



Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 04/06/2019 | Report No: ESRSC00352



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Lao People's Democratic Republic	EAST ASIA AND PACIFIC	P169194	
Project Name	Lao PDR Financial Sector Safety Net Strengthening		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing		
Borrower(s)	Implementing Agency(ies)		
	Deposit Protection Office		

Proposed Development Objective(s)

to strengthen the financial and institutional capacity of the Deposit Insurance Office to enable it to fulfill its deposit insurance mandate.

Financing (in USD Million)	Amount
Total Project Cost	10.00

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 [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The proposed operation is in response to the Government’s August 2018 request for financing to increase DPO’s capitalization and strengthen its institutional capacity. The project is part of a broader strategy to strengthen the financial safety net, through strengthening the monitoring, supervision and resolution of deposit-making financial institutions, including mechanisms for timely payouts of depositors in the case of bank failures. The setting up of a credible Deposit Insurance System is important for financial sector stability, including maintaining public confidence, and protecting less sophisticated or small depositors.



D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social] The project in national in scope. There is no physical footprint. In the event of a bank failure, the project will help ensure that insured depositors, the overwhelming majority of whom are households, will not lose their savings.

D. 2. Borrower’s Institutional Capacity

The Depositor Protection Office (DPO) will serve as the implementing agency, with a subsidiary agreement with the Borrower (the Ministry of Finance). The DPO does not have prior experience with implementing WB projects.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Low

Environmental Risk Rating

Low

A - type, location, sensitivity and scale of the Project including the physical considerations of the Project. This type of risk / impact is rated Low. The project will benefit nationwide by ensuring the depositors in the event of a bank failure through its two components, 1) The Capitalization of Deposit Protection Reserve Fund; and, 2) Institutional capacity building for Depositor Protection Office (DPO) and other members of financial safety net.

B - nature and magnitude of the potential environmental risks and impacts, the nature of the potential risks and impacts (e.g. whether they are irreversible, unprecedented or complex).

This type of risk / impact is rated Low. The project will not finance any infrastructure and/or technical assistance that could conceivably result in any adverse environmental impacts.

C - capacity and commitment of the Borrower to manage risks and impacts in a manner consistent with the ESSs. This type of risk / impact is rated Low, and physical environmental impacts or implications for future effects on the environment are highly unlikely. As the project will not likely to pose any negative impact on environment, the Borrower’s capacity to manage environmental risks and impacts is of very minor relevance. However, as part of World Bank’s Investment Project Financing, the DPO assigned staff will receive trainings on Environmental and Social Framework (ESF) to ensure adequate capacity to implement in future applicable Environmental and Social Standards (ESSs).

D - other areas of risk that may be relevant. No other relevant risks were identified.

Social Risk Rating

Low

The social risk is classified as low. The project will have no adverse impacts on people. The project will ensure that insured depositors, the majority of whom are households, will not lose their saving in the event of a bank failure. A public campaign is planned as part of the project to promote awareness of deposit insurance.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Public Disclosure



Overview of the relevance of the Standard for the Project:

The project consists of two components: 1) The Capitalization of Deposit Protection Reserve Fund; and, 2) Institutional capacity building for DPO and other members of financial safety net. Overall the project will have positive social impacts to insured depositors in the event of a bank failure. The project as part of the second component will promote public awareness and literacy on deposit insurance. An inclusive approach, that considers the needs language and cultural needs of different groups of people of Lao PDR, will inform the public awareness strategy. The project will have a nationwide in scope but will not finance any infrastructure and/or technical assistance that could conceivably result in any adverse environmental impacts. The Bank deposit will only be investing on a Government Bond or Stock Market, which will not pose any physical footprint.

Areas where reliance on the Borrower’s E&S Framework may be considered:

There are no specific areas where the Borrower's framework will be relied on for social and environmental risk.

ESS10 Stakeholder Engagement and Information Disclosure

The main project stakeholder group is the banking industry including workers and depositors. As part of the institutional capacity building, public awareness and literacy on deposit insurance will be promoted. This will include a public awareness strategy; issuing of regulation requiring member institutions to provide standard information on deposit insurance coverage to their clients; and survey on public awareness about deposit insurance scheme. These activities will be informed by a stakeholder engagement plan that will provide guiding principles in accordance with ESS10 principles for consistent, comprehensive, coordinated and a culturally appropriate approach to meaningful engagement. Central to communicating to the public will be ensuring both a mechanism is in place to both take feedback and receive complaints.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

Workers likely to be relevant include direct workers (DPO staff) and contracted workers (consultants) providing technical assistance on systems strengthening. An initial due diligence to identify gaps between provisions under the national system and through contracting will inform the Labour Management Plan and Procedures including Worker Grievance Procedure.

ESS3 Resource Efficiency and Pollution Prevention and Management

The project will support institutional and capacity building. There will be no materials to be sourced, neither waste generated from project’s proposed activities. Energy and water use will be restricted to the operation of the Borrower’s office facilities, with no additional consumption above the current baseline. To enhance the Borrower’s current environmental performance, especially the efficient use of water and energy, guidelines on water and energy saving potential at the Borrower’s workplaces will be produced and implemented.

ESS4 Community Health and Safety

Public Disclosure



No adverse community health and safety impacts are anticipated as a result of project activities.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The activities for this project will not require the acquisition or conversion of any land nor will the activities restrict access to resources.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The project will finance institutional and capacity building, none of the activities will be relevant for biodiversity or natural resources.

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

The project is national in scope. The activities do not have a physical footprint. As part of the project, a public awareness strategy is proposed. Requirements for ensuring meaningful consultation from all groups, including ethnic groups, will be mainstreamed as part of the approach to developing and implementing the strategy. As part of the strategy a survey is also planned on public awareness about deposit insurance scheme, any further information needed for inclusion will be incorporated into the survey design.

ESS8 Cultural Heritage

The activities from this project will not result in impacts or risks to tangible or intangible cultural heritage.

ESS9 Financial Intermediaries

The project is not expected to make use of a Financial Intermediary.

B.3 Other Relevant Project Risks

All risks and impacts have been presented against the standards.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways

No

This policy is not relevant to the project as it will not use or impact on any water resources.

OP 7.60 Projects in Disputed Areas

No

The project will not be located in an area under legal or international dispute nor competing territorial claims.

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?

No

Public Disclosure



Financing Partners

None at this time.

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

Environmental and Social Commitment Plan

Stakeholder Engagement Plan and Grievance Procedure focused on promoting awareness of depositors on deposit insurance.

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

Updated Stakeholder Engagement Plan to reflect findings of survey on public awareness about deposit insurance scheme.

Labour Management Plan and Procedures including Worker Grievance Procedure

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

31-May-2019

IV. CONTACT POINTS

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Borrower/Client/Recipient

Implementing Agency(ies)

Implementing Agency: Deposit Protection Office

V. FOR MORE INFORMATION CONTACT

Public Disclosure



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VI. APPROVAL

Task Team Leader(s):	Michael Corlett
Safeguards Advisor ESSA	Peter Leonard (SAESSA) Cleared on 05-Apr-2019 at 18:03:14
Practice Manager	Irina Astrakhan (PMGR) Concurred on 06-Apr-2019 at 20:02:14