

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED  
SAFEGUARDS DATA SHEET (PID/ISDS)  
ADDITIONAL FINANCING**

**Report No.:** PIDISDSA20219

**Date Prepared/Updated:** 09-Feb-2017

**I. BASIC INFORMATION**

**A. Basic Project Data**

<b>Country:</b>	Timor-Leste	<b>Project ID:</b>	P252338
		<b>Parent Project ID (if any):</b>	P125032
<b>Project Name:</b>	Road Climate Resilience Project Second Additional Financing (P252338)		
<b>Parent Project Name:</b>	Timor Leste Road Climate Resilience Project (P125032)		
<b>Region:</b>	EAST ASIA AND PACIFIC		
<b>Estimated Appraisal Date:</b>	08-Feb-2017	<b>Estimated Board Date:</b>	27-Apr-2017
<b>Practice Area (Lead):</b>	Transport & ICT	<b>Lending Instrument:</b>	Investment Project Financing
<b>Borrower(s):</b>	Ministry of Finance		
<b>Implementing Agency:</b>	Ministry of Public Works Transport and Communications (MPWTC)		
<b>Financing (in USD Million)</b>			
	<b>Financing Source</b>		<b>Amount</b>
	BORROWER/RECIPIENT		2.32
	International Development Association (IDA)		36.82
	Financing Gap		0.00
	Total Project Cost		39.14
<b>Environmental Category:</b>	B - Partial Assessment		
<b>Appraisal Review Decision (from Decision Note):</b>	The review did authorize the team to appraise and negotiate		
<b>Other Decision:</b>	<p>The participants in the review discussed the risk rating of the project and agreed to rate the project risk as substantial. It was agreed that the team would include additional governance risk mitigation measures.</p> <p>The participants also agreed that: (i) the secondAdditional Financing (AF) would not be a scale-up but that it will cover a financing gap in addition to the cost</p>		

	<p>overrun, (ii) no change to the PDO would be necessary, (iii) Component B would be canceled, (iv) the environmental rating in the ISR would be upgraded to reflect the renewal of the project environmental licenses, (v) the team would specify additional gender and workers' influx safeguards measures in the project paper and the PID/ISDS, (vi) the overall project duration would be slightly over 10 years and there would be three different closing dates for the four legal instruments, (vii) there would be no change to the implementation arrangements, and (ix) that the Government would confirm the final loan amount at negotiations.</p> <p>The participants in the review confirmed that the project is a transferred project in terms of safeguards.</p>
<b>Is this a Repeater project?</b>	No

## B. Introduction and Context

### Country Context

Timor-Leste has basic income, health, and literacy levels similar to those of countries in sub-Saharan Africa. Unemployment and underemployment combined are estimated to be as high as 70 percent. Women labor participation is between 10 percent and 30 percent lower than that of men. Around 41 percent of the country's population lives below the poverty line, and poverty among women remains higher. Cases of domestic violence are also frequent. Economic growth in the non-oil sector has slowed following a period of very rapid growth in the 10 years following independence but remains robust, averaging 4.8 percent per annum over the past three years.

Oil and gas revenues are critical to the country's economy and its socioeconomic development. The only currently active field is located offshore in an area shared by Timor-Leste and Australia. The Government of Timor-Leste (GoTL) set up a special Petroleum Fund in 2005 to facilitate the sustainable use of oil revenues. By 2015, the Petroleum Fund assets reached US\$16.5 billion. Coffee accounts for over 90 percent of Timor-Leste non-oil and gas exports.

Economic development is dependent on government spending partly financed by petroleum revenues and assistance from international donors. Although still low, private investment has begun to increase in recent years, but private sector development has lagged due to human capital shortages and a weak business environment.

### Sectoral and institutional Context

Timor-Leste has an extensive road network, with 1,427 kilometers of national roads, 869 kilometers of district roads, and 3,025 kilometers of rural roads. The main network corridor runs along the northern fringe of the country from the Indonesian border in the west through the capital Dili and then eastward to the second largest city, Baucau, and beyond. The road network in the west is reasonably dense serving a strong agricultural region. In the rest of the country, the road network consists of five north-south connectors linking the northern corridor across the mountainous spine to the east-west road along the southern coastal plain. These main road corridors are important as they connect potentially promising agricultural areas and new oil industry-related developments along the southern coast to the main population and more developed areas along the northern coast. However, much of this road network is in a poor

condition and traffic, although still light, is growing rapidly. Data from a 2011 study showed that two-wheel drive cars could only drive at reasonable speeds on 20 percent of the national road network and more than 6 percent was in such a poor condition that it was only passable by four-wheel drive vehicles.

This situation has arisen in a large measure due to underinvestment in maintenance and has resulted in increased isolation of communities, higher vehicle operating and freight costs, and longer journey times. In many cases, however, the roads were also not properly designed, lacked sufficient drainage capacity and/or were structurally unsound. Due to the steep terrain, ground conditions and local climate, slope instability is a major problem and frequent landslides result in significant damage to the road network and potential risk to road users. Combined with the shortage of maintenance funds, these factors resulted in a necessary focus on emergency repairs rather than systematic maintenance.

Immediately after independence, only some works on the main road between Dili and the Indonesian border with West Timor and emergency repairs, largely as a result of frequent landslides, took place. In 2009, the Asian Development Bank (ADB) financed a Road Network Development Plan that specified a strategic core national road network where repairs would provide a relevant economic return. Based on this plan, ADB has financed/is financing about 300 km of road upgrading and the Japan International Cooperation Agency (JICA) is financing the rehabilitation of about 120 km. The International Labour Organization (ILO) and the Governments of Australia, Ireland, and Norway are active in the rehabilitation and maintenance of rural roads. The GoTL is also upgrading selected links with its own budget.

The GoTL's capacity to manage the road network has improved significantly since the start of project implementation, although some limitations still exist. The Ministry of Public Works Transport and Communication (MPWTC) is responsible for planning, developing, and maintaining roads. The MPWTC's Directorate of Roads, Bridges, and Flood Control (DRBFC) has received significant support and training from many donors. It increased its staffing, but the number of engineers is still relatively low, and all the national road network upgrading financed by donors is implemented by a multi-donor Project Management Unit (PMU) reporting directly to the Minister of MPWTC. This PMU is headed by a local project manager, staffed with local and international professionals, and has developed a reasonably good capacity over time.

Road maintenance is the responsibility of the Maintenance Department under the DRBFC, which currently has around ten engineers. For several years, this Department did not receive a budget and lost capacity and resources. In 2015, at least partially due to the constant insistence of the Bank and other donors, the GoTL put new focus on road preservation, and in 2016 provided a budget for routine and periodic road maintenance of national, district, and urban roads of US\$4 million and for rural roads of US\$10 million. A similar amount was allocated in 2017. These amounts seem proportionate to the current absorptive power of this Department. In 2016, they procured nine two-year performance-based road maintenance contracts for about 400 km of roads. The PMU, with the support of the Maintenance Department, is supervising road maintenance on the road sections upgraded under their management. To address capacity constraints in the sector, ADB, the Governments of Japan, Indonesia, and Australia, and the European Union among others, have been supporting the GoTL with road sector technical assistance. This has been geared toward planning, contracting and supervising maintenance contracts, and has included support to set up a road asset management system. The European Union and ILO have also

worked for several years to strengthen the capacity of local contractors.

The Road Climate Resilience Project complements other donor investments by strengthening capacity within MPWTC and financing the upgrading and maintenance of the 110 km north-south Dili-Ainaro corridor.

### **C. Proposed Development Objective(s)**

#### **Original Project Development Objective(s) - Parent**

The project will deliver sustainable climate resilient road infrastructure on the Dili-Ainaro corridor.

#### **Key Results**

The expected results of the project's activities are a climate resilient and reliable road on the entire Dili-Ainaro corridor and a strengthened PMU.

### **D. Project Description**

The Road Climate Resilience Project was approved on May 17, 2011 and originally comprised three components: A. Climate Resilient Road Infrastructure; B. Climate Responsive Maintenance and Emergency Planning; and C. Project Support and Training. This was followed by a first additional financing, which was approved on October 22, 2013. It was necessary because under the original financing, the project design only envisaged spot pavement improvements along the 110 km Dili-Ainaro corridor. Given the unexpected quicker deterioration of the pavement along the corridor, this treatment had become insufficient to deliver a climate resilient corridor and full upgrading of the road was warranted. Further, as part of the first additional financing, the scope of Component B was reduced and a new Component D. Feasibility Study and Detailed Design of Additional Road Segments was added to the project.

For procurement purposes, this corridor was divided into five sections. At the time of the appraisal of the first additional financing, the GoTL decided to implement and finance section 2 from Laulara to Solerema on its own, and use the resources from the original grant and the first additional financing, including the respective counterpart funds, for sections 1, 3, 4, and 5 only. Section 2 continued to be part of the project mainly in terms of PDO, indicator targets, project description, safeguard requirements, and economic evaluation.

Initial emergency works took place in specific locations along the whole Dili-Ainaro corridor. Upgrading works through the rehabilitation of the pavements, drainage structures and slope stabilization works, including bio-engineering were completed on section 1, the 10 km that connect Dili to Laulara. Civil works on sections 3, 4, and 5, from Solerema to Ainaro, are currently ongoing. These works together with the implementation of an appropriate maintenance, will minimize emergency works expenses and will improve year-round accessibility along the corridor, increasing the reliability of private and public transport serving the beneficiary communities and improving the efficiency of goods movements both inward and outward from the districts served. The civil works contracts for these four sections also envisage maintenance during the construction period, the 12-month defects liability period, and a 24 or 36-month performance-based maintenance period. Following the completion of the civil works contracts, the responsibility for maintenance will revert to the Maintenance Department of DRBFC under MPWTC.

The project has also been strengthening the PMU, which is responsible for the implementation of the project, and has been providing training on maintenance of mountainous roads and performance-based contracts to the different road sector actors. In addition, the project devised an emergency response plan for the Dili-Ainaro road, and prepared the feasibility study and detailed designs for the Dili-Solerema road.

The proposed second Additional Financing (AF) would cover the financing gap related to the upgrading of section 2 from Laulara to Solerema (22.62 km), which the GoTL has not implemented with its own resources as agreed during appraisal of the first additional financing because of reduced government revenues. As with the other four sections, the civil works on section 2 would include the rehabilitation of the pavements, drainage structures, slope stabilization works, including bio-engineering, and maintenance. Among others, the second AF would also provide flexibility in the choice of the road link for which feasibility studies and detailed engineering designs would be prepared under component D, some minor other project changes, and a closing date extension until the end of December 2021. The total cost is approximately US\$39.14 million equivalent.

#### **Component Name**

Component A: Climate Resilient Road Infrastructure

#### **Comments (optional)**

This component invests in key road infrastructure to improve its climate resilience. The objective is to reduce the impact of the high volume and intensity of rainfall on the road from Dili to Ainaro by rehabilitating the entire corridor, including accompanying improvements to drainage and other environmental protections. The physical works include: (i) construction or reinforcement of slope stabilization structures; (ii) improvement of drainage structures to meet the forecasted rainfall volumes and intensities; and, (iii) pavement repairs. This component includes urgent road infrastructure repairs and road improvements, as well as the design and supervision of civil works by international consultants supported by local staff.

#### **Component Name**

Component B: Climate Responsive Maintenance and Emergency Planning and Response Systems

#### **Comments (optional)**

For the sections 1, 3, 4 and 5, based on the first additional financing, routine maintenance and emergency response services were included in the civil works contracts under Component A. These services will take effect at the conclusion of the one-year defects liability period. This ensures maintenance of the upgraded road sections for a minimum of three years. This would also apply to section 2. Component B, currently consisting of Subcomponent B.3., Design of Emergency Planning and Response System, would be canceled since the conditions for its successful implementation are not present.

#### **Component Name**

Component C: Project Support and Training

#### **Comments (optional)**

This component includes: (i) support to the PMU; (ii) a training program for MPWTC and other government staff, as well as contractors, aimed at bridging the capacity gap on maintaining mountainous roads and emergency responses; and, (iii) independent safeguards monitoring.

**Component Name**

Component D: Feasibility Studies and Detailed Design of Additional Road Segments

**Comments (optional)**

This component supports feasibility studies and detailed designs of selected road segments linked to the Dili-Ainaro Corridor.

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

The project is located on the key north-south link connecting Dili to Ainaro. The road corridor connects the three districts of Dili, Aileu and Ainaro, or approximately 32 percent of country's population. Furthermore, the Dili-Ainaro road will serve as one of the most direct links between the new oil and gas development services along the south coast and the main commercial center in the capital.

Section 2, which would be financed under this second AF, runs for Laulara, 11 km from Dili in direction south, to Solerema mostly over mountainous terrain.

The project also includes feasibility studies and engineering designs for road segments linking to the Dili-Ainaro corridor. The project completed the feasibility study and designs of the 21 km long Dili-Solerema road and it is most likely that the second study would cover the 60 km long Aituto-Hatubuilico-Letefoho-Gleno road.

**F. Environmental and Social Safeguards Specialists**

Francisca Melia Setiawati (GSURR)

Kian Siong (GEN2A)

**II. Implementation****Institutional and Implementation Arrangements**

The project would continue to be implemented by the MPWTC through its multi-donor PMU. The PMU has been implementing ADB, JICA, and World Bank financed projects and its technical capacity has been strengthened under these projects through the support from international professionals and training. The PMU is headed by a local Project Manager and staffed with key national and international professionals, including a Chief Technical Advisor, a Road Maintenance Engineer, a Procurement Advisor, a Financial Management Officer, and Social and Environmental Specialists.

The MPWTC through the PMU is responsible for the project's financial management, procurement, resettlement plans implementation, and ensuring social and environmental safeguard compliance.

Design and supervision consultants were hired for sections 1, 3, 4, and 5 to assist the MPWTC/PMU in all aspects of project implementation. These consultants have international and national social and environmental specialists for each section. The same arrangement would apply for the remaining section 2.

**III. Safeguard Policies that might apply**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	Yes	The project, including section 2, is not expected to produce significant adverse and/or irreversible long-term direct, induced or cumulative impacts on the environment. It is expected to improve existing environmental conditions. Most of the impacts from section 2 would also be construction-related and would occur within the corridor's right-of-way.
Natural Habitats OP/BP 4.04	No	As reported in the Environmental Management Plan (EMP) of March 2011, the corridor from Dili to Ainaro does not pass directly through protected areas and forests are located several kilometers from the road.  The Aituto-Hatubuilico-Letefoho-Gleno road link for which the feasibility study and detailed designs are likely to be prepared under this project passes close to a proposed national park.
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	Yes	The policy is triggered since essentially everyone in Timor-Leste is considered indigenous.
Involuntary Resettlement OP/BP 4.12	Yes	For section 2, incidental impacts on assets due to civil works are expected to be low and compensation for assets is envisaged.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

#### **IV. Key Safeguard Policy Issues and Their Management**

##### ***A. Summary of Key Safeguard Issues***

<p><b>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</b></p> <p>The project triggers the Environmental Assessment policy (OP 4.01) and is rated as a Category B project. It is not expected to have long-term direct, induced or cumulative impacts on the environment, including on natural or critical natural habitats. In fact, if properly implemented, the project is likely to improve existing environment-related conditions such as slope failures and insufficient drainage.</p>
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As mentioned, the second AF would finance the rehabilitation of section 2, which has been part of the project since the beginning. Therefore, it would not imply any changes in the project's environmental categorization and no additional environmental or social safeguards policies would be triggered.

The environmental impacts associated with the civil works on the Dili-Ainaro corridor, including section 2, are expected to be mostly limited to construction related impacts only. The impacts are expected to be short lived, occurring mostly along the alignment of the road and mostly confined to the right of way. Some impacts are expected to occur at offsite locations such as quarry sites and spoiled material disposal sites. For sections 1, 3, 4, and 5, these impacts were avoided or minimized through careful designs and are mitigated through good construction practices and effective environmental supervision. The same would apply for section 2. The main potential impacts identified include: (i) disturbance from noise and dust arising from loading, unloading, and transportation of construction materials (aggregates and bitumen) by trucks; (ii) noise and dust arising during construction of landslide retaining structures, construction of the new road base and construction of the new surface in selected road segments; (iii) erosion and sedimentation from exposed surfaces that may affect the nearby farms and water bodies during the construction phase; (iv) risks from the use and improper disposal of hazardous materials such as used fuel and lubricants; and, (v) potential increase in accidents during construction and operation from increased vehicle movements.

The impact of labor influx from the project is expected to be limited and is being managed through the EMP. The number of foreign workers are small (110 skilled workers are currently on site for the ongoing project), and the workers are housed in construction camps to minimize the impact on the limited local accommodation options. The local absorptive capacity relative to the worker numbers seems reasonable (one camp is in Aileu with a population of 17,536 and the second in Aituto with 6,206). Provisions are obtained from Dili or the nearby market in Maubisse.

The risks for potential negative impacts from labor influx include particularly social conflicts between the local community and the construction workers, increased inappropriate behavior, such as theft, physical assault, substance abuse, especially alcohol, and increased communicable diseases, gender-based violence (GBV), sexual harassment, or aggressive advances. For the ongoing works, no adverse impacts have been reported so far. On the contrary, the experience on the ground has shown that the foreign workers' presence has helped reduce situations of conflict between local workers from different communities. In addition, the base camps have local helpers, cleaners, and security personnel, bringing to the community economic opportunities through employment. All workers received training/awareness rising on sexually transmitted diseases/HIV and unacceptable conduct toward the local community members.

To further minimize any negative impact of labor influx, the new civil works activities would build upon the experiences to date in Timor-Leste, as well as recent work elsewhere in the Bank:

- For bidding, the project EMP would be updated to include specific requirements for the provision of facilities at workers' camps, as well as occupational health and safety.
- The Contractor would be required to develop: (i) "Codes of Conduct" for GBV and protecting children from child abuse and exploitation (CAE), based on draft codes that would be included with the bidding document; and, (ii) an Action Plan to mitigate and respond to GBV and CAE within the contractor and the community. The Codes of Conduct would outline the responsibilities of: (i) the contractor to create a positive culture for its workplace and employees; (ii) managers to



ensure that culture is implemented; and, (iii) individuals to adhere to the principles of that culture and not to engage in GBV and/or CAE.

- Training of all workers on GBV and CAE would be done in conjunction with the HIV/AIDS training, and the GRM would record any complaints related to GBV or CAE, as well as actions taken.

- The Environmental Safeguards Implementation Plan (ESIP) prepared by the contractor would be required to provide specific measures to address workers' camps, labor influx management, occupational health and safety, and civil works would not commence until the ESIP has been cleared by the supervision engineer and publicly disclosed.

The EMP prepared and disclosed before the appraisal in March 2011 includes section 2. It was updated to take into account the completion of the civil works in section 1 and some minor changes to the on-going works on section 3 and the emergency works on section 2. The updated EMP was disclosed on the Ministry of Finance's (MoF) website on February 9, 2017 and sent to the Infoshop on January 26, 2017. The EMP summarizes the anticipated environmental impacts and its associated mitigation measures during the design, construction and operational phases of the project. It makes reference to the relevant law and contract documents, approximate location, time frame, mitigation costs, and the responsibility for its implementation and supervision. A field monitoring checklist was prepared based on the EMP and monitoring plan and is used by the supervising engineers. The signed checklists are provided to the PMU/MPWTC who is responsible for the appropriate follow-up and compliance reporting.

For the first additional financing, in 2012 the GoTL prepared and disclosed an Environmental Assessment Review Framework. They also prepared an Initial Environment Examination (IEE), which is the local environmental document for category B projects in line with Law 5 of February 2011. This IEE includes the original version of the above-mentioned EMP. The IEE was disclosed on the Ministry of Finance's website in February 2015.

The GoTL obtained a joint environmental license to carry out the works on sections 1, 2 and 3 and one for sections 4 and 5. Finally, the civil works contractor of section 1 prepared a joint ESIP for sections 1 and 2 because this contractor is also responsible for emergency works under section 2. This ESIP would be updated by the civil works contractor, who wins the contract for section 2. A similar ESIP was prepared by the civil works contractors of sections 3 and sections 4 and 5.

The project triggers the Bank's Indigenous Peoples Policy (OP 4.10). The Timorese population is indigenous because it: (i) has collective attachment to geographically distinct territories; and (ii) descends from groups present in specific areas prior to the establishment of modern states and relative borders, due largely to the fact that Timor-Leste was established as a sovereign nation in 2000. Ethnicity in Timor-Leste is bound by language. Seventeen languages, derived from one of two broad language groups - Austronesian (Malayo-Polynesian) and Papuan (Melanesian) - are spoken across the country. While a social assessments undertaken by the ADB indicates that no significant differences of cultural and social identity exist among the people who speak different languages, except for a small number of Muslims in an overwhelmingly Roman Catholic society, Timorese people are considered indigenous due to the two points raised above.

Since essentially everyone in Timor-Leste is considered indigenous, an IPP is not required, but an Indigenous People Note that covers the entire length of the Dili-Ainaro road was prepared. Consistent with the requirements of OP 4.10 (Annex B), during project preparation free, prior, and informed consultations with the affected communities along the Dili-Ainaro road corridor were

carried out. These consultations confirmed broad community support for the project. Consultations are constantly being carried out throughout project implementation.

The Bank's Involuntary Resettlement policy (OP 4.12) is triggered. The civil works under the project are conducted within the existing road alignments, so the incidental impact on assets due to civil works is low and of minimal magnitude. The PMU prepared a Resettlement Policy Framework (RPF) under the original project. It was updated and re-disclosed on January 31, 2013. The PMU also prepared two Resettlement Plans (RP) for the project: one covering sections 1, 2 and 3, and another one covering sections 4 and 5. The Bank approved the resettlement plan for sections 1, 2 and 3 in January 2013 and for sections 4 and 5 in March 2013. The resettlement plans were disclosed on the World Bank's and GoTL's websites. For section 2, the GoTL carried out a tracer study because they had opened some minor short cuts on this section. It was approved by the Bank on March 2014. The PMU updated the RP for section 2 including the results of the aforementioned tracer study, as well as the results of the re-validation of the affected people due to some minor changes in the road alignment. It was re-disclosed on the MOF's website in February 2017 and in the Infoshop in December 2016. The summary of the RP document would be translated into local language (Tetum) and would be made available in local governmental offices.

For the ongoing project, the acquisition of land was avoided when feasible. However, when it was unavoidable and the road works impacted local owners or occupants of land, the projects followed the corresponding RPs to negotiate with the affected people. On sections 1, 3, 4 and 5, 938 households were affected. Nobody was physically displaced and nobody lost more than 20 percent of the land. The number of affected commercial structure owners, mainly kiosks, was 118. The other affections were mostly trees. The implementation of the RPs for sections 1, 3, 4 and 5 has been satisfactory.

For section 2, 264 households would be affected. This would include 93 commercial structure owners. The other affections would include trees and some residential and other structures. No land would be acquired.

The section for which the feasibility study and the detailed designs would be prepared is likely the Aituto-Hatubuilico-Letefoho-Gleno road. This section consists of a 3-meter-wide gravel road with a 5-meter right of way for the 32 km between Aituto and Letefoho. For this length, the road bed is stable and runs through hills, gullies, and some villages and plantations. For the remaining 27 km, from Letefoho to Gleno, the road is 4-meter-wide and paved, with a 6-meter right of way. It has coffee plantations on both sides and connects at the end in Gleno with the ADB-funded road leading to Dili. The proposed works on this section are likely to affect some people along this rather sparsely populated road, but most of the affections are expected to touch trees and structures only. This section runs close to a proposed national park near the Ramelao mountain. The feasibility and design studies would include the necessary environmental and social assessments and the preparation of the safeguard documents. Particular attention would be placed to the vicinity of the proposed national park, which would be carefully studied and all measures taken to avoid any impact.

**2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:**

It is envisaged that the upgrading of the Dili-Ainaro corridor makes the road more climate resilient and reduces long-term impacts from rain and the resulting flood damage. This has been and would be achieved through the rehabilitation of the corridor, including construction of a new pavement,

intensive slope protection works and bioengineering, and good drainage control, which should have a positive overall impact on water management and runoff in the areas around the road. Bio-engineering methods have been and would be applied in consultations with landowners as they could involve restrictions on land use in steep slopes areas. This is not expected to change for section 2.

The Dili-Ainaro road does not pass through any protected areas, but it is flanked by one designated and one proposed protected area, located several kilometers away from the road. According to the EMP, the southern portion of the corridor, from just north of Maubisse to Ainaro, has the surroundings of a potentially high biological value. However, the two protected areas are highly impacted with slash and burn cultivations, coffee and banana plantations, deforestation and small village settlements. The project supplements the GoTL's reforestation efforts by planting trees, shrubs and generally replanting the surrounding areas.

**3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.**

No road alternatives were considered under the second Additional Financing as it is expected to finance the upgrading of section 2, which is essential to achieve the PDO of improving the climate resilience of the existing road between Dili and Ainaro. The overall project is specifically designed to minimize the adverse impacts of rainfall and runoff on the road. The designs incorporate specific solutions based on the site specific needs.

**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.**

The PMU/MPWTC and other government agencies now have a reasonable good experience in dealing with World Bank and other donor safeguards issues. Both the social and environmental management capacity of the PMU/MPWTC has been strengthened through on-the-job training during the EMP and RP implementation, the preparation of other environmental and social documents, and the compliance monitoring under this project and ADB and JICA projects. These skills are sufficient for the second AF.

An Environmental and Social Unit was created within the PMU consisting of international and national resettlement and environmental specialists who are responsible for ensuring the compliance of the EMP and the RP implementation. They report directly to the PMU. For the day-to-day monitoring of the implementation of the EMP and the RP, they are assisted by local and international consultants of the road supervision consulting firms.

Resettlement plans implementation suffered from teething problems because the GoTL was late in providing the necessary budget and the country lacked a procedure to carry out the compensation payments. Sufficient budget was eventually allocated for the compensation payments to the affected people in all sections, including section 2, and a clear and transparent process to compensate affected people was established, involving the participation of MoF, the National Bank, the Major Project Secretariat, and the PMU/MPWTC. Since then compensation payments have taken place in a satisfactory manner and are expected to be completed for the ongoing project in the first quarter of 2017.

The National Directorate of Environmental Services, now called the National Department of Pollution Control and Environmental Impact (NDPCEI), is in charge of reviewing environmental documents, carrying out site visits, and issuing environmental licenses. The NDPCEI has a limited number of staff and the environmental licensing requirements, procedures and rules have changed

over time, creating uncertainties and delays in the issuance of licenses and renewal confirmations. These delays became a concern at the highest levels in the GoTL. After several discussions at the technical level, the Ministers of Public Works, Transport and Communication, of Petroleum, and of Commerce, Industry and Environment personally met to find a solution. Following this meeting, in December 2016, they signed a Memorandum of Understanding to facilitate and accelerate the road licensing process. Currently all project environmental licenses are up to date, and no substantial delays are expected in the future.

On the ground, some shortcomings in terms of dust control, limiting traffic speeds and the absence of personal protective equipment were observed. The contractors were formally instructed to pay close attention to these issues, and the supervision consultants are strictly following up. Workers without personal protective equipment are not allowed to work now and are sent home. These measures would also be taken when civil works start for section 2.

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

The key stakeholders are the residents along the Dili-Ainaro road to be upgraded. Public consultations were conducted during project preparation in three locations along the Dili-Ainaro corridor. During these consultations the EMP, RPF and RPs were disclosed and the overall community support for the project in accordance with OP 4.10 was assessed. Community comments and concerns were recorded and addressed. During the design process and the implementation of the civil works, further consultations were and continue to be held to ensure that the designs and works meet the needs and expectations of the communities.

The Grievance Redress Mechanism (GRM) in place for the project is built on the existing traditional structures present in Timor-Leste, which is adequate, and will be used during the implementation of section 2 as well. The main first point of contact is the village chief, who normally refers the grievance to the supervision consultants. The latter immediately coordinates with the PMU for quick resolution. Sometimes the community also directly approaches the supervision consultants with their complaints. If grievances cannot be resolved by the supervision consultants/PMU, they are referred to MPWTC. As a last resort, the village chief or the community can take the matter to the Council of Ministers in Dili. So far, grievances, such as those related to the displacement of a weekly street market in section 3 to an adjacent location or disagreements regarding some compensation amounts, have been handled successfully and are being recorded in the safeguards monitoring reports.

**B. Disclosure Requirements**

<b>Environmental Assessment/Audit/Management Plan/Other</b>	
Date of receipt by the Bank	22-Dec-2016
Date of submission to InfoShop	26-Jan-2017
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Timor-Leste	09-Feb-2017
<i>Comments:</i>	
<b>Resettlement Action Plan/Framework/Policy Process</b>	

Date of receipt by the Bank	01-Dec-2016
Date of submission to InfoShop	28-Dec-2016
"In country" Disclosure	
Timor-Leste	09-Feb-2017
<i>Comments:</i>	
<b>Indigenous Peoples Development Plan/Framework</b>	
Date of receipt by the Bank	16-Apr-2012
Date of submission to InfoShop	24-Apr-2012
"In country" Disclosure	
Timor-Leste	13-Apr-2012
<i>Comments:</i>	
<b>If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.</b>	
<b>If in-country disclosure of any of the above documents is not expected, please explain why:</b>	

### *C. Compliance Monitoring Indicators at the Corporate Level*

<b>OP/BP/GP 4.01 - Environment Assessment</b>	
Does the project require a stand-alone EA (including EMP) report?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
<b>OP/BP 4.10 - Indigenous Peoples</b>	
Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ] NA [ <input type="checkbox"/> ]
<b>OP/BP 4.12 - Involuntary Resettlement</b>	
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Is physical displacement/relocation expected?	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ] TBD [ <input type="checkbox"/> ]
Provided estimated number of people to be affected	
Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods)	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] TBD [ <input type="checkbox"/> ]

93 Provided estimated number of people to be affected	
<b>The World Bank Policy on Disclosure of Information</b>	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
<b>All Safeguard Policies</b>	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]

## V. Contact point

### World Bank

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### Borrower/Client/Recipient

Name: Ministry of Finance

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### Implementing Agencies

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## VI. For more information contact:

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## VII. Approval

Task Team Leader(s):	Name: Elisabeth Goller
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<b><i>Approved By</i></b>		
Practice Manager/ Manager:	Name: Almud Weitz (PMGR)	Date: 09-Feb-2017
Country Director:	Name: Mona Sur (CD)	Date: 09-Feb-2017