

Meeting of the Chairs and Co-Chairs of Sector Working Groups

ICTC, 28 September 2020

Presentation on the results of the Multi-Stakeholder Taskforce to study the impact of COVID-19 to support a determination of the 9th NSEDP and SDG localization in Lao PDR

Theme 5: Green Growth, Resilience and Risk Management

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9th NSEDP – Green Growth, Resilience and Risk Management

The 9th NSEDP acknowledges that the Lao PDR Green Growth Strategy 2030, adopted in 2019, is an important tool to ensure longer-term socio-economic development outcomes are met as per the Green and Sustainable direction. The Strategy aims to:

1. Stimulate economic growth, livelihoods improvement, employment, and income-generating activities;
2. Raise efficient, effective, and sustainable use of Lao PDR's scarce natural resources for optimal benefits, particularly, forestry, land, minerals, water sources, biodiverse ecosystems;
3. Reduce the economic risks and vulnerabilities posed by increasingly severe and frequent natural disasters and hard-to-predict global economy dynamics;
4. Reduce or limiting air pollution, waste, and GHG emissions that are key contributors to climate change, natural disasters, and disease.

Lessons Learnt from the 8th NSEDP

The 9th NSEDP needs to maintain macro-fiscal stability by providing a framework for economic diversification to achieve resilient, green, inclusive, and sustainable growth. Prior to COVID-19, Lao PDR has been facing weak macroeconomic management and macro-fiscal vulnerability which make the country vulnerable for natural disaster and pandemic shocks. The impact from COVID-19 is expected to result in the declining public revenue and Official Development Assistance, while the financial mechanism is available for assisting vulnerable countries in adapting and mitigating practices to counter climate changes, the capacity of Lao PDR in accessing to this financial support is limited. While the forthcoming 9th NSEDP will focus on green, inclusive and quality growth, with Lao PDR's economic growth mainly driven by hydro-power and the mining sector, which employ less than 1% of the total labor force and have less linkages to the rest of the economy, the economy needs to be diversified and inclusive to be resilient to the effects of climate change natural hazards and environmental degradation. The 9th NSEDP needs to facilitate the economic diversification on a more inclusive and sustainable green growth

trajectory by strengthening macroeconomic management, maintaining macro-fiscal stability, creating an enabling environment for private sector development and investment, sustainably managing water resources and land use.

Recommendations in Support of the 9th NSEDP and SDG Localization

Green Growth

Low Carbon Economy: While there are still many challenges ahead in the transition towards green growth especially under and post-pandemic, the commitment to green growth articulated in the 2030 Vision and 2025 Strategy and current development plan puts Lao PDR in a good position. COVID-19 provides a window of opportunity for Lao PDR to make transformational changes and paving the way for fulfilling national commitments towards SDGs, NDCs and Paris Agreement Objectives.

Investing and Accelerating Clean Energy Transition: The Promotion and development of renewable energy is one of the country's priority policies to stabilize energy supply and to support the sustainable socio-economic development of the country. COVID-19 has put forward an even stronger case for promoting and accelerating renewable energy access efforts. However, the proper legal and regulatory framework need to be developed to create enabling environment for such investment, especially, how the private sector can engage in this transition.

Green Budgeting: Supporting green budgeting can also be a valuable tool to increase the efficiency and effectiveness of budgetary processes and align them with environmental sustainability and climate change objectives. Not only would green budgeting allow Governments to identify misalignments of spending and objectives and help identify possible resources which could be re-directed to the COVID-19 relief measures, but also allow long-term integration of environmental and climate sustainability into budgetary processes and infrastructure planning. Incorporating environmental dimensions into fiscal frameworks, including the annual budget document, budget tagging, evaluation of tax and expenditure policies, can help governments to become more accountable for their environmental commitments and support them in transforming towards sustainable and resilient societies.

Promoting Green Bonds for Renewable Energy: Although Government investment may be an important catalyst to harness investment in renewable energy, due to the current fiscal challenges, the biggest share of new investment in renewable energy will likely need leveraging from the private sector. To mobilize private investment, the strategy must focus on risk mitigation instruments and structured finance tools to develop a strong pipeline of projects and to open project financing and refinancing opportunities.

Promoting Sustainable Waste Management: With the COVID-19 pandemic, the volume of waste has quickly risen with the increased demand globally for medical disposables and the rapid increase in delivery services. It is a key reminder that without stronger legislation and enforcement of environmental standards, the recent progress in reducing plastic waste can quickly be undone. Moreover, the coordinated effort among the sector concerned need to be achieved as the solid waste management responsibility is fragmented.

Green Infrastructure and Transitioning Industry: Demand for verified legal and sustainable tropical forest products ('good wood') is increasing rapidly in markets around the world. Lao PDR can access these opportunities by transitioning the forestry sector into a central pillar of a new green economy. There is increasing demand (particularly from European Union [EU] and US markets) for proof of the legality and sustainability of imported wood products, with Asian markets also improving legal standards enforcing certifications in recent years. Lao PDR is well-positioned to capitalize on this growing demand if international standards can be met. A modern forestry sector has the potential to drive Lao PDR's new green economy if facilitated by an enabling environment characterized by good governance, sustainability, inclusivity, and profitability.

Resilience Building

Investing in Local Communities to Protect Ecosystems: the COVID-19 pandemic has led to a dramatic drop in tourism and reduced near-term demand from visitors for tourism experiences based on strong biodiversity conservation. To counteract this immediate shock and ensure that tourism infrastructure is opportunities are not lost, the Government could expand revenue flows that directly support local communities and protect key natural assets. In the longer-term, the Government should work with local and international organizations to encourage an ecology-based economy and sustainable natural resources management (e.g. IWRM) where local communities are central to protecting the landscape they inhabit for mutual benefits.

Building Community Resilience: Data shows that even prior to COVID-19, Lao PDR was facing an increasing number of disasters that are costing the country more, and with the impacts of climate change, increasing international instability, and population growth, this trend will continue. Recovery interventions designed to strengthen community resilience could include: Promoting disaster risk reduction and preparedness planning at the community level, Improving cross-sectorial coordination for policy dialogue on disaster risk reduction and urbanization issues, mainstreaming climate change, Empower villages to invest in and benefit from improved management of forest, protected area, water, and soil resources. Village forestry, and Establish rural low-carbon household programmes using biogas or solar lighting.

Strengthening Biodiversity and Wildlife Protection and Conservation: The interlinks between disease, health, and biodiversity have been highlighted by the COVID-19 pandemic. The deterioration of ecosystems and the biodiversity within them – from habitat loss and modification, agricultural development, climate change, pollution, and overexploitation of species – is increasing the risk of zoonotic disease pandemics. the priorities recommended to consider adjusting in the 9th NSEDP include: Prioritizing post-pandemic measures and interventions on biodiversity conservation and wildlife management, Shift investments towards nature-based and neutral climate strategies (e.g. Economic valuation planning tool), Engage in a multi-sectoral approach, and mainstream biodiversity considerations into other sectoral planning and investments; etc.

Investment in Resilient Infrastructure and Supply Chains: With the global economy facing its deepest economic contraction due to COVID-19, Investments in climate change proofing infrastructure have the

potential to boost productivity, facilitate trade, and generate widespread multiplier effects that can aid economic recovery.

Risk Management

Globally, the financial losses caused by natural disasters continue to rise and Governments are increasingly fiscally exposed to assisting families and communities recover. Even countries with robust disaster risk management programs can still be highly exposed to the economic and fiscal shocks caused by major disasters. As the multi-sectorial effects of climate change continue to intensify, the Government of Lao PDR must look for ways to spread the economic risk of disasters across communities, the private sector and treasury, while simultaneously investing in prevention and preparedness measures to minimize the cost of recovery. In this connection, risk assessment and knowledge need to be generated (impact from development project, flash flood characteristics , earthquake, and new disaster pattern like COVID-19) , preparedness (EWS, Evacuation, Emergency response), prevention and mitigation (Land use planning, non structural measures, etc) , recovery , with the limited financial and technical capacity , the affordable adaptive measures need to be considered.