



# Concept Environmental and Social Review Summary

## Concept Stage

### ( ESRS Concept Stage)

Date Prepared/Updated: 06/19/2024 | Report No: ESRSC04347



## I. BASIC INFORMATION

### A. Basic Operation Data

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P505224	Investment Project Financing (IPF)	Lao PDR PF	2025
Operation Name	Lao PDR: Improved Access to Disaster Risk Financing		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Lao People's Democratic Republic	Lao People's Democratic Republic	EAST ASIA AND PACIFIC	Finance, Competitiveness and Innovation
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Lao People's Democratic Republic (Lao PDR)	Ministry of Finance		31-Jul-2024
Estimated Concept Review Date	Total Project Cost		
11-May-2024	3,400,000.00		

### Proposed Development Objective

To strengthen Lao PDR's financial resilience to disasters and climate shocks through improved access to pre-arranged risk financing mechanisms.

### B. Is the operation being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

### C. Summary Description of Proposed Project Activities

*[Description imported from the Concept Data Sheet in the Portal providing information about the key aspects and components/sub-components of the project]*

The operation will comprise a single component to support Lao PDR make a premium payment for pre-arranged risk coverage from the SEADRIF Insurance Company.



## D. Environmental and Social Overview

### D.1 Overview of Environmental and Social Project Settings

*[Description of key features relevant to the operation's environmental and social risks and opportunities (e.g., whether the project is nationwide or regional in scope, urban/rural, in an FCV context, presence of Indigenous Peoples or other minorities, involves associated facilities, high-biodiversity settings, etc.) – Max. character limit 2,000]*

In December 2018, a Memorandum of Understanding (MOU) was signed by Cambodia, Indonesia, Lao PDR, Myanmar, Japan, and Singapore to establish the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) and the SEADRIF Insurance Company (the Company) was incorporated in Singapore in April 2019 as a licensed insurance company under the Singapore Insurance Act. The World Bank has since been supporting the capitalization and operationalization of the the Company via a US\$12 million investment financing project (IPF P170913) approved in September 2020.

On February 1, 2021, the Company issued its first product when the Ministry of Finance (MOF) of Lao PDR entered into a 3-year insurance policy with the Company to provide protection against floods, further extended to 31 July 2024. The initial premium was paid by MOF through a loan from the World Bank (IPF P160930). In a letter dated October 13, 2023, the Government has requested assistance from the World Bank to secure funding for premium payment that would allow for this coverage to continue.

Accordingly, this RETF (Recipient-executed Trust Fund, P505224) proposes a grant of US\$3.4 million to the Government of Lao PDR to be utilized entirely for premium payment. The insurance payouts are intended to be used by Lao PDR to cover goods, services, and physical works for short-term emergency response, recovery, and maintenance of essential public services, such as pre-existing schools or health centers.

In the meeting held on 26 February 2020, the Operations Environmental and Social Review Committee (OESRC) agreed that the SEADRIF develop an Environmental and Social Management System (ESMS) to follow the letter and spirit of the World Bank Environmental and Social Standard 9 (ESS9) for the SEADRIF operation (P170913). The ESMS aims to manage potential environmental and social risks and impacts arising from SEADRIF operations and the use of insurance payouts. The ESMS will be applied for the proposed grant (P505224).

### D.2 Overview of Borrower's Institutional Capacity for Managing Environmental and Social Risks and Impacts

*[Description of Borrower's capacity (i.e., prior performance under the Safeguard Policies or ESF, experience applying E&S policies of IFIs, Environmental and social unit/staff already in place) and willingness to manage risks and impacts and of provisions planned or required to have capabilities in place, along with the needs for enhanced support to the Borrower – Max. character limit 2,000]*

The project implementation will continue to be carried out through the procedure developed for the SEADRIF Trustee and SEADRIF Insurance Company while the Ministry of Finance and technical Ministries of Lao PDR will implement the activities funded under the insurance payout once it is claimed by the country. The SEADRIF is responsible for the environmental and social compliance of the project. Both the SEADRIF and the Government agencies of Lao PDR have experience with the Bank's ESF during the implementation of current project (P170913). Additionally, the Government agencies of Lao PDR already have experience with other World Bank projects implemented under the safeguards policies and the Environmental and Social Framework.

The SEADRIF Trustee will review and update (if necessary) the ESMS and ensure that the Environmental and Social Expert are recruited to continues support the proposed project.



In addition, an environmental and social consulting firm will be recruited to support the Government of Lao PDR to implement the E&S measures and ensure that the activities funded under the insurance payouts are in compliance with requirements of the ESMS, the relevant Laos national regulations and the World Bank's ESF. Trainings will also be provided as necessary by SEADRIF E&S experts and E&S consulting firm to the related government agencies. The preparation and implementation of ESF training plan will be agreed and included in the ESCP.

## II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC)

Moderate

#### A.1 Environmental Risk Rating

Moderate

*[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 2,000]*

Environmental Risk Rating is "Moderate". The grant would be used for premium payment to purchase insurance coverage from the Company. In case the Government of Lao PDR submits a claim and an insurance payout is made, the funds will be eligible to finance reconstruction of public assets damaged or destroyed by disasters (e.g., pre-existing schools or health centers). The new infrastructure subprojects will not be eligible for project financing, but the insurance payout can be used for non-infrastructure expenses such as social protection payouts, school feeding or the purchase of medical supplies and equipment. Environmental risk will be moderate as the project's activities will only be taking place at the existing location of public facilities that destroyed by disaster and will be managed in accordance with the ESMS developed by the SEADRIF and Contingency Plan prepared for the Government of Lao PDR. A consulting firm will also be recruited to support the Government of Lao PDR to implement E&S mitigation measures. The new ESCP between the World Bank and the Government of Lao PDR (Ministry of Finance) will specify actions, responsible parties and timeline to complete all environment management measures and ensure the activities comply with the ESF.

#### A.2 Social Risk Rating

Moderate

*[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 2,000]*

The Social Risks Rating is Moderate since the project's payouts will not finance new infrastructure subprojects and will finance reconstruction activities that are likely to have moderate or low adverse social impacts: such as reconstruction of built assets damaged or destroyed by disasters like pre-existing schools or health centers. Selected non-infrastructure expenses such as social protection payouts, school feeding, or the purchase of medical supplies and equipment can also be financed under the insurance payout. Similar to the original project, following the exclusion list included in the SEADRIF's ESMS, the beneficiary country, the Government of Lao PDR will ensure that any activities considered as Substantial or High environmental and social risk pertinent to the WB's Environmental and Social Framework and/or national environmental and social laws and regulations will be excluded from the insurance payouts. An Environmental and Social consulting firm will be recruited to support the Government of Lao PDR, Ministry of Finance (MOF), and technical implementation unit to implement E&S activities and to ensure the ESF compliance. This new project will also potentially bring benefits to the communities since this project will allow public



authorities to have cost-efficient and faster access to resilient funds in order to mitigate the negative impact of disasters on the economy and livelihoods.

### A.3 Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) Risk Rating

Low

*[Summary of key factors contributing to risk rating. This attribute is only for the internal version of the download document and not a part of the disclosable version – Max. character limit 2,000]*

SEA/SH Risk Rating is Low. The project will not fund new and large-scale infrastructure construction activities. The SEADRIF 's ESMS already includes an exclusion list for any High and Substantial Environmental and Social Risk activities. The ESMS that will be updated for this new project will also be in compliance with good international practice and the World Bank's ESF.

## B. Relevance of Standards and Policies at Concept Stage

### B.1 Relevance of Environmental and Social Standards

#### ESS1 - Assessment and Management of Environmental and Social Risks and Impacts

Relevant

*[Optional Explanation - Max. character limit 1,000]*

Following the approach used under the SEADRIF operation for the ongoing project (P170913), the insurance payouts will be used for reconstruction of public assets damaged and/or destroyed by disasters such as pre-existing schools or health centers. The insurance payout can also be used for non-infrastructure expenses such as social protection payouts, school feeding or the purchase of medical supplies and equipment. The SEADRIF's ESMS, Operation Manual and Contingency Plan will be applied to manage the environmental and social risk and impact. The SEADRIF has acquired an E&S expert to support the project implementation. The proposed activities will be screened out using the exclusion list provided in the ESMS and Contingency Plan, the new and subproject with High and Substantial E&S risk will be excluded. A consulting firm will be recruited to support the Government agencies to implement the E&S measures and ensure that the project activities are in compliance with the ESF requirements.

#### ESS10 - Stakeholder Engagement and Information Disclosure

Relevant

*[Optional Explanation - Max. character limit 1,000]*

The SEADRIF's ESMS includes a Stakeholder Engagement Strategy, presenting potentially affected and interested parties and a consultation will be taken prior to project effectiveness. The regular stakeholder engagement will follow (i) Implement stakeholder engagement in a manner that is appropriate and cognizant to the local social and cultural context; (ii) Maintain transparency of information disclosure to stakeholder groups in accordance with relevant host-country regulations; (iii) Engagement is free of intimidation and coercion; and (iv) Implement a grievance mechanism and ensure that opportunities to incorporate adequate feedback are included in SEADRIF's operations. The ESMS includes GRM for grievances raised from stakeholders. The ESMS and new ESCP between WB and the Government of Lao PDR (Ministry of Finance) will be disclosed on the SEADRIF and the Government's website.

#### ESS2 - Labor and Working Conditions

Relevant



*[Optional Explanation - Max. character limit 1,000]*

The project will be implemented by SEADRIF and the Government Agencies of Lao PDR. The staff of both SEADRIF Trust and SEADRIF Insurance Company are based in Singapore. Labor practices for most of the direct and some of the contract workers will be governed by the Singaporean Employment Act, which includes provisions on non-discrimination, freedom of, Occupational Health and (OHS), and dispute resolution. The Labor Law of Lao PDR will be applied once the insurance payout is used for reconstruction of civil work activities in the country. There will be no stand alone LMP developed, and the consulting firm will support and ensure that the implementation of activities financed by the payouts are in compliance with the government policies.

**ESS3 - Resource Efficiency and Pollution Prevention and Management**

Relevant

*[Optional Explanation - Max. character limit 1,000]*

Provisions of ESS3 Resource Efficiency and Pollution Prevention will be included in the ESCP to ensure any waste could be generated from the construction activities and E-Waste during the operation. The ESCP will also incorporate the resource efficiency and pollution prevention and management measures to support the efficient use of resources and pollution prevention to meet the requirements of ESS3.

**ESS4 - Community Health and Safety**

Not Currently Relevant

*[Optional Explanation - Max. character limit 1,000]*

Based on the nature of this new project, there will be little or no risks or impacts relating to community health & safety.

**ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

Not Currently Relevant

*[Optional Explanation - Max. character limit 1,000]*

The insurance payout will support reconstruction of subprojects in existing locations (no new infrastructure subprojects are eligible) and some selected non-infrastructure expenses such as social protection payouts, school feeding or the purchase of medical supplies and equipment where land acquisition will not be required.

**ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources**

Not Currently Relevant

*[Optional Explanation - Max. character limit 1,000]*

The insurance payout will only support the reconstruction of public assets in existing locations (no new infrastructure) and some selected non-infrastructure expenses such as social protection payouts, school feeding or the purchase of medical supplies and equipment where the impact on biodiversity and living natural resources is unlikely.

**ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

Not Currently Relevant



[Optional Explanation - Max. character limit 1,000]

Given the nature of this new project, there will be no risks or impacts relating to Indigenous Peoples. The exclusion list (that includes risk screening guideline) of the ESMS states that any activity that can cause substantial or high risks or impacts on Indigenous Peoples will not be eligible and shall be excluded from funding by the insurance payouts.

**ESS8 - Cultural Heritage**

Not Currently Relevant

[Optional Explanation - Max. character limit 1,000]

It is unlikely that the insurance payouts will involve adverse impacts on ESS8 Cultural Heritage as insurance payout will support the reconstruction of subproject in existing location (no new infrastructure subprojects are eligible) and some selected non-infrastructure expenses such as social protection payouts, school feeding or the purchase of medical supplies and equipment.

**ESS9 - Financial Intermediaries**

Relevant

[Optional Explanation - Max. character limit 1,000]

Following the approach used under the ongoing SEADRIF operation (P170913), the ESMS has been developed following the letter and spirit of the WB ESS9. The ESMS aims to manage potential environmental and social risks and impacts arising from SEADRIF operations and the use of insurance payouts by the Government of Lao PDR. The ESMS includes (i) SEADRIF's environmental and social policies, (ii) procedures for the identification, assessment, and management of the environmental and social risks and impacts of project activities, (iii) organizational capacity and competency within SEADRIF, (iv) processes for monitoring and audit of environmental and social performance, (v) procedures of update the ESMS, (vi) external communication mechanism, including a Stakeholder Engagement Strategy and a Grievance Mechanism, and (vii) an exclusion list, together with risk classification guidance to be supported by the grant.

**B.2 Legal Operational Policies that Apply**

**OP 7.50 Operations on International Waterways**

No

**OP 7.60 Operations in Disputed Areas**

No

**B.3 Other Salient Features**

**Use of Borrower Framework**

No

[Optional explanation – Max. character limit 1,000]

The SEADRIF ESMS for P170913 will be applied for the proposed project (P505224).



## Use of Common Approach

No

*[Optional Explanation including list of possible financing partners – Max. character limit 1,000]*

There is no other development partner at this point.

## B.4 Summary of Assessment of Environmental and Social Risks and Impacts

*[Description provided will not be disclosed but will flow as a one time flow to the Concept Stage PID – Max. character limit 5,000]*

The project consists of a single component to support Lao PDR in making premium payments for pre-arranged risk coverage from the SEADRIF Insurance Company.

The ESMS, Operational Manual, and Contingency Plan prepared by the SEADRIF and the government of Laos for the ongoing project (P170913) will be reviewed and updated (if necessary) based on the experience learnt from the current project and will be applied to the proposed project ensuring that the SEADRIF related activities and the insurance payouts are implemented in compliance with the ESF requirement. The SEADRIF has already employed an international E&S expert who has been delivering ESF training to the SEADRIF trustee and company, and is planning to deliver training to the related ESF focal unit in the Government agencies. In addition to this existing ESMS and E&S expert, a consulting firm will be recruited to support the Government of Lao PDR and ensure that the activities funded under the insurance payouts are in compliance with ESF requirements.

Environmental and Social risk of activities to be supported under the insurance payouts are expected to be Moderate or Low. The new infrastructure subprojects will not be eligible for project financing, but the insurance payout can be used for non-infrastructure expenses such as social protection payouts, school feeding or the purchase of medical supplies and equipment. The exclusion list together with risk classification guideline provided in the SEADRIF's ESMS will be used to screen out any proposed new infrastructure subproject or activity with High or Substantial E&S risk. The new infrastructure or subprojects with High or Substantial risk will be excluded.

The new ESCP between the World Bank and the Government of Lao PDR (Ministry of Finance) will be prepared to include all actions and measures required, and ensure that the project is in compliance with ESF requirements.

## C. Overview of Required Environmental and Social Risk Management Activities

### C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by Appraisal?

*[Description of expectations in terms of documents to be prepared to assess and manage the project's environmental and social risks and by when (i.e., prior to Effectiveness, or during implementation), highlighted features of ESA documents, other project documents where environmental and social measures are to be included, and the related due diligence process planned to be carried out by the World Bank, including sources of information for the due diligence - Max. character limit 3,000]*

As mentioned in several sections above, the SEADRIF's ESMS developed for the ongoing project (P170913), including an exclusion list of activities, will be applied for the proposed project (P505224). The new ESCP will be prepared and agreed between the WB and MOF of Lao PDR to include, but not limited to, the following key aspects:





- (a) ensure that the SEADRIF's ESMS developed for P170913 applies to support the implementation, include monitoring and evaluation of E&S compliance under the proposed project (P505224);
- (b) ensure that the E&S consulting firm to be recruited and support the government agencies in implementing the insurance payouts' activities;
- (c) provides for sufficient staff and technical experts at the SEADRIF to support project implementation; and
- (d) includes sufficient requirements of relevant ESSs and applies them during project implementation.

### III. CONTACT POINT

#### Contact Point

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### IV. FOR MORE INFORMATION CONTACT

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### V. APPROVAL

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