

PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING

Report No.: PIDA23721

Project Name	LA-Poverty Reduction Fund II - AF (P153401)
Parent Project Name	LA-Poverty Reduction Fund II (P123480)
Region	EAST ASIA AND PACIFIC
Country	Lao People's Democratic Republic
Sector(s)	Public administration- Other social services (50%), Other social services (50%)
Theme(s)	Rural services and infrastructure (50%), Other social development (50%)
Lending Instrument	Investment Project Financing
Project ID	P153401
Parent Project ID	P123480
Borrower(s)	Ministry of Finance, Ministry of Finance
Implementing Agency	Poverty Reduction Fund, Poverty Reduction Fund
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	15-Apr-2015
Date PID Approved/Disclosed	15-Apr-2015
Estimated Date of Appraisal Completion	08-Apr-2015
Estimated Date of Board Approval	23-Jun-2015
Appraisal Review Decision (from Decision Note)	The review did authorize the team to appraise and negotiate

I. Project Context

Country Context

With a current GNI per capita (Atlas method) at US\$ 1,460 in 2013, up from US\$ 280 in 2000, Lao PDR is undergoing a sustained economic expansion. The country is richly endowed with natural resources - especially land, forestry, water resources, minerals - and it is in the midst of a fast growing region. This combination of comparative advantages, along with targeted policy steps to exploit them, has yielded an average real GDP growth rate close to 7.5 percent per year for the past 15 years. The poverty rate has halved in two decades from 46 percent in 1992/93 to 23.2 percent in 2012/13.

The Government's development vision is set out in the Long Term Strategy of Socio Economic Development of Year 2020 and implemented through rolling five-year plans. The main objective of the Government's strategy is achieving the Millennium Development Goals (MDGs) and graduating

from Least Developed Country status by 2020. The Eight National Socio Economic Development Plan (NSEDP8) is under preparation.

Sectoral and institutional Context

With a Gross National Income per capita of US\$1,460 in 2013, up from US\$280 in 2000, the Lao People's Democratic Republic (Lao PDR) is undergoing a sustained economic expansion. The country is richly endowed with natural resources—especially land, forestry, water, minerals—and is in the midst of a fast growing region. This combination of comparative advantages, along with targeted policies to utilize them, has yielded an average real Gross Domestic Product (GDP) growth rate officially estimated at close to 7.5 percent per year for the past 15 years, moving Lao PDR from lower-income to lower middle-income status. The national poverty headcount halved from 46 percent in 1992/93 to 23 percent in 2012/13. Despite such decline, the poverty rate in rural areas, where nearly three-fourths of the country's 6.7 million people live, is still high (28.6 percent) – almost three times the rate in urban areas (10 percent). Substantial disparities remain across ethno-linguistic groups, with the Lao-Tai group having much lower poverty rates (15 percent) than the other three groups (an average of close to 40 percent).

Access to and utilization of infrastructure and services are still limited for many rural poor. While about 80 percent of all villages have road access, 55 percent of villages in mountainous areas do not have year-round access. Moreover, about 30 percent of rural villages require two-hour walk to nearest health dispensary. 92 percent of all villages have primary schools in the village with the net enrollment rate of 85 percent. However, in villages without road access, enrollment of girls drops to 79 percent, while that of boys is 82 percent. Among households below poverty line, access to improved toilets and electricity is 43 percent and 59 percent respectively, while they are 85 percent and 91 percent among households whose consumption level is twice higher than the poverty line. The prevalence of stunting children remains around 44 percent, however, it is more pronounced in rural areas due to food and nutrition insecurity, among other issues, and in particular among ethnic minorities in remote mountainous areas.

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

The Project Development Objective is to improve the access to and the utilization of basic infrastructure and services for the Project's targeted poor communities in a sustainable manner through inclusive community and local development processes.

B. Proposed Project Development Objectives – Additional Financing (AF)

Help improve the access to and utilization of basic infrastructure and services for the Project's targeted poor communities. The PDO would be achieved through inclusive community and local development processes with emphasis on ensuring sustainability.

III. Project Description

Component Name

Component 1: Community Development Sub-Grants

Comments (optional)

This component would finance the following activities:

- a. Carrying out of participatory community and local development planning processes at the village and Kum Ban levels; and

b. Provision of Sub-grants for the development and improvement of eligible community infrastructure Sub-projects based on the Kum Ban development plans prepared under the Project

Component Name

Component 2: Local & Community Development Capacity-Building and Learning

Comments (optional)

- a. Build the capacity of Kum Bans and villages to assess their needs and prepare Kum Ban development plans, and to plan, implement and monitor Sub-projects;
- b. Build the capacity of provincial and district authorities to facilitate community and local development planning processes and to support and supervise the development and implementation of Sub-projects;
- c. Provide TA to National Committee for Rural Development and Poverty Eradication to promote participatory rural development in coordination with various sector ministries and other entities supporting rural development in the Recipient's territory;
- d. Provide TA to National Center for Environmental Health to implement its rural sanitation program; and
- e. Support monitoring and evaluation of the activities under Components 1 and 2

Component Name

Component 3: Livelihood and Nutrition Pilot

Comments (optional)

This component would finance the following activities:

- a. Formation of village self-help groups, with a focus on women's self-help groups in selected communities including provision of capacity building assistance to such self-help groups;
- b. Provision of Sub-grants for the implementation of eligible community-driven livelihood development Sub-projects;
- c. Provision of technical assistance and Sub-grants for the development of pro-nutrition livelihood activities; and
- d. Monitoring and evaluation of the activities under Component 3

Component Name

Component 4: Project Management and Implementation Support

Comments (optional)

The AF for this component would finance provision of technical and operational assistance for the day-to-day management of the Project and the carrying out of financial audits

IV. Financing (in USD Million)

Total Project Cost:	11.60	Total Bank Financing:	11.60
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			11.60
Total			11.60

V. Implementation

The project will continue to be implemented by the Poverty Reduction Fund (PRF) located within

the National Committee for Rural Development and Poverty Eradication (NCRDPE) under the Prime Minister's Office. The PRF supports the implementation of sub-projects in close collaboration with local governments through the District Coordination Committees that consist of representatives of line agencies. The Swiss Agency for Development Cooperation (SDC) has also committed to providing US\$ 4 million as complementary financing to the AF.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36		x
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10	x	
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37	x	
Projects on International Waterways OP/BP 7.50	x	
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

New safeguard policies triggered are: Natural Habitats, Safety of Dams, and Projects on International Waterways.

VII. Contact point

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