases where there have been serious negative impacts on communities from private investments. | Agreed              | To discuss with the UNDP Governance Unit to learn more about their project activities and identify the area for collaboration.                            |          |  | Dec 2016  | UNDP CO             | Pending               | To be discussed.                                                                      |
| 24. While consolidation is the priority, the next phase could explore addressing the "general business" investments managed by Ministry of Industry and Commerce because these could have a major impact. Currently there are no guidelines for these investments and contracts are almost non-existent.                                                                                                                                                                                                       | Agreed              | To identify opportunity to build partnerships with Ministry of Industry and Commerce in the next phase of PEI in close consultation with IPD team.        |          |  | Dec 2016  | UNDP CO             | Pending               | To be discussed during the finalization process of the PEI phase 3 project documents. |
| 25. Future evaluations of PEI in Lao PDR to interview national and foreign investors to consider the private sector perspective.                                                                                                                                                                                                                                                                                                                                                                               | Agreed              | Not possible to do during the PEI Phase 2. If PEI phase 3 will materialize, engaging the private sector in the PEI evaluation process will be considered. |          |  | n/a       | UNDP CO             | n/a                   | n/a                                                                                   |