



# Concept Environmental and Social Review Summary

## Concept Stage

### **(ESRS Concept Stage)**

Date Prepared/Updated: 09/18/2023 | Report No: ESRSC03775



I. BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Lao People's Democratic Republic	EAST ASIA AND PACIFIC	P181359	
Project Name	Lao Airlines Sustainable Development		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Transport	Investment Project Financing		11/3/2023
Borrower(s)	Implementing Agency(ies)	Estimated Concept Review Date	Total Project Cost
			0

Proposed Development Objective

The proposed technical assistance aims to restructure Lao Airlines debt position and strengthen its operational management and financial performance.

B. Is the project 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

Resuscitating Lao Airlines requires that the Government of Lao defines its strategic value proposition to the overall economy, and that the airline develop a more efficient and sustainable business model. The technical assistance aims to support Lao Airlines with an options analysis for charting necessary business and management reforms that are needed to ensure commercially-oriented and sustainable airline services. The grant supports the implementation of recommendations emanating from a 2023 Public Financial Review specific to State-owned enterprises on fiduciary management, transparency, and accountability reforms. Three main components are designed to (i) guide government and executive decision making in the debt restructuring of a major SOE, (ii) strengthen strategic, fiduciary and technical management, and (iii) foster business improvements that improve financial reporting.

D. Environmental and Social Overview

D.1 Overview of Environmental and Social Project Settings

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The Project activities will be implemented at the national level and involve working with the central government including the Department of Civil Aviation (DCA) under the Ministry of Public Works and Transport (MPWT), and the Ministry of Finance. The project will mainly finance technical assistance that aims to restructure Lao Airlines’ debt position and strengthen its operational management and financial performance. The project will not finance civil work and activities that are expected to have any significant direct environmental social risks and impacts.

Lao PDR has updated its National Determined Contribution (NDC) targets to address the issue of greenhouse gas (GHG) emissions in September 2021. The country's national GHG emissions in 2020 were estimated to be approximately 53 MtCO<sub>2</sub>eq. Laos has committed to unconditionally reducing its GHG emissions by 60% or around 62,000 ktCO<sub>2</sub>e in absolute terms by 2030. Additionally, the Government of Lao has also set a conditional target of achieving net-zero emissions by 2050. The proposed project interventions could potentially contribute to the reduction of GHG emissions by promoting the use of alternative fuels, and operational efficiency improvements, optimizing routes

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

The Department of Civil Aviation (DCA) under the Ministry of Public Works and Transport (MPWT) will be the main implementing agency for the project. The MPWT has had experiences with the World Bank safeguard and ESF policies under various past and on-going projects. Safeguards or ESF implementation performance for each project varies but mostly is satisfactory.

DCA has not been involved directly on the preparation and implementation of environmental and social assessments and E&S instruments. However, the MPWT has a dedicated unit, Public Works and Transport Institute (PTI), working on environmental and social aspects. A focal point from PTI will be assigned to be responsible for preparation and implementation of ESF instruments.

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

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

Moderate

**A.1 Environmental Risk Rating**

Moderate

The TA project involve the development of an analysis of airline restructuring strategy options, a business plan, detailed cooperate governance guidelines under component (C-1); advisory experts for business optimizations and management improvement (C-2); and procurement of software module upgrades to improve an integrated enterprise resource planning (C-3). The TA will finance an organizational and operational options analysis to inform a restructuring strategy and reform pathway, however it does not finance the implementation of the strategy and reform process. Given this, the project is not expected to cause any direct adverse impacts or risks on the biophysical

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environment, human health and safety, or other valued environmental components. However, there are potential downstream environmental risks associated with the airline restructuring strategy options analysis and business plan supported by the project. These may include increases in noise and vibration pollution, local greenhouse gas (GHG) emissions and air pollution from possible increased airline traffic and aircraft utilization. However, it is noteworthy that the project activities - i.e. fleet/route optimization, and/or improvement of fleet utilization, promoting the use of alternative fuels - are more about enhancing the ridership and improving the operational efficiencies. The expected increase in overall airtime as such may or may not increase. Even if the airtime increase, efficiency gains with better fleet management may offset the impact. In addition, the restructuring strategy would look to strengthen corporate social responsibility through improved environment governance practices, such as participation in CORSIA to achieve carbon-neutral growth from 2030 onwards, which implies the GHG emission reduction consideration. In consideration of the scope of the TA, and the potential downstream environmental risks and benefits, the environmental risk for this project is rated as Moderate.

**A.2 Social Risk Rating**

Moderate

The social risk rating for this project is currently considered Moderate. The proposed project will mainly finance technical assistance that aims to restructure Lao Airlines’ debt position and strengthen its operational management and financial performance. The proposed activities are not expected to have any significant direct social risks or impacts. The project will not finance physical works and activities that would require land acquisition, displacement or generate risks or adverse impacts on local communities particularly ethnic and vulnerable groups. The project is expected to have beneficial impacts on the Lao Airlines as well as Lao aviation sector, its clients (passengers) and workers in the long run by improving its operational and financial status. Under the project, consultants with required areas of expertise will be hired to provide technical assistance on the options analysis, that will inform a specific reform pathway and development of airline sustainability plan including Lao Airline Restructuring Strategy and Business Plan and modernization of Passenger Service System (PSS). However, the adoption of business plan and modernized PSS developed under the project may lead to changes in the organizational and financial management structures. This include staff reshuffling with some positions required to be laid off and financial benefits cut down, and introducing automated processes of PSS in order reduce cost overheads and improve efficiency. This risk is expected to be insignificant and will be assessed in more detail during project implementation to identify appropriate mitigation measures. In the longer term, an increase in airline traffic will likely increase noise and pollution, including vibration and carbon emission that are harmful to physical and mental health among the local people and communities surrounding and nearby the 13 airports which are mainly located in Capital City of Vientiane and provincial towns.

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**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

On the positive side, the project could help contribute to the NDC targets i.e. to reduce GHG emissions due to the improvement in fleet route optimization, promoting the use of alternative fuels. On the other hands, it also may result in increased GHG emissions, noise, and vibration pollution due to an increased air traffic within the country. In addition, a business reform may result in job loss as the SOE may need to automate processes to stay competitive and reduce employee benefits to cut costs.



To ensure that the potential induced impacts are properly addressed and the requirements of the WB ESF policy are effectively integrated, project activities will consider relevant aspects of the WB's ESF. The TORs and deliverables for the development of restructuring options analysis and business plan will be reviewed to ensure that downstream E&S implications be identified, and assessed to provide advices through the TA for addressing these E&S implications that is consistent with the ESF.

**ESS2 Labor and Working Conditions**

Relevant

The ESS2 is relevant. The project workforce will involve: (a) Direct Workers such as government staff appointed by the MPWT to directly work for the project, (b) contracted workers including consultants who will provide professional consultancy services for the project, and (c) Primary Supply Workers who are expected to provide the Passenger Service System software and training on the use of the system.

The Project will ensure the application of ESS2 requirements. Labor Management Procedures (LMP) will be developed to ensure fair and transparent process of staff and consultant selection for the jobs and assignments, equal treatment of workers as well as proper labor and working conditions. The LMP will include special policy provisions for workers or staff who may lose her/his job as a result of adopting Restructuring Strategy and Business Plan with special attention to be paid to ethnic and vulnerable groups of employees. The LMP will include information on a GRM for workers.

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

Relevant

The ESS3 is relevant. The project aims to maximize resource efficiency used by Lao Airlines to enhance its competitiveness. The project will not finance any civil works or activities that generate pollution to air, water, and land or consume finite resources that may threaten people, ecosystems, and the environment at the local, regional, and global levels. However, induced impacts from the TA may include an increase in local GHG emissions, air, noise, and vibration pollution from increasing airline traffic and aircraft utilization. Therefore, the TORs prepared for project activities will consider these potential induced impacts to ensure effective integration of World Bank ESF policy requirements.

**ESS4 Community Health and Safety**

Not Currently Relevant

The ESS4 is not relevant. However, negative induced impacts, such as noise and vibration pollution due to an increase in airline traffic, may result in community and people's health impacts. While unlikely to occur during implementation of this TA project, the project will consider these potential impacts and appropriate measures to mitigate them in the Business Plan to be prepared under the project.

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

Not Currently Relevant

The ESS5 is not relevant. The project will not support any activities that might result in Land Acquisition, Restrictions on Land Use, and Involuntary Resettlement.

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

Not Currently Relevant



The ESS6 is not relevant. The proposed project focus on providing technical assistance and capacity building to the government. The proposed Project will neither finance nor support any civil works, activities or policies that might affect biodiversity, ecosystems and their services, or management of living natural resources.

**ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities** Not Currently Relevant

The ESS7 is currently not relevant. However, the project’s SEP will include special provisions on engagement and meaningful consultations with ethnic and vulnerable staff, information disclosure, and transparent process of staff recruitment and discharge if needed as result of updated business plan and PSS implementation. This risk will be highly unlikely occur during the project implementation.

**ESS8 Cultural Heritage** Not Currently Relevant

The ESS8 is not relevant. The project does not involve any physical activities that directly or indirectly affect tangible or intangible cultural heritage.

**ESS9 Financial Intermediaries** Not Currently Relevant

The ESS9 is not relevant. The proposed project will not channel funds to a Financial Intermediary with the objective of sub-lending.

**ESS10 Stakeholder Engagement and Information Disclosure** Relevant

The ESS10 is relevant. A project-level Stakeholder Engagement Plan (SEP), proportionate to the nature and scale of this project and its potential risks and impacts, will be prepared to guide activities implemented by the Borrower and will be disclosed in the country by appraisal. The SEP will include special provisions and a program for engagement and consultation with concerned stakeholders, including DCA and Lao Airlines staff, during project implementation. The Project Grievance Redress Mechanism (GRM) will be established to meet the Bank ESS10’s requirements providing legitimate access and platform for stakeholders and project affected people to voice their complaints, opinions, and suggestions. The GRM will be managed by PTI of MPWT and will include staff adequately trained on GRM handling processes, monitoring, and reporting on grievances received and addressed. The draft SEP, LMP, and ESCP will be disclosed publicly on the websites of the IAs prior to appraisal.

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

**OP 7.50 Projects on International Waterways** No

**OP 7.60 Projects in Disputed Areas** No

**B.3 Other Salient Features**

Public Disclosure



**Use of Borrower Framework** No

**Use of Common Approach** No

No financing partners are identified at the moment.

**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?**

Actions to be completed prior to Appraisal

- Preparation, and disclosure of the Environmental and Social Commitment Plan (ESCP) before appraisal
- Preparation, consultation, and disclosure of the Stakeholder Engagement Plan (SEP) with Grievance Redress Mechanism prior to appraisal.
- Preparation, consultation, and disclosure of a Labor Management Procedure (LMP), with Grievance Redress Mechanism for project workers prior to appraisal.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

- Terms of References (TORs) to conduct the project’s activities and the deliverables (development of strategy restructuring option analysis and business plan, and capacity building) will be reviewed by the Bank to ensure that the ESS1, ESS2, ESS3 and ESS10’s requirements are adequately integrated to manage potential downstream impacts and risks
- Stakeholder Engagement

Public Disclosure

**III. CONTACT POINTS**

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**IV. FOR MORE INFORMATION CONTACT**



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## V. APPROVAL

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