



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 30-May-2019 | Report No: PIDISDSA25727



BASIC INFORMATION

A. Basic Project Data

Country Lao People's Democratic Republic	Project ID P168620	Project Name Poverty Reduction Fund III Additional Financing	Parent Project ID (if any) P157963
Parent Project Name Poverty Reduction Fund III	Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 20-May-2019	Estimated Board Date 08-Oct-2019
Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice	Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Poverty Reduction Fund

Proposed Development Objective(s) Parent

To improve access to basic 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.

Proposed Development Objective(s) Additional Financing

To improve access to basic services as well as to support the production and consumption of nutritious foods in the Project's targeted poor communities.

Components

- Component 1: Community Development Sub-Grants
- Component 2: Local and Community Development Capacity Building
- Component 3: Project Management
- Component 4: Nutrition Enhancing Livelihood Development

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	12.50
Total Financing	12.50
of which IBRD/IDA	12.50
Financing Gap	0.00

DETAILS

World Bank Group Financing



International Development Association (IDA)	12.50
IDA Credit	12.50

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

Poverty significantly declined in Lao PDR in the previous decade, from 41.4 percent in 2002/03 to 28.8 percent in 2012/13.¹ With a GDP per capita of around US\$1,600 in 2014, Lao PDR has become a lower-middle income country. Improvements in welfare are evident in the changes in many socio-economic indicators, such as the ownership of televisions and access to electricity, which doubled, and the number of households living in houses built with bricks or concrete, which nearly tripled over this period. The proportion of households without a toilet halved, and net secondary enrollment increased from 27 percent in 2002/3 to 50 percent in 2012/13.²

Impressive poverty reduction and welfare improvements at the national level, however, mask significant differences between regions and among socioeconomic groups. Poverty stands at 28 percent in rural areas compared to 10 percent in urban areas. Access to services and markets remains poor in rural areas: approximately 30 percent of rural villages are at least two-hours on foot from the nearest health dispensary, and only 69 percent of the bottom 40 percent have access to all weather roads. Ethnic groups tend to be significantly poorer than the majority Lao-Tai population even when education levels and livelihoods (farm/non-farm wage) are controlled for. About 40 percent of Mon Khmer and Hmong ethnic groups are poor, compared to 15 percent of Lao-Tai people, and ethnic groups account for about two thirds of people without formal education. Stunting among children under five years of age is above 60 percent among ethnic groups, compared to the national average of about 44 percent. The gender gap remains high with less than 60 percent of women in poor households able to read and write, compared to over 80 percent of men who can.

A high level of vulnerability facing Lao population, in particular the bottom 40 percent, poses a significant constraint for sustainable poverty reduction in Lao PDR. A significant portion of Lao citizens

¹ Laos Expenditure and Consumption Survey (LECS 5). Based on the internationally comparable poverty line of \$1.25 in 2005 PPP a day.

² Lao PDR Poverty Policy Note, “Driver of Poverty Reduction in Lao PDR”, World Bank, October 2015



who escaped poverty in the recent past have fallen back into poverty again,³ a clear manifestation of the vulnerability the poor and near poor face and the scale of difficulties they face to escape poverty. Indeed, about half of the poor in 2012/13 were previously non-poor in 2007/8 and more than two thirds of them had been non-poor at some point during that 10-year period.⁴ Inequality is rising: between 2002 and 2012, the Gini coefficient rose from 32.5 to 36.2. While consumption per capita on average grew by 2.2 percent per year between 2002/3 and 2012/13, the equivalent figure for the bottom 40 percent is only 1.3 percent per year.

The Systematic Country Diagnostics (SCD) identified that about 42 percent of the bottom 40 percent in Lao PDR need tailored policy interventions. This group is predominantly minority ethnic groups and live in highlands, generally unconnected to external markets or services and have low capital endowments. The SCD maintains that policies directed at increasing social inclusion, including investments in both human and physical capital, and a well-designed social protection system, are necessary to lift them out of poverty permanently.

Sectoral and Institutional Context

Recognizing increasing inequality and persistent rural poverty, the GoL's 8th National Socio-Economic Development Plan (NSEDP) calls for tailored interventions to improve the welfare of the poorest groups, in particular ethnic groups. Investments proposed include the construction of basic education infrastructure, rural access roads and improvements in access to safe drinking water. It also recognizes that poverty reduction must be tailored to the specific needs and capabilities of ethnic groups, and address gender disparities and needs for rural populations generally and within ethnic groups specifically.

The "Sam Sang" pilot envisions greater decentralization and local area development through delegating responsibilities, functions and resources to local governments, particularly at the district level. Evidence suggests that, while responsibilities have been delegated to lower levels of government, funding decisions remain centralized. Weak public financial management arrangements, especially at the local level, have contributed to running up arrears. In general, roles and responsibilities of various levels of government need to be further clarified in some sectors.

To guide the decentralized planning process, the Ministry of Planning and Investment (MPI) developed the Participatory Planning Manual (PPM) in 2012. The PPM provides processes and procedures to empower district authorities to develop the 5 year District Socioeconomic Development Plan (DSEDP) based on the Village Development Plan (VDP) and the Kumban Development Plan (KDP).⁵ The District Planning Office (DPO), under the supervision of the District Governor, is tasked to develop the annual implementation plan which provides the list of investments to implement priority issues identified in the 5 year DSEDP. While the PPM provides an institutional platform to integrate bottom-up processes with the GoL's planning and budget processes, many gaps exist, including: (i) lack of capacity and resources for district authorities to develop the VDP and the KDP adequately; (ii) weak procedures to manage bottom-up processes to develop DSEDP based on the VDP and the KDP; (iii) lack of voice for villagers to present their priorities to district authorities; (iv) sector-driven priority setting that tends to prioritize large infrastructure; (iv) lack of resources to implement and monitor the DSEDP; among other issues.

³ Lao Expenditure and Consumption Survey V (2013)

⁴ Lao PDR Poverty Policy Note, *ibid*

⁵ The 5-year DSEDP is linked to the 5 year National Socioeconomic Development Plan (NSEDP)



The Poverty Reduction Fund (PRF) has established itself as one of the GoL’s main vehicles to reduce rural poverty and deliver infrastructure services in rural areas. The PRF was established in accordance with the Prime Minister’s Decree 222 of September 29, 2006. Under the two preceding operations, the PRF has improved access to infrastructure for well over a million rural people through implementing more than 4,700 subprojects⁶. The PRF II alone has improved access to infrastructure for more than 680,000 rural people, or about 10% of national population. The village institutions established and numerous village volunteers and leaders trained by the PRF are increasingly seen by the GoL and Development Partners as an effective platform to implement rural poverty programs.

Rationale for Additional Financing. The proposed additional financing will allow the Poverty Reduction Fund (PRF) to enhance the impact of its livelihood and nutrition activities as a contribution to the Government’s multi-sector, multi-project nutrition convergence approach to reducing child stunting in 12 priority districts. PRF’s past investments in self-help groups and Village Nutrition Centers (VNCs) have been found to be successful in increasing the availability of nutritious food in poor communities and bringing about behavioral change for better nutrition practices through group-based learning. Financing for these types of activities under PRF III has been limited, and currently covers only 2 of the 12 priority districts for the nutrition convergence.

Alignment with CPF and the Twin Goals. The AF remains consistent with the Lao PDR Country Partnership Framework (CPF), 2017 – 2021, continuing to support the objectives of “investing in infrastructure for growth and inclusion” and “reducing the prevalence of malnutrition,” in particular. Investments in rural infrastructure will continue to connect farmers to markets, improve production, processing and storage capacity through irrigation, agriculture and livestock-related water supply, animal and crop fencing and storage, and other small-scale infrastructure. Support to the production and marketing capacity of poor households will also help these households to access new markets and gradually work their way up the value chain, complementing the Bank’s investment in agriculture commercialization which aims to leverage agribusiness firms to help farmers to tap into larger markets in neighboring countries.

The AF will also continue to support the World Bank Group’s strategic twin goals of ending extreme poverty and boosting shared prosperity, which is consistent with the focus of the Government’s 8th National Socioeconomic Development Plan (NSED) on improved living standards through poverty reduction and implementation of the *Sam Sang* (3-builds) policy of decentralized public administration and development of targeted poor villages. The increased focus on nutrition within the AF design will also enable the project to contribute to the *National Nutrition Strategy to 2025 (NNS) and Plan of Action 2016-2020*, particularly with respect to improving nutrient intake, achieving adequate food consumption emphasizing the first 1,000 days in life, and improving the availability and access to nutritious foods to reduce child stunting through the Bank’s overall Nutrition Convergence approach.

The AF will specifically support implementation of the agriculture related activities of GoL’s NNS and the recommendations from the midterm review of the Plan of Action conducted in 2018 which recommends – amongst others - small scale agriculture infrastructure and access to finance as new technical MAF interventions. The AF will also be aligned with MAF’s *Agriculture and Development Strategy 2025*, supporting the target for increased per capita livestock production.

⁶ The PRF I implemented many subprojects to support the training of villagers rather than improve infrastructure.



The AF design comes at a time, when globally, the case for redesigning agriculture to support better nutrition and health is well recognized and was featured in the process that established the United Nations 2030 Agenda for Sustainable Development. The additional investment in nutrition under PRF III builds on lessons from the LANCET series 2013⁷ with a focus on improving complementary feeding⁸, in particular in light of the recently established the association between child stunting and animal sourced food consumption⁹ (in particular the consumption of multiple animal source foods e.g. meat/fish, eggs and dairy), and additional evidence on the risks from the usage of biofuels (i.e. charcoal, wood and animal dung) on child stunting due to the high levels of indoor household air pollution¹⁰.

C. Proposed Development Objective(s)

Original PDO

To improve access to basic 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.

Current PDO

To improve access to basic services as well as to support the production and consumption of nutritious foods in the Project's targeted poor communities.

Key Results

Key, new and revised PDO indicators include:

- % of children 6–23 months from Farmer Nutrition Group member households consuming foods from four or more recommended food groups (new);
- Kilograms of animal meat produced (new);
- % reduced time from village to dispensaries, schools, safe water resources and road travel from village to kumban center (revised).

D. Project Description

Detailed Description. The AF follows the structure of the original project and comprises four components: Component 1: Community Development Sub-grants; Component 2: Local and Community Development Capacity Building; and Component 3: Project Management; and Component 4 Nutrition Enhancing

⁷ Bhutta, Z. A., J. K. Das, A. Rizvi, M. F. Gaffey, N. Walker, S. Horton, P. Webb, A. Lartey, and R. E. Black (2013). Evidence-Based Interventions for Improvement of Maternal and Child Nutrition: What Can Be Done and at What Cost. *The Lancet* 382 (9890): 452–77.

⁸ Lassi, Z. S., G. S. Zahid, J. K. Das, and Z. A. Bhutta (2013). Impact of Education and Complementary Feeding on Growth and Morbidity of Children Less than 2 Years of Age in Developing Countries: A Systematic Review. *BMC Public Health* 13 (3): S13.

⁹ Headey, D., Hirvonen, K., Hodinott, J. (2018). Animal sourced foods and child stunting. *Amer. J. Agr. Econ.* 100(5): 1302–1319

¹⁰ Danaei G., Andrews K.G., Sudfeld C.R., Fink G., McCoy D.C., Peet E., et al. (2016). Risk Factors for Childhood Stunting in 137 Developing Countries: A Comparative Risk Assessment Analysis at Global, Regional, and Country Levels. *PLoS Med* 13(11):e1002164. doi:10.1371/journal.pmed.1002164



Livelihood Development. The following paragraphs briefly describe the revised and new activities to be financed by the AF under each component.

Component 1: Community Development Sub-grants. An allocation of US\$2.00 million will be distributed proportionally across the 12 target districts according to the percentage of target villages in the district which are not already covered by AFN. Each village will have an average of \$10,000 for infrastructure investments, and district governments will facilitate review and allocation of actual funds according to proposals made by each village, so specific subproject values may be higher or lower than the average. There will be only one cycle of subprojects financing, Cycle 17, according to the annual cycles implemented by PRF over its history. Funds will also be allocated for village, district planning, subproject prioritization as well as training of subproject, Village Implementation Teams (VITs).

Subproject implementation approach. As the average subproject financing will be considerably lower than under the original PRF III project, the focus will be on smaller subprojects that can be implemented by the community (also known as “Community Force Account” or “CFA”) rather than large sub-projects implemented by private sector contractors. This approach will maximize the funds available for construction materials and build community skills for ongoing operations and maintenance. All road rehabilitation projects will also be accompanied by a Road Maintenance Group (RMG) maintenance period as this will extend the life of these investments and provide income to the poorest households in the village, many of whom are headed by vulnerable, single mothers. In contrast to the pilot RMG activities under the original project, RMG teams may include men and/or women, as decided by each village. While financing is limited, efforts to mitigate the risk of heavy rains and flood damage will be integrated into subproject design to the extent possible.

Subproject eligibility. The focus of infrastructure investments will be on productive activities that improve household production, income generation and nutritional outcomes. Eligible sub-project types will include village road rehabilitation, small bridges, irrigation systems, roofed market houses and agriculture and livestock materials and equipment such as fencing and storage and processing facilities. Water supply subprojects will be eligible but limited to those which primarily focus on agriculture and livestock activities (i.e. water storage for vegetable watering or animal drinking water) rather than household drinking water as there is a separate World Bank-financed *Water and Sanitation Project* as part of the Nutrition Convergence group of projects. Education and health sector subprojects will be ineligible as education infrastructure does not contribute directly to livelihood and nutrition outcomes and health subprojects are excluded as there is a separate health project under the Nutrition Convergence approach, the *Health and Nutrition Services Access Project*.

Component 2: Local and Community Development Capacity Building. The main activities financed under this Component will be capacity building by project consultants and government staff as well as direct support to implementation in the field. There will also be modest resources available for occasionally engaging technical specialists to strengthen implementation activities such as microfinance or nutrition specialists.

Component 3: Project Management. In keeping with the overall reduction in geographic scope and community infrastructure investments, the number of PRF staff will be significantly reduced. Consultants will be retained only in the 10 districts within the 4 target provinces where activities are ongoing and two



new district offices will be established with the district administration in Kham and Bountai in Houaphan Province. Management Information Systems (MIS) and Monitoring and Evaluation (M&E) activities will be enhanced through the introduction of an online system that allows for the entry of data in the field and real-time data analysis and report generation. Some reports will also be shared publicly to enhance the transparency and accountability of project activities.

Component 4: Nutrition Enhancing Livelihood Development. This component will be significantly scaled up, with additional subcomponents and activities. Subcomponent (4.1) will be expanded from capacity building of existing Self-Help Groups (SHGs) to the establishment of new SHGs through seed grants and ongoing technical support as well as the addition of Producer Groups (PGs) to enhance SHG member access to formal markets through village level commodity aggregation and value addition. Young Graduates (YGs) who have been trained at agricultural or other relevant institutes in the country will be hired to support project activities in a catchment of 4 villages each, on average.

Self Help Groups. 1,000 SHGs will be established in the 200 new target villages, by mobilizing approximately 10,000 poor households. Systematic and modular trainings for SHGs will be delivered to develop them into self-managed and self-sustainable community institutions. Financial literacy will be advanced among members as well as access to secure and affordable financial services, including potential access to commercial banking institutions. Training and extension services will be provided to SHG households in areas such as productivity enhancement, animal mortality reduction, business development services in handicraft and enterprise development.

Producer Groups. The AF will support the establishment of 50 new PGs by mobilizing SHG members engaged in similar livelihoods activities such as chicken raising, corn, cardamom and other products. PGs will be business groups owned and managed by the producers for their mutual benefit. A Livelihoods Investment Fund (LIF) will be established to provide financing for PG activities including drying, sorting, grading, weighing and transporting products to the nearest market.

Nutrition. Beyond the monitoring and evaluation activities envisaged in the original PAD, subcomponent (4.2) will finance the establishment and activities of Farmer Nutrition Groups (FNGs) comprised of women and children in the “1,000-day window,” the establishment and maintenance of Home Nutrition Gardens (HNGs), and multi-media peer learning activities so that members of the FNGs can create and share videos that communicate lessons and behavioral change messages which improved mother and child nutrition practices, especially those related to food production, food processing, maternal nutrition, and child feeding.

Farmer Nutrition Groups (FNGs). Comprising mothers and children in the 1,000-day window, one FNG will be established in each of the 200 target villages to provide sustainable, community managed nutrition platforms for practical peer learning, home visits and collective group support for food processing, cooking and child feeding with own agriculture and livestock produce. To increase dietary diversity and the quality of maternal diets and diets of children 6-23 months old, and to save time for women which can be used for household production, income generation, and/or child care, innovative technologies will be introduced such as: i) nutritious instant porridge powders from milled and roasted rice and beans, ii) fish powder from small indigenous fish species, iii) super clean cooking stoves (in partnership with the World Bank’s Energy Team), and iv) child feeding with buffalo milk. AF financing for the hardware aspects of piloting the use of cookstoves in 50 selected villages (i.e. cookstoves, biomass pellet machines and driers)



will be complemented by World Bank-managed, Energy Sector Management Assistance Program (ESMAP) parallel financing for the “software” aspects of the pilot such as the assessment of available biomass materials, willingness to pay by potential users, viable models for pellet production, etc. Use of buffalo milk in child feeding will be piloted through a partnership with the Laos Buffalo Dairy company based near Luang Prabang.

Home Nutrition Gardens. FNG members will be provided with support to increase year-round availability of diverse nutrient dense, climate resilient plant foods for home consumption and FNG cooking. Support will be provided on individual farm planning and technical assistance, access to affordable, improved seeds or seedlings for nutritious vegetables and fruits, as well as net houses to protect plants from sun and rain damage.

Multimedia Peer Nutrition Learning. FNG members will be trained in a village-led video production process to capture and disseminate success stories starring local villagers and using culturally appropriate ways of storytelling and local languages. A video platform (WhatsApp, FB, VIMEO or downloadable from a cloud or a SD card) will be developed allowing for an inclusive child care approach (strengthening spousal communication and outreach to other caregivers and other women in the reproductive age). This approach to behavioral change communications will complement training provided by the Ministry of Health on mother and child nutrition practices under another Nutrition Convergence project.

E. Implementation

Institutional and Implementation Arrangements

Since approval of the original project, the National Committee for Rural Development and Poverty Eradication (NCRDPE) has been disbanded and PRF has become a level-two technical organization within the Ministry of Agriculture and Forestry (MAF), as per Prime Minister’s Decree No.99/PM, March 2017 on the *Organization and Functionalities of the Ministry of Agriculture and Forestry*. PRF has retained its overall governance structure, with the Minister of Agriculture and Forestry replacing the Minister of the Government Office as chair of the board. PRF activities are also coordinated within MAF through the newly created Department for Agriculture Cooperatives and Rural Development.

The Poverty Reduction Fund (PRF) would implement the PRF III AF project using the same institutional and implementation modality as the PRF III. Under the PRF III, the PRF Central Office, led by the Project Management Team (PMT) under the leadership of the Executive Director, would continue to carry out strategic oversight, coordination with and reporting to the GoL and donors, and the general quality control and monitoring of project implementation. The PRF Provincial Coordinator would focus on collection of project performance indicators and their reporting to the Central office. The District Office will continue to play the key role in project implementation as they directly support the bottom-up planning processes, provide technical support to communities in preparing and implementing subprojects, carry out monitoring and follow-up visits to communities during and after subproject implementation.

The PRF would implement the PRF III project using an updated Project Operations Manual (POM) and technical guidelines reflecting the changes introduced in this phase of financing. The POM was recently updated and will be further modified based on the findings of the evaluations and analytical studies. Technical guidelines developed during the PRF III will continue to be used with modifications where



necessary to provide standard operating procedures for key aspects of project implementation, such as community engagement, quality assurance, subprojects implemented under the community force account, fiduciary aspects, and project monitoring.

Local communities will continue to be responsible for the identification, planning and management of subprojects, including procurement and financial management. As under the PRF II, sufficient technical guidance would be provided to communities to ensure that project activities are implemented in line with the POM and applicable legal agreements. Community Procurement Manual and FM Manual have been modified to reflect the design modifications for the AF project.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

PRFIII AF will cover 200 villages in 12 priority districts in 4 provinces (Houaphan, Oudomxay, Phongsaly and Xiengkhuang) in the north of the country where stunning incidence is high based on the Lao Social Indicator Survey (2017). These four provinces are close to each other with shared borders. Of the 12 districts, PRF III is already active in 10. Two new districts of Kham in Xiengkhuang and Bountai in Phongsaly Province will be added. The PRFIII AF will shift its focus to finance small scale productive infrastructure that would directly contribute to enhanced livelihood and nutrition outcomes in the target areas. The project will scale up the achievements of new livelihood and nutrition elements initiated under the PRFII and PRFIII by (i) providing seed capital, technical assistance and group capacity building for small-scale livelihood investments which will increase livestock, crop and non-farm production for household consumption and sale; and (ii) forming and strengthening groups of pregnant women and mothers with children less than two years old to grow diverse and nutritious foods in their gardens, year-round, process and cook food for own consumption and child feeding. As under the PRF III, ethnic minority groups are expected to be present in the predominant parts of PRFIII AF areas. The project areas cover villages that are located in designated protected areas and/or zones known of high conservation value. However, activities to be financed under PRFIII AF that will likely result in significant conversion or degradation of natural habitat or where the conservation and/or environmental gains do not clearly outweigh any potential losses will be excluded through the screening process against the non-eligibility list provided in the ESMF.

G. Environmental and Social Safeguards Specialists on the Team

Pamornrat Tansanguanwong, Social Specialist
Viengkeo Phetnavongxay, Environmental Specialist



SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	Yes	
Forests OP/BP 4.36	Yes	
Pest Management OP 4.09	Yes	
Physical Cultural Resources OP/BP 4.11	Yes	
Indigenous Peoples OP/BP 4.10	Yes	
Involuntary Resettlement OP/BP 4.12	Yes	
Safety of Dams OP/BP 4.37	Yes	
Projects on International Waterways OP/BP 7.50	Yes	
Projects in Disputed Areas OP/BP 7.60	No	

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The AF follows the structure of the original project and comprises four components: Component 1: Community Development Sub-grants; Component 2: Local and Community Development Capacity Building; and Component 3: Project Management; and Component 4 Nutrition Enhancing Livelihood Development. The emphasis of AF will shift from community infrastructure investments to livelihood and nutrition investments. Environmental category for PRFIII AF will remain as Category “B”. The same nine World Bank’s safeguard policies will be triggered. These include OP 4.01 (environmental assessment), OP 4.04 (Natural Habitats), OP 4.09 (Pest Management), OP 4.36 (Forest), OP 4.37 (Safety of Dams), OP 4.11 (Physical and Cultural Resources), OP 7.50 (Projects on International Waterways), OP 4.10 (Indigenous People), and OP 4.12 (Involuntary Resettlement).

OP 7.50, which was triggered under the original project for the construction and rehabilitation of irrigation and water supply schemes will also be applied under the AF. Unlike the original project, the AF will not finance construction of new irrigation and water supply schemes or sub-projects due to the limited budget. It will selectively finance rehabilitation of existing small scale irrigation and water supply subprojects to be prioritized by the target communities. Thus, additional notifications to riparian states will not be required. The original notifications sent out under the original project already covers the scaled-up activities under the Component 1 of the project.



Environmental aspects:

The safeguards performance review conducted during project preparation confirmed that no major or irreversible environmental issues have occurred under PRFIII, and minor environmental issues identified were adequately addressed and mitigated. Some insignificant issues were identified such as trees cut, but not replanted in a school area and inadequate watershed protection plans in some villages where water supply systems and irrigation systems were constructed. Overall, safeguards compliance of the PRFIII has been rated as satisfactory since 2016.

The AF will scale up PRFIII and will support the following: (a) an additional cycle of community development sub-grants, with a focus on livelihood and nutrition-sensitive (productive) infrastructure; (b) expansion of support for the establishment and sustainability of new Self-Help Groups (SHGs), Producer Groups (PGs) and Village Nutrition Groups (VNGs) in Oudomxay, Phongsaly and Xiengkhuang and coverage of additional districts in Houaphan province; (c) renewed engagement and investment in activities to improve nutrition outcomes for infants and children in the four provinces targeted for the World Bank's "nutrition convergence" approach in Lao PDR. The coverage area will be significantly smaller than the original project shrinking from 42 districts in 10 provinces to 12 districts in 4 provinces where stunning incidence is high. The four provinces are Houaphan, Oudomxay, Phongsaly and Xiengkhuang. Of the total 12 districts, 10 is already covered by PRF III. Two districts of Kham in Xiengkhouang and Bountai in Phongsaly Province will be added.

As the Agriculture for Nutrition (AFN) project financed by IFAD (2017 to 2022) currently covers 400 of the 881 villages in the 12 target districts, and given the similarity in design and type of investments, PRFIII AF will work in 200 out of remaining 481 villages. Most civil works to be financed under the PRFIII AF, would be the construction and rehabilitation of small-scale rural infrastructure that will support and contribute to livelihood and nutrition improvement such as roofed markets, bridges, access roads, water supply and irrigation systems, and post harvesting equipment and facilities. Typically insignificant environmental impacts anticipated from these subprojects include waste disposal, water pollution, air and noise quality which can be mitigated through implementation of an Environmental and Social Management Plan and good construction practices. Civil works would continue to be implemented by contractors and where feasible the community will be supported to implement their sub-projects with less complex design under the PRF III AF.

Some minor and site-specific impacts may be caused by small infrastructure under the component 1: Community Development Sub-grants and Component 4: Nutrition Enhancing Livelihood Development. Like the PRFIII, subprojects to be financed under AF will not be known until the beginning of project, and therefore, the existing Environmental and Social Management Framework (ESMF) applied under PRFIII is updated to be applied by the AF. ESMF is to guide the process of impact screening, identifying impacts and mitigation measures, developing, implementation and monitoring instruments namely Land Acquisition Plan (LAP) equivalent to Abbreviated Resettlement Action Plan (ARAP), Environmental and Social Management Plan (ESMP or EMP) and Environmental Code of Practice (ECOP) required to be complied by the sub-projects.

No activities that will likely have impacts on forest will be financed under the PRFIII AF. However, given the sensitivity associated with civil works in such location, activities that may potentially impact the health of forests continue to be included in the non-eligibility list of the ESMF. Enforcement and monitoring will both be tightened under the PRFIII AF. Activities that have the potential to cause significant conversion (loss) or degradation of natural habit are also included in the non-eligibility list. All road activities in or close to Protected Area Boundaries will be prohibited under PRFIII AF with strict enforcement of this policy.



Under a partnership arrangement with the Cookstove initiative, the AF would finance the cost for purchasing 50 cookstoves and 4-5 pellet making machines to be introduced to 4-5 selected locations. No negative impact is expected to occur under such partnerships on private land, asset or income. However, there could be a potential risk associated with running pellet making business that may require unusable raw materials of various types (sawdust, corn wastes and unusable materials from forest products including dead wood, branches and leaves). To respond to increasing demand for pellet from clients, suppliers may take an opportunity to cut prohibited species of timbers and trees to be used for both making the large amount of pellets and illegal logging business. An awareness raising campaign for forest protection will be conducted and forest management plan will be developed and applied under the cookstove promotion activity as required.

The PRFIII AF supported subprojects will adopt the national policy requirements and process of environmental and social impact assessment and management detailed in the Environmental Impact Assessment (EIA) Decree, number 21/GOL, dated January 31, 2019. The new EIA Decree, which is largely consistent with the Bank Environment Assessment (OP/BP 4.01) and Involuntary Resettlement (OP/BP 4.12) requires an Initial Environmental Examination (IEE) report and ESMP and ARAP if needed to be prepared and applied by subprojects listed under the project group 1 (low risk projects) in the Decree. An ECOP will be applied if the subproject does not fall in this activity group. Subprojects and activities under project group 2 (high risk projects) of the EIA Decree will be included in the negative list of the PRFIII AF financed activities or investments.

The implementation arrangements and organizational structure for PRFIII AF will be somewhat different from the parent project due to the downsized scope of the AF project. Greater responsibility will be decentralized to the district level with the provincial coordination offices to be closed and handed over to the Provincial Agriculture and Forestry Office (PAFO) and the central PRF office restructured to retain only key positions of staff to directly supervise and support project implementation by the district offices. Under the PRF III AF, the PRF Central Office would be responsible for supervision, coordination and reporting to the GoL and donors, general quality control and monitoring of project implementation. The District Office will directly support the bottom-up planning processes, provide technical support for local communities to prepare and implement subprojects, carry out monitoring and follow-up visits to communities during and after subproject implementation. For effective safeguard implementation and compliance, the District Coordinator (DC) and District Assistant Engineer (DAE) with back up support from Young Graduates (YGs) will undertake greater responsibility. YGs will be trained to carry out impact screening under the supervision of DCs and DAE who will prepare Initial Environment Examination (IEE) reports and subsequent safeguard documents (LAP/ARAP, ESMP, ECOP) as required for the subproject. Provincial Department of Natural Resources and Environment (PONRE) and its district office (DONRE) will be engaged to review the package of IEE reports and subsequent safeguard documents and conduct compliance monitoring.

As part of PRFIII AF preparation, consultations were conducted in the four target provinces to inform project design, discuss potential impacts, mitigation measure, and implementation arrangement. Feedback from consultations was positive as project activities will be similar to the parent project. It was agreed that trainings will be provided to the district team of DC, DAE and YGs, a sufficient amount of budget is allocated to monitor safeguard implementation. ESMP and/or ECOP (as applicable) will be included in the contracts for all civil works to ensure that environmental obligations are met.

Social Aspects:

The review of social safeguard performance by the ongoing PRF III conducted during the AF preparation confirms that no major social impacts or significant loss of private land or assets were identified. All affected people were direct



beneficiaries of respective subprojects, and no physical relocation of households and assets occurred. No household lost more than 5% of the total productive assets. The safeguard review also found that, some land acquisition plans (LAPs), locally known as "land acquisition reports" were received by the World Bank after the subproject implementation has started. The CRPF has been updated to reflect changes in the scope and design of the AF activities and to take into account the lessons learned from the PRF III.

No outstanding grievances were reported through the Feedback and Resolution Mechanism (FRM) under PRF III. However, in order to strengthen the mechanism, the PRF would continue bi-annual subproject follow-up visits to ensure that no outstanding grievances or impacts remain unresolved.

The Ethnic Group Planning Framework (EGPF) has also been updated based on the experience of the PRF III. Measures that have successfully been applied under the PRF III such as additional community meetings or group discussions held at small hamlets outside the main village where many ethnic groups live, will continue to be implemented under the PRF III AF. Many IEC materials developed during the PRF III which proved to be effective in strengthening the participation of ethnic groups will also continue to be used. Simple and low-cost IT technology and audiovisual equipment such as tablets and smart phones will be introduced to selected SHG and VNG leaders to improve the effectiveness of communications and behavioral change campaign.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: PRF III AF is not expected to have potential indirect and/or long term negative impacts.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts. PRF III AF will finance small scale productive subprojects. Adverse impacts are not expected, and alternatives will be assessed and planned from the selection and design stage of subprojects at the village level.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described. PRF staff at the central and district levels will be directly responsible for the implementation of the revised safeguard instruments (ESMF, CRPF and EGDF). PRF staff have gained extensive experience with the application of World Bank safeguards policies. Their capacity to implement these policies has been demonstrated in a satisfactory manner. There are few areas that could be improved including the quality of safeguard monitoring reports and timely submission of Land Acquisition Plans to the Bank for review and clearance prior to subproject implementation. The Bank safeguard specialists will continue to work closely with the PRF and provide hands-on guidance as on-the-job training on Bank safeguard policies.

The AF will support engagement of Provincial Offices of Natural and Environment (PONREs) and its District Offices (DONREs) in review and monitoring of safeguard policy implementation compliance by subprojects in line with the national policy, EIA Decree. The Bank's environmental and social safeguard specialists in collaboration with PONREs and DONREs will provide training and support to PRF staff and its junior consultants (young graduates) on the monitoring and reporting process.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

PRF III AF will continue to work with poor households with primary focus on pregnant and lactating women and kids under two years from target communities in the 4 target provinces (12 districts) where stunting incidence is high.



Participatory planning and implementation mechanisms have been strengthened during PRF III to increase the active participation of the local population and to ensure meaningful consultations with minority ethnic groups, who are defined as Indigenous People under the Bank safeguard policy OP/BP 4.10. The AF will increase emphasis on target group (SHG and VNG) discussions and meetings on a more regular basis, at least once a month, to promote knowledge exchange and collaboration among group members.

The revised safeguard documents (ESMF, CRPF and EGPF) to be applied under PRFIII AF were consulted with key stakeholders at the central, provincial levels and at village before appraisal. Participants had an opportunity to seek clarification and provide feedback on the above listed safeguard instruments and the project design. All relevant department heads of PRF, the Bank safeguard specialists and Co-Task Team Leaders (TTLs) participated in the meetings and addressed the questions and comments received. No major safeguard issues or other concerns were raised by the participants. The participants mainly sought information about the scope of the AF project and budget allocation. The consulted groups also provided recommendations for strengthening coordination with sector agencies and development partners, alignment with all relevant environmental and social policies and using existing village structures for project and safeguard implementation. The minutes of the consultation meetings with the full list of participants is provided in the ESMF, CRPF and EGDF. These safeguard documents was disclosed on the PRF website, PRF central and district offices and in the MAF on May 7 prior to appraisal. User friendly leaflet and banners with key safeguard and Feedback Response Mechanism (FRM) information will be further developed and distributed to the local communities during village planning consultation meetings and prior to sub-project implementation.

Throughout the implementation of the PRFIII AF, beneficiary/ affected communities will be continuously informed and consulted of the overall project approach including project safeguard provisions as part of the participatory planning processes. The FRM will be monitored and recorded with grievances and feedback from the beneficiaries and project affected people to be addressed and used to inform project design and strengthen project implementation.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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"In country" Disclosure

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
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"In country" Disclosure

Indigenous Peoples Development Plan/Framework

Date of receipt by the Bank

Date of submission for disclosure

"In country" Disclosure

Pest Management Plan

Was the document disclosed prior to appraisal?

Date of receipt by the Bank

Date of submission for disclosure

"In country" Disclosure

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)



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APPROVAL

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