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# Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 06-Jul-2017 | Report No: PIDISDSC21986



## BASIC INFORMATION

### A. Basic Project Data

|  |   |   |  |
|--|---|---|--|
| Country<br>Lao People's Democratic Republic          | Project ID<br>P163730                           | Parent Project ID (if any)                                    | Project Name<br>Lao National Road 13 North Improvement and Maintenance (P163730) |
| Region<br>EAST ASIA AND PACIFIC                      | Estimated Appraisal Date<br>Nov 09, 2017        | Estimated Board Date<br>Mar 30, 2018                          | Practice Area (Lead)<br>Transport & ICT  |
| Financing Instrument<br>Investment Project Financing | Borrower(s)<br>Lao People's Democratic Republic | Implementing Agency<br>Ministry of Public Works and Transport |  |

### Proposed Development Objective(s)

To improve road services on a critical national road corridor.

### Financing (in USD Million)

| Financing Source                            | Amount       |
|---|--------------|
| Borrower                                    | 54.00        |
| International Development Association (IDA) | 40.00        |
| <b>Total Project Cost</b>                   | <b>94.00</b> |

|  |   |
|--|---|
| Environmental Assessment Category<br>A-Full Assessment | Concept Review Decision<br>Track I-The review did authorize the preparation to continue |
|--|---|

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Other Decision (as needed)



## B. Introduction and Context

### Country Context

**The Lao economy continues its strong expansion and poverty has declined, but it remains relatively high, with development benefits not equitably shared among the population.** With the gross national income reaching US\$1,740 in 2015, Lao PDR is a lower-middle income country. The annual growth rate averaged 8 percent between 2000 and 2015, and is projected to remain around 7 percent over the period 2017-2019, driven by growth in electricity exports and services (i.e., retail, tourism, and transport), construction, and manufacturing, and a favorable regional economic outlook with closer integration under the ASEAN Economic Community. The poverty rate – based on the national poverty line – has declined from 33.5 to 23.2 percent (around 1.5 million people) between 2003-2013. Despite these gains, inequality has increased, with the Gini coefficient going from 32 to 36 during the same period. The fiscal deficit grew to 6 percent of GDP during 2015-2016, and public debt increased to 68 percent of GDP in 2016. The Government of Lao PDR (GoL) has taken steps to consolidate its fiscal position over the medium term by removing exemptions, expanding the tax base, and strengthening the tax administration; however, ambitious public investment plans, including the Lao PDR section of the Kunming – Singapore rail line, are projected to keep deficit and debt levels elevated.

**Lao PDR is highly vulnerable to climate and disaster risk.** Historical damage data indicate that annual expected losses from climatic events range between 3 and 4 percent of GDP, with the associated average annual fiscal cost close to 2 percent of government expenditures. Three of the five costliest natural disasters have taken place since 2009, including two floods in 2013. The 2015-16 *El Niño* phenomenon was one of the strongest on record and impacted Lao PDR through lower agriculture yields, reduced hydropower production, and infrastructure damages from storms. Climate change projections indicate further increases in temperature and increased intensity and frequency of extreme events, including increased rainfall and flooding risks during the wet season. These conditions can severely impact economic activity, such as hydropower, transport, and agricultural production, and affect poverty reduction efforts. If infrastructure planning does not consider disaster risks, vulnerability and losses may further rise.

### Sectoral and Institutional Context

**New opportunities for economic expansion prompted by regional integration will further support the economy but will require improved transport connectivity.** Lao PDR's membership in ASEAN and the WTO has lowered barriers and increased the potential market; however, making the most of this opportunity requires the ability to move goods and provide services across borders efficiently and at low costs. The Government has invested in the construction and upgrading of new roads and bridges, but this has resulted in growing public debt, including a significant increase in arrears to contractors. The focus on new investment has also led to comparatively lower budget allocation to maintenance and operations. Therefore, internal connectivity continues to suffer, with a significant part of the network impassable during the rainy season, particularly secondary roads. The growing impacts of natural disasters and climate change on the road network have increased the need for emergency repair, which accounts for approximately 30 percent of the overall annual road maintenance budget.

**Funding for the road sector has been increasing, but higher efficiency is needed to serve the growing road maintenance needs.** The road sector is financed through Government budget, ODA, and the Road Maintenance Fund (RMF). The RMF, capitalized mainly through a fuel levy, is the key mechanism to ensure predictable and sustained allocations of funds for road maintenance. It has been increasing steadily from US\$2 million in 2002 (when it became operational) to US\$ 70 million in 2016. For fiscal year 2017, the road sector received a total allocation of US\$ 107 million



(including national budget and RMF), which is a 37% increase compared to the FY 14-15 budget. However, a large portion of the allocation has been used to pay outstanding debt for road construction and upgrading, emergency repair, road maintenance and disaster recovery implemented over the last five years, rather than road maintenance activities implemented during the year. As such, managing the road sector debt and the outstanding liabilities and enhancing the efficiency of the RMF allocation are critical. The IDA-financed Lao Road Sector Project 2 (LRSP2), effective since March 23, 2017, is supporting sector institutional development through the preparation of financing and policy frameworks, the sector strategic plan, improved governance systems, and development of technical capacity to maximize the effectiveness of public expenditure in the sector. The proposed project would complement this work by demonstrating ways to achieve improved efficiency in the use of the RMF through output-based approaches.

**As the backbone of the country, upgrading, rehabilitating, and maintaining high-traffic sections of National Road 13 are priorities for the sector.** NR13 is a North-South corridor (1,426 km) that connects Lao with China in the North and with Cambodia in the South, and links 10 of the 17 provinces. The main sections of the road were completed in 1997 and have not been rehabilitated since, receiving only periodic and emergency maintenance. The road comprises NR13 South (800 km) from Vientiane Capital to the Cambodian border, and NR13 North (626 km) from Vientiane Capital to the border with China. Strong economic growth and trade expansion have been accompanied by a rapid increase in traffic volume and transit traffic on NR13, particularly in stretches near Vientiane Capital, some of which are expected to reach full capacity in the next 5 years.

**In 2015, the World Bank financed a detailed feasibility study that identified potential benefits from upgrading and rehabilitating high-traffic sections on NR13.** Based on the feasibility study findings, the stretch considered in the proposed project covers 58 km of NR 13 North— from Sikeut to Phonhong (km 12 to km 70). This stretch serves high traffic volume (about 22,100 AADT in 2015), and is periodically damaged by severe flooding, including extensive damages wrought by Typhoon Haima in 2011. The feasibility study indicated that improvements would result in reduced vehicle operating costs, travel time savings, increased accessibility of enterprises, increased labor productivity, and reduced road fatality rates.

**Reported road fatalities at the national level more than doubled between 2000 and 2010 (from 358 to 790), and increased to 1,054 in 2014.** Nearly three-quarters of these fatalities are motorcyclists. Regionally, the World Health Organization places Lao PDR third behind Thailand and Vietnam—countries with significantly higher motorization rates—in terms of the share of GDP lost (2.7 percent in 2010), because of road crash related fatalities. LRSP2 is supporting the Government to operationalize road safety management and safety improvements on local roads, but this remains an important aspect on national corridors, including NR13. The feasibility study conducted in 2015 indicates that a “with project” option could help reduce the fatality rate by about 20 percent and serious accident rate by 15 percent on project roads.

**Truck overloading, from national and international freight, is increasing rapidly and affecting the rate of deterioration of the network, including NR13.** Most of the main roads in Lao PDR, including NR13, were designed and built for 8.2-ton standard axle loads, while the current ASEAN minimum standard is 9.1 tons. The Ministry of Public Works and Transport (MPWT) has identified truck overloading as a significant contributor to pavement damage on roads that serve the bulk of transit transport, including NR13. The Government, with assistance from IDA, ADB, and JICA, is in the process of re-introducing overloading controls and regulation. Proposed project roads will be rehabilitated to ASEAN standards. MPWT is also considering an approach to load control as part of the output-based approach that would encourage MPWT, local authorities, and the contractor to work together to address overloading through agreements on the construction and operation of a weigh station and responsibilities for enforcement. MPWT and the task team will continue to discuss options during project preparation.



**The road sector is under the overall jurisdiction of the Ministry of Public Works and Transport (MPWT).** MPWT is responsible for policy making, financing, strategic planning, oversight, and overall management of the sector. While it has progressively delegated maintenance and operational tasks for local roads to the provincial level, MPWT retains the responsibility for the maintenance and operational tasks for the National road network, including NR13. MPWT would lead and implement the proposed project. The Ministry has ample experience implementing IDA projects using country systems, which are considered appropriate and are being further strengthened through LRSP2.

#### Relationship to CPF

The proposed project is aligned with the goals of the Government's Eighth National Socio-Economic Development Plan (NSED) 2016-2020, which was approved by the National Assembly in December 2015. The project supports the goals of attaining sustained and inclusive economic growth, and reducing the effects of natural shocks, as well as national efforts to achieve Sustainable Development Goal (SDG) 9 to build resilient infrastructure and SDG 13 to take urgent action to address the impacts of climate change. The project contributes to the Government's National Transport Sector Plan to 2020 and Strategy to 2025, in which sustaining the condition of the existing infrastructure is high priority.

The project supports the World Bank Group's twin goals of ending extreme poverty and boosting shared prosperity. The project is consistent with the Country Partnership Framework (CPF) for 2017-2021 approved by the Board of Directors on April 6, 2017 (Report No. 110813-LA). The rehabilitation and maintenance of a high traffic volume stretch of NR13 including strong climate resilience and traffic safety elements, would directly address CPF's Objective 1.3 – Investing in infrastructure for growth and inclusion. The project would also address Objective 3.2 – Putting in place enhanced disaster risk management and climate and disaster resilience. The project is expected to improve national connectivity, access to public services and markets, and directly benefit road users on the country's main trunk road in two provinces (Vientiane Province and Vientiane Capital), therefore contributing to inclusive development. By enhancing transport connectivity on a key national corridor, the project will help reinforce regional integration, economic activity, and support CPF's Objective 1.2 – Making it Easier to Do Business.

### C. Proposed Development Objective(s)

**Note to Task Teams:** The PDO has been pre-populated from the datasheet for the first time for your convenience. Please keep it up to date whenever it is changed in the datasheet.

To improve road services on a critical national road corridor.

#### Key Results (From PCN)

The proposed PDO-level results indicators are:

- (i) Reduction in vehicle travel time on the project road (percent reduction from current travel time)
- (ii) Reduction in fatalities resulting from road crashes on the project road (rate)
- (iii) Project road sections in good condition as a share of project road total length (percentage)

Intermediate outcome indicators include:



- (i) Project road upgraded from 2 to 4 lanes, with disaster resilience measures (km)
- (ii) Project road improved (2 lanes), with disaster resilience measures (km)
- (iii) Minimum contractual service levels met (Yes/No)
- (iv) MPWT's capacity for contract managing and monitoring raised (Yes/No)
- (v) Grievances registered related to delivery of project benefits addressed (Percentage) - (Core)

#### **D. Concept Description**

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### **SAFEGUARDS**

#### **A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The proposed National Road 13 North (NR13 N) Improvement and Maintenance Project covers 58 km of NR13 N— from Vientiane to Phonhong (km 12 to km 70), which is a section of national road 13 North linking Vientiane Capital with Vangvieng and Louangphabang, major tourist destinations. The road section also runs through two districts, Naxaythong, located in the Vientiane Capital City, and Phonhong in Vientiane Province, covering about 40 villages in total. Local traffic for those who are living along the road section accounts for a large portion of the total traffic volume on this road section

The project will pass through semi-urbanized areas and may impact a substantial number of land parcels and roadside commercial operations (although little or no relocation of households is anticipated). None of the road sections will pass through national parks or protected areas, or their assigned buffer zones. Project sections are located about 8 km from the designated Phou Phanang National Protected Area (PA) and do not reach the buffer zones (considered 5 km from the edge of the assigned PA zone). Communities and facilities located along the road sections, including schools, hospitals, small businesses/shops, and temples, could potentially be disrupted by project construction and operations. There is also an ethnic Hmong Community located alongside the project road. These communities would be affected primarily by labor influx, dust, noise, vehicle emissions, and other forms of pollution from construction, drainage blockage, traffic interruption, removal of vegetation, and impacts to temples or graves during construction, as well as increased traffic flow and speed during operations. The landscape is typical of a marshy area (with notable flood plains and riverine forest vegetation along both sides), combined with small hilly zones.

#### **B. Borrower's Institutional Capacity for Safeguard Policies**

The oversight of the Project will be provided through the Ministry of Public Works and Transportation (MPWT) management structure, led by the Minister. The Environmental and Social Division of the Public Works and Transport Research Institute (ESD) will lead all technical aspects of safeguards preparation to ensure quality and timely preparation of safeguards documents and be responsible for safeguards supervision and monitoring. The Department of Roads (DoR) will have overall responsibility for integrating safeguards requirements into road design, procurement for civil works, construction, and supervision. DoR and ESD will work closely to ensure integration of safeguards and engineering aspects



in the project and will closely coordinate with provincial Departments of Public Works and Transportation (DPWTs) in Vientiane Capital and Vientiane Province to monitor the implementation of safeguards instruments, i.e., an Environmental and Social Impact Assessment (ESIA), which will include an Environmental and Social Management Plan (ESMP), Resettlement Action Plan (RAP) and Ethnic Group Engagement Plan (EGEP). DoR and ESD are familiar with and have experience in managing safeguards under World Bank financed projects. ESD developed an Environmental and Social Optional Manual (ESOM), which is mostly in line with World Bank environmental and social safeguard policies. The primary differences with World Bank Policy relate to the operational policy on involuntary resettlement, and the new Prime Ministerial Decree (#84) on Compensation and Resettlement. This differences relate to the payment of replacement costs and the timing of compensation. The knowledge and understanding of the Bank's environmental and social safeguard policies has been improved among the MPWT staff as a result of their experience with the implementation of the Lao Road Sector Project (LRSP) and the recently approved LRSP2. ESD has eight staff with broad experience in safeguards, who are responsible for monitoring safeguards implementation and provide continuous training to local-level staff. The DoR is in the process of re-organization. The project focal point, who is also responsible for safeguards, has been assigned. During preparation, gaps in the capacity of the MPWT in managing social and environmental issues in line with the Bank's safeguard policies will be assessed and measures to fill them will be included in the safeguard instruments to be developed for the project.

### C. Environmental and Social Safeguards Specialists on the Team

Sybounheung Phandanouvong, Martin Henry Lenihan, Wasittee Udchachone

### D. Policies that might apply

| Safeguard Policies                  | Triggered? | Explanation (Optional)  |
|-------------------------------------|------------|---|
| Environmental Assessment OP/BP 4.01 | Yes        | <p>The proposed project involves improvement of the quality and safety of two sections of NR13 N, with a total length of 58 km within the existing right of way. From km 12 to km 31, civil works include road upgrading, widening the road width from 2 to 4 lanes, and adding 4 m of footpath to the width (2 m on each side) for a total width of 24 m.</p> <p>From km 31 to km 70, works include rehabilitation of existing 16 m right-of-way, with no land acquisition required.</p> <p>Additional 1 m on each side of these two sections will be temporarily acquired during the construction. Since the project will pass through semi-urbanized areas and agricultural areas, impacts to community health, safety, and security would be expected during the construction and operational phases of the project. Impacts would be derived from influx of workers, increased traffic flows, and dust, noise, and other</p> |



|                             |     |   |
|-----------------------------|-----|---|
|                             |     | <p>forms of pollutants, incurred primarily during construction, but may also be incurred during the operational phase. These impacts would be site-specific and likely be limited to the project areas and nearby surroundings.</p> <p>An Environmental and Social Impact Assessment (ESIA), including Site Specific Environmental and Social Management Plan (ESMP) is being prepared, as part of TA provided under LRSP and LRSP2. Attention will be paid to construction near sensitive areas such as temples, schools, hospitals.</p> <p>The assessment will involve a social impact assessment which will involve a sample survey of local residents likely to be directly benefitting from the project. This will involve an assessment of the socio-economic characteristics of the residents, their current travel patterns, their concerns and expectations from the project, and the acceptability of mitigation measures proposed during construction. In addition, these issues will be explored through focus group discussions with different categories of residents (e.g. women, young people, elders). Possible social mitigation measures may relate to connectivity during operation (possibility of flyovers, pedestrian bridges), accessibility to dwellings and businesses during construction, road safety (walkways, flaggers, traffic calming measures, lighting for night pedestrian traffic, signs, safety awareness programs in the communities), treatment of sensitive sites (e.g. temples, graveyards), grievances handling and conflict resolution, worker influx management and codes of conduct, as well gender inclusion and gender based violence prevention. For the ethnic Hmong community that will be affected, a dedicated qualitative social assessment will be conducted. This social assessment will be integrated into the ESIA.</p> |
| Natural Habitats OP/BP 4.04 | Yes | <p>No road sections will pass through national parks or protected areas, or their assigned buffer zones. Road sections are about 8 km from the designated Phou Phanang National Protected Area and do not reach the buffer zones (5 km from the edge of the assigned PA zone). However, the landscape of the areas along the proposed NR13 N project is typical of a marshy area (with flood plains and riverine forest vegetation along</p>  |





|  |     |   |
|--|-----|---|
|  |     | both sides) combined with small hilly zones. Therefore, this policy is triggered. The ESIA will include an impact assessment on natural habitats and measures to minimize/mitigate and monitor impacts.   |
| Forests OP/BP 4.36                     | No  | This policy is not triggered because the project does not pass through national parks or protected areas, or their assigned buffer zones. It will pass through semi-urbanized areas. It is not anticipated that the project will affect the health and quality of forests or the rights and welfare of people and their level of dependence upon or interaction with forests.   |
| Pest Management OP 4.09                | No  | The project will not lead to purchase or increase use of pesticides.  |
| Physical Cultural Resources OP/BP 4.11 | Yes | Given the presence of village temples and graves observed near the road, temporary impacts may be expected during the construction period. The ESIA will include an impact assessment on physical cultural resources and measures, including chance finding procedure, necessary to minimize/mitigate impacts, as required.   |
| Indigenous Peoples OP/BP 4.10          | Yes | There is a Hmong Ethnic Community present in the project area (around km 52) that will be impacted by labor influx, dust, noise, vehicle emissions, and other forms of pollution from construction, drainage blockage, traffic interruption, removal of vegetation, and impacts to temples or graves during construction, as well as increased traffic flow and speeds during operations. The client is preparing an Ethnic Group Development Plan based on a social assessment (primarily involving key informant interviews with community authorities and focus groups with community residents) of potential impacts, and a process of free, prior and informed consultation leading to broad community support. The consultation process and means of achieving broad community support will be agreed upon with community authorities in advance. The process will involve a series of meetings held at times and in venues that are acceptable to a broad range of community members. The meetings will be independently facilitated to ensure the voices of different generations and genders will be heard and impact the design of the mitigation measures. |
| Involuntary Resettlement OP/BP 4.12    | Yes | The ESIA, RAP and EGEP are being prepared, and will be used for consultations and disclosed before  |



|  |    |   |
|--|----|---|
|  |    | <p>Appraisal.</p> <p>The section of NR13 N from Vientiane to Ban Dong (km 12 to km 31) will benefit from an upgrade from 2 to 4-lanes, requiring the acquisition of 1.5 m of land on each side. An initial survey of this section indicates that there should not be a significant impact on residential or commercial structures. However, it will likely affect a number of boundary walls, fences, and/or temporary vending operations. Furthermore, there may be temporary impacts on households on the stretch of the road that will be rehabilitated within the right of way (from km 31-70). In order to plan for the compensation and livelihood restoration measures necessary to comply with the World Bank's policy on involuntary resettlement, the client is preparing a resettlement plan which will cover both permanent and temporary impacts along km 12 – km 31 and temporary impacts along km 31-70. This resettlement plan will be based on a socio-economic census of the project affected people and households, and a comprehensive inventory of losses.</p> |
| Safety of Dams OP/BP 4.37                      | No | The project will not finance any activities related to the construction of dams nor affect operations of existing dams or affiliated reservoirs.  |
| Projects on International Waterways OP/BP 7.50 | No | The project will not affect international waterways.  |
| Projects in Disputed Areas OP/BP 7.60          | No | No activities are planned in any disputed areas.  |

#### **E. Safeguard Preparation Plan**

Tentative target date for preparing the Appraisal Stage PID/ISDS

Nov 09, 2017

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

Safeguards studies (ESIA, RAP, EGDP) were initiated in May 2017, and are expected to be completed in October 2017.



## CONTACT POINT

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## APPROVAL

|                      |                                    |
|----------------------|------------------------------------|
| Task Team Leader(s): | Sombath Southivong, Holly Krambeck |
|----------------------|------------------------------------|

### Approved By

|                           |                 |             |
|---------------------------|-----------------|-------------|
| Safeguards Advisor:       | Peter Leonard   | 07-Jul-2017 |
| Practice Manager/Manager: | Almud Weitz     | 10-Jul-2017 |
| Country Director:         | Gevorg Sargsyan | 17-Jul-2017 |



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