

Luxembourg, 18 November 2019

Public

Environmental and Social Data Sheet

Overview

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| Project Name: | LAO RESILIENT ROADS FRAMEWORK LOAN |
| Project Number: | 2019-0324 |
| Country: | LAO PEOPLE'S DEMOCRATIC REPUBLIC |
| Project Description: | The proposed framework loan is expected to finance road rehabilitation works in Laos to maintain and improve connectivity and accessibility and to improve their climate resilience. The project will include road sections that require urgent rehabilitation as their current condition hampers economic development and access to public services. |
| EIA required: | <i>Will be assessed at scheme allocation stage</i> |

Project included in Carbon Footprint Exercise¹: *Will be assessed at scheme allocation stage*

Environmental and Social Assessment

Environmental Assessment

It is expected that the proposed framework loan will finance mainly rehabilitation works on the national roads, though part of the loan may also be used to rehabilitate provincial and district roads. Investment activities may include elevating flood-prone road sections, paving road sections with steep slopes and those sections passing through big communities, drainage improvement/construction, slope improvement/stabilisation etc.

In Lao PDR, the Environmental Protection Law (EPL) established in 1999 and revised in 2012, describes the principles, regulations and measures for managing, monitoring, restoring, and protecting the environment including the pollution control and the impact assessment processes. In late 2013, Lao PDR established two regulations on the Environment and Social Impact Assessment (ESIA) and an Initial Environmental Examination (IEE). The Ministry of Natural Resources and Environment (MoNRE) is the lead ministry responsible for implementation of the EPL and its regulations and/or guidelines.

The Promoter follows its Environmental and Social Operations Manual (ESOM). The ESOM provides the basis for compliance with national environmental and social decrees and regulations, as well as with the safeguard requirements of international donors such as World Bank (WB), which helped to prepare it. ESOM requires a screening of each project to determine if an EIA or other environmental and social documentation is required. The sub-

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.

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projects financed under this framework loan will comply with the ESOM, as well as the Bank's environmental and social standards.

The Promoter has a long history of working with international lenders and has as such developed its own social and environmental capacity. The capacity of the Promoter to implement projects according to EIB environmental and social standards as experienced during the existing operations is deemed satisfactory. In addition, it is expected that the Promoter will enhance its capacity by using part of the finance to procure consultants to prepare the sub-projects in accordance with the Bank's standards.

Environmental Impact

The project is expected to have positive impacts on the environment along the rehabilitated road sections. Communities adjacent to the routes will benefit from improved safety as well as reduced noise, vibration and local pollution. The potential adverse impacts during construction such as dust dispersion, noise, traffic obstruction and road safety will be site specific, localised, temporary, and can usually be mitigated through good construction practice, effective management of contractors and close monitoring by the Promoter, local authorities, and local communities. It is expected that for each sub-project adequate mitigation measures will be identified in consultation with relevant stakeholders to help reduce any negative impacts and included in the final designs.

In accordance with the ESOM, the Promoter has drafted an Environmental and Social Management Framework (ESMF) that includes an Environmental and Social Management Plan (ESMP) guide and generic Environmental Code of Practice (ECOP). The ESMF provides for screening and assessing environmental and social issues and for preparing required site-specific safeguard instruments for each scheme. The ESMF was drafted in 2016 and updated in 2019 to cover the first sub-project that is to be financed under the proposed framework loan. The ESMF complies with the Bank's environmental and social standards and will apply to all sub-projects to be financed under this framework loan.

If the project were in the EU, this kind of road rehabilitation works would fall under Annex II of the EIA directive, or if no significant environmental impacts are expected, would fall outside the scope of the EIA directive. Under the Environmental Protection Law of Laos, road rehabilitation projects are screened by the competent authority. It is expected that for most, if not all allocations under this framework loan, the Promoter will have to prepare only an initial Environmental Examination (IEE) prior to seeking Environmental Permits from the Competent Authorities, given the modest environmental impacts of road rehabilitation works. The screening and resulting environmental documentation will be reviewed for each sub-project at the allocation stage, to verify that the sub-project is prepared and implemented in accordance with the ESMF and the Bank's environmental standards.

As part of its efforts to conserve its biodiversity, Lao PDR established 20 National Protected Areas covering almost 14% of the country. The sub-projects to be financed under this framework loan are not expected to have any negative impacts on these nature conservation areas, as the works will be located inside the right of way of existing roads. Nevertheless, compliance with the principles of the practice guidelines from the International Union for Conservation of Nature (IUCN) will be further checked during appraisal of individual schemes during the implementation of the project and before allocating finance to the schemes.

Emissions of GHGs and any savings due to the project will be determined at allocation phase for each sub-project.

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Social Assessment

Overall, the project is expected to have a positive impact on the living conditions on the road sections identified for rehabilitation under this framework loan. Subject to rehabilitation works all users will benefit from a climate resilient and safer road infrastructure.

On the basis of the information provided to the Bank at this stage, the potential schemes under this framework loan are not likely to have significant adverse social impacts, although some limited land acquisition may be required. Social impacts will be assessed for each sub-project and compliance with EIB Social Guidelines will be required.

The ESMF includes a Resettlement Policy Framework (RPF) as well as an Ethnic Groups Engagement Framework (EGEF). In accordance with the ESMF and the ESOM, a screening will determine for each sub-project what further social documentation is required. If there is limited resettlement, a Land Acquisition and Compensation Report (LACR), or in case of significant resettlement a Resettlement Plan (RP), will be drafted. If the sub-project involves ethnic groups identified as indigenous peoples, an Ethnic Group Engagement Plan (EGEP) will be prepared and implemented. Their compliance with EIB social standards will be verified prior to allocation of the scheme. However, any sub-project that may create i) significant adverse impacts on ethnic groups, ii) loss or damage to cultural property, iii) significant conversion or degradation of natural habitat will not be eligible under the proposed framework loan.

Other potential social risks arising due to the project are: i) poor application of relevant labour standards related to employee working conditions during construction and operation; and ii) poor occupational and community health and safety during construction. These will be addressed primarily through the inclusion of contractual obligations for the first tier suppliers and contractors, which will be enforced by the Promoter's supervision team.

In addition, compliance with the principles of the Road Infrastructure Safety Management Directive (2008/96/EC) and the Tunnel Safety Directives (2004/54/EC) will be verified prior to allocation of individual sub-projects to be financed by the framework loan. Road safety audits will be completed for each sub-project to inform the design and scope of work.

Public Consultation and Stakeholder Engagement

Consultation will be undertaken by the Promoter for individual sub-projects identified under this framework loan as per the requirement of the IEE or the EGEP. The project has a grievance mechanism that helps record, assess, and resolve grievances and complaints during the implementation of a sub-project. The Promoter uses computer software to record grievances and complaints in a central database, and then monitor the progress until eventual resolution. The database is managed by the Promoter in cooperation with its provincial departments.

Conclusions and Recommendations

Given that detailed information on the schemes to be financed under the framework loan is not available at this stage, environmental aspects will be checked at scheme allocation stage and the Bank will require the Promoter to comply with the Bank's environmental and social standards. Schemes that may create i) significant adverse impacts on ethnic groups, ii) loss

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or damage to cultural property, iii) significant conversion or degradation of natural habitat are not eligible under the proposed framework loan.

The Promoter undertakes to implement each sub-project in accordance with the ESOM, the ESMF, the RPF or the EGEF and in accordance with EIB's social and environmental standards, and will consult with the Bank prior to entering into any material amendments to these documents.

Prior to allocation of a sub-project under the proposed framework loan, the Promoter will submit to the Bank, if required in accordance with the ESMF, and to the satisfaction of the Bank:

- an Environmental Impact Assessment (EIA) or Initial Environmental Examination (IEE);
- an Environmental and Social Management Plan (ESMP);
- an Ethnic Group Engagement Plan (EGEP);
- an approved Land Acquisition and Compensation Plan (LACP) or Resettlement Action Plan (RAP);
- a Stakeholder Engagement Plan (SEP);
- any environmental or building permits required in connection with the Project;
- a written confirmation that the sub-project has no significant adverse impacts on ethnic groups, does not lead to loss of or damage to cultural property and has no significant impact on protected nature areas (Form A or equivalent);
- a written confirmation that the Promoter has all funds necessary to implement the project and the LACP.

At each disbursement, the Promoter will confirm that the implementation of all allocated sub-projects is taking place in accordance with the ESMF and the applicable environmental and social plans drawn up for the sub-project, in particular the IEE/EIA, the LACP, EGEP and the SEP.

Considering the above, the project is acceptable for EIB financing from an environmental point of view.