

**Environmental & Social Management System**

**MSME Access to Finance - Emergency and Recovery Support Project**

**(MSME A2F - ERS Project) (P174169)**

## E&S Policy

Micro, Small and Medium Enterprises (MSMEs) play an important role in the Lao PDR economy, accounting for around 99 percent of registered firms, and the bulk of the informal economy, estimated to account for 30 percent of the economy.

Department of Small and Medium Enterprise Promotion (DOSMEP) and the Participating Financial Institutions (PFIs) believe that environmental protection and social development are among the most pressing issues facing the world today. Therefore, we regard sustainable and social development as fundamental aspects of sound business management.

Consequently, we are committed to continuing the integration of environmental and social aspects into our business activities and those with whom we have a relationship with. To implement, we have developed an Environmental and Social Management System (ESMS). Under this DOSMEP and the PFIs will work to support the following policy objectives:

- There will be no financing of excluded activities, as defined in this ESMS;
- Committing that the operations of borrowers are adequately assessed against the environmental & social requirements as defined by the applicable environmental & social national and local laws and regulations in Lao PDR and require compliance;
- Environmental and social risk management is adequately integrated into the credit review cycle to ensure they are all screened for environmental & social risks and impacts;
- Ensuring that there a designated people with role sand responsibilities to support the implementation of the ESMS;
- Ensure that updates to the ESMS are made as required; and
- We report as required to our stakeholders on ESMS implementation.

*Director General DOSMEP*



**Bountheung DOUANGSAVANH**

**21 JAN 2021**

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## Introduction

COVID-19 is one of several emerging infectious diseases (EID) outbreaks in recent decades that have emerged from animals being in contact with humans, resulting in major outbreaks with substantial public health and economic impacts. The last moderately severe influenza pandemics were in 1957 and 1968; each killed more than a million people around the world. MSMEs have been greatly impacted by economic disruptions resulting from the ongoing COVID-19 crisis.

This Environmental & Social Management system (ESMS) is for the Lao PDR Micro, Small, and Medium Enterprise (MSME) Access to Finance Emergency and Recovery Project (P174169) (the Project) and is planned to be a continuation of the existing World Bank funded project Lao PDR – Small and Medium Enterprise Access to Finance Project (P131201), which is being successfully implemented by the Ministry of Industry and Commerce (MOIC) and commercial banks in Lao PDR.

This Project is implemented under the World Bank's new Environmental and Social Framework (ESF), which was officially endorsed and launched in October 2018. One of the objectives of the ESF is going beyond the traditional “*do no harm*” approach to avoiding, minimising and managing environmental and social (E&S) risks, and maximising developmental gains.

The Project aims to increase and enhance access to finance for MSMEs in the context of the COVID-19 emergency and recovery. It will achieve this through a combination of lines of credit to MSMEs (for emergency and recovery phases of the crisis), intermediated through select financial institutions, to MSMEs. The Project will also invest in strengthening the capacity of financial institutions to implement crisis management strategies and develop MSME finance business strategies, technical assistance to support MSMEs obtain access to finance, and capacity building to DOSMEP to strengthen its ability to formulate and implement policies to promote MSME development. Whilst the Project is focusing on emergency response to the crisis, it will also have a longer-term impact on the economic recovery by providing a flexible approach to addressing financial needs of the MSMEs during the crisis and in the recovery phase.

The Project is planned to be a continuation of the existing World Bank's funded project Lao PDR – Small and Medium Enterprise Access to Finance Project (SME A2F) (P131201), which is being successfully implemented by the Ministry of Industry and Commerce (MOIC) and four commercial banks. Most SMEs under existing project are located in Vientiane and Vientiane Capital, this project will also provide support to rural area of Lao PDR. The exact location of the MSMEs to be financed will not be known until implementation.

The target beneficiary MSMEs under the Project are registered micro (1-5 employees, small (6-50 employees) and medium private enterprises (51 to 99 employees) operating in Lao PDR that have been in business for at least two years and wish to sustain their business activities. Based on the SME A2F experience, it is anticipated that the majority of beneficiary MSMEs are in the trade, manufacturing, and service sectors (for SME A2F out of total approved sub-loans to 169 MSMEs, 53% were for trade sector, 33% for service sector, 8% for industry sector, 3% for agriculture sector and 3% were for handicraft sector. 72 sub-loans were to microenterprises, 93 to small enterprises and 4 to medium sized enterprises. Targeted of service sectors under this Project include: (i) Farming and livestock; (ii) Agriculture processing (iii) Handicrafts; and (iv) Tourism. Specifically, beneficiary MSMEs are expected to comprise of the following private business types: pre-existing restaurants, coffee shops, small scale resorts, grocery shops, fish farms, pig farms, mobile shops, silk weaving shops, travel agencies, private tour operators, production and distribution of construction materials stores, steel form work rental service, clothing store, shoes shops, gold/jewellery shops, car service shop, furniture shops, mini marts, pottery manufacture, aluminium frame and glass partition shops, etc.

In addition, as some additional context on the sectors that Lao PDR promotes, in accordance with the Decree on SME promotion fund No.299/Gov dated 4<sup>th</sup> September 2019, are:

- Industrial processing of agricultural products;
- Handicrafts;
- Agriculture, plantations and animal husbandry; and
- Tourism.

Types of activities to be financed under the Project are anticipated to be:

- Working capital needs (loans for payment of salaries, marketing costs, audit and accounting costs);
- Acquisition of new transportation equipment (automobiles, trucks, other specialised equipment, and replacement parts);
- Acquisition of communications equipment (phone and fax equipment, computers, printers, servers, software, other hardware, etc.);
- Purchase of construction materials for shops selling construction material, building of warehouses or renovation of existing physical premises on the land fully owned by the MSMEs;
- Purchase of feed stock, and feed mixer machine; and
- Acquisition of fixed assets (industrial machines, refrigerators, industrial equipment, replacement parts, tools and equipment, quality labs, etc.).

Under this Project, the MOIC, through its Department of Small and Medium Enterprise Promotion (DOSMEP) is the single project's Project Management Unit (PMU), so it is taking the responsibility to facilitate the implementation of the ESMS by the participating commercial banks (Participating Financial Institutions (PFIs)).

Under the Environmental and Social Commitment Plan (ESCP) the Project is required to ensure a number of aspects are fulfilled including:

- DOSMEP establishes and maintains a unit (within DOSMEP) to take on overall responsibility for Project implementation, including implementation of the ESMP with qualified staff and resources to support management of E&S risks and impacts of the Project including ensuring there is a nominated E&S Focal Point who is responsible for the monitoring of the implementation of the ESMS, and a senior management representative;
- The PFIs will prepare and implement an ESMS consistent with this ESMS (this may be through adopting this ESMS) and assign both a senior management representative to have overall accountability for environmental and social performance and a staff member as an E&S focal person to coordinate E&S requirements and implementation of the Project ESMP and ESMS; and
- The ESMS of the PFIs will meet the requirements of Environmental and Social Standard (ESS 9)<sup>1</sup> including ensuring there is the capacity to maintain it.

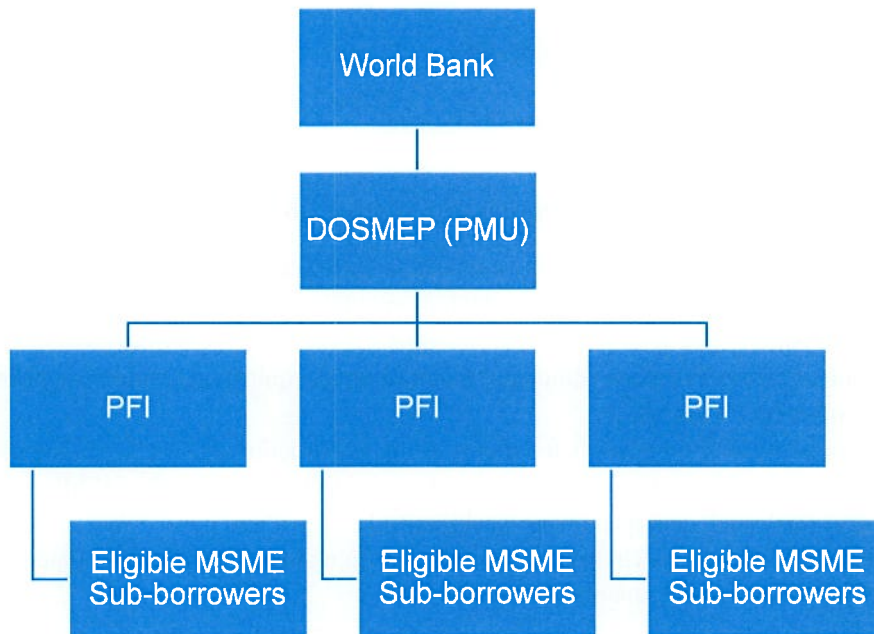
Reference in this ESMS are also made to other requirements including to:

- Stakeholder Engagement Plan (including a Grievance Mechanism); and
- Labour Management Procedures (see *Annex H*).

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<sup>1</sup> <http://documents1.worldbank.org/curated/en/484961530217326585/ESF-Guidance-Note-9-Financial-Intermediaries-English.pdf>

**Figure 1 Overview of the Project Structure for “flow through” of E&S Requirements**



**Overview of the Project Structure**

**Role of DOSMEP and ESF Capacity:**

DOSMEP was established in 2005 under Prime Minister Decree No. 42/2004, dated April 20, 2004, with the mandate to develop a national strategy and policies to promote SME development and to coordinate and supervise their implementation. DOSMEP is the Implementing Agency (IA) and will be directly responsible for the implementation of project components, and for day-to-day execution of activities of the Project. For component 1 Line of Credit, DOSMEP on behalf of MOIC, will conduct the due diligence of PFIs and sign Subsidiary Financing Agreements with the PFIs. DOSMEP has established a PMU headed by the Director General of DOSMEP, as the Project Director. For its day-to-day operations, the PMU has hired a Project Manager and will hire adequate staff, external consultants, and other resources necessary for the successful implementation of the Project.

It should be noted that DOSMEP was the implementing agency for the recently concluded Access to Finance Project, which also included a line of credit operation through participating financial institutions (PFIs). The safeguard implementation performance of all PFIs under supervision of DOSMEP are satisfactory. No non-compliance of the safeguard policies was found throughout the project. Three of the Lao PDR SME Access to Finance’s PFIs will be involved in under this Project. And the Director General of DOSMEP and the Project Manager as well as potential PFIs who had an experience working on the Lao PDR SME Access to Finance Project and keen on the Bank safeguard policies/procedures have received ESF training from the Bank Safeguard specialist during project preparation in 2020.

A summary of the responsibilities of DOSMEP, its PMU and the PFIs in relation to the ESMS is provided below:

DOSMEP responsibilities as apex institution under the Project included the following:

**Coordination and Information Management**

- Assessment and selection and monitoring of PFIs
- Administration of Subsidiary Financing Agreements (SFAs) between DOSMEP and PFIs

- Submission to the World Bank of sub-loan proposals requiring its prior review

#### **Advising PFIs and Beneficiary Enterprises**

- Providing assistance and proactive advice to PFIs and sub-borrowers on all aspects of the project, including terms and conditions, procurement, disbursement, **E&S safeguards procedures**, and M&E

#### **Monitoring and Reporting**

- Ensuring compliance (including by all PFIs) with all the procedures prescribed in the POM and Project Financing Agreement
- Ensuring the maintenance of sub-loan files, in the headquarters of the PFI, ready for audit/review of DOSMEP and/or the World Bank
- Monitoring the eligibility of the SMEs based on the sub-loan agreements
- Reporting to the World Bank on the sub-loan portfolios with information on:
  - Sub-loan commitments, disbursements, delays, and problem loans;
  - Sub-loan portfolio performance aggregated and for the period;
  - A report on sample sub-loans reviewed indicating compliance with sub-loan eligibility criteria; and
  - Analysis of the sub-loan portfolio, with information on geographical distribution, sectors, size of SMEs, use of funds (investment/working capital), size and maturity of sub-loans/sub-leases, performance of subprojects, and so on.

#### **PMU**

- Establish and maintain a unit within DOSMEP to take on overall responsibility for Project implementation, including facilitating implementation of this ESMS, SEP and GRM with qualified staff and resources to support management of ESMS at the PFIs, including ensuring there is a nominated E&S Focal Point<sup>2</sup> who is responsible for the monitoring of the implementation of the ESMS; Ensure that the ESMS that is implemented at each PFI will identify, screen, manage, and monitor the E&S risks and impacts of MSME sub-loans on an ongoing basis, commensurate with the nature and scale of their risks and impacts. Conduct spot-checking, support revising reports by PFIs. The first two sub-loans by any of the participating PFIs will be submitted to the Bank for prior reviewed by the Bank, thus giving an opportunity to check that the ESMS is working adequately;
- Support Participating Financial Intermediaries (PFIs) in meeting the ESMS requirements;
- Report material E&S events to World Bank that are received by the PFIs and submit an annual E&S report to World Bank that reports on the implementation of the ESMS at each PFI and the portfolio of sub-loans for each PFI; and
- Promptly report to the World Bank any significant accident/fatal incident. As soon as the PMU becomes aware of an alleged or actual incident, the PMU should promptly inform the World Bank of the incident and promptly provide information about the incident to the World Bank as well as further details as they become available. For any severe incident such as a fatality, incidents that caused or may cause great harm to the environment, workers, communities, or natural or cultural resources, incidents that may result in high levels of lasting damage or injury, incidents that requires an urgent and immediate response, etc., the PMU shall notify the World Bank within 24 hours after it becomes aware of the incident.

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<sup>2</sup> DOSMEP nominated two staff (Mr. Vilayout Inmyxai as the focal point and Mr. Vannaseng Ounalom as the assistant)



## **Role of the Participating Financial Institutions (PFIs) and their ESF capacity**

As mentioned above, three of the PFIs that participated under a former World Bank funded project will be participating under the current Project and are well versed in World Bank E&S procedures and will appoint focal point persons to handle E&S issues under the Project. In addition, DOSMEP and its PMU will provide training in E&S issues to the PFIs. The PFIs will be responsible for environmental assessment for sub-borrowers/sub-projects, and for ensuring that each sub-loan proposal includes process of screening environmental and social safeguards impact, develop mitigation measures to avoid and mitigate those impacts and documentation, as well as monitor to ensure effective implementation of the ESMF.

### ***Terms and conditions of subsidiary financing between DOSMEP and PFIs***

- PFIs must start and remain in compliance with the eligibility criteria for PFIs as specified in the SFA to be signed between DOSMEP and the PFIs.
- PFIs will be responsible for ensuring that SME sub-borrowers comply with the well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association for the procurement of goods, works, non-consulting services, and consultant services under sub-loans, and applicable **Lao Law, Regulations and Legislations and World Bank E&S policies** and regulations, and the E&S safeguard requirements of the Financing Agreement and applicable safeguard instruments.
- PFIs will provide DOSMEP with a set of documentation for all sub-loans to enable it to maintain all project records and make them available for ex post review by the World Bank or by external auditors as necessary.
- PFIs and MSMEs will be required to provide reasonable information for the purpose of monitoring and an impact assessment during the life of the project (and for a certain period after the project), as may be requested by the World Bank and/or DOSMEP

### ***Roles and Responsibilities of PFIs related to ESMS***

- Establish and maintain a unit with a senior management representative to have overall accountability for environmental and social performance in addition to a staff member as an E&S focal person to coordinate E&S requirements and implementation of the ESMS;
- Develop an ESMS internal to allow the sub-loans to meet the E&S requirements of the Project;
- Ensure that sub-loans are screened and meet the requirements of the Exclusion List under the Project;
- Ensure that sub-loans are screened against the applicable local, provincial and national laws and regulations in Lao PDR and take measures to ensure (including site visits if necessary) to validate and document that the MSME loan applicant has appropriately identified in its loan application the activities and compliance with laws. If an applicant states that the necessary permits or licenses have not yet been issued, PFIs will advise the applicant to obtain the licenses and permits before loans can be approved;
- Monitor compliance of MSME beneficiaries in line with this Project requirements; and
- Submit to the PMU periodic reports on the development and implementation of the ESMS.

## **Objectives**

The ESMS is set out to identify, assess, manage, and monitor the environmental and social risks and impacts of sub-loans on an ongoing basis under the Project, taking into account the national and local laws and regulations in Lao PDR and the requirements of the World Bank. As such the key objectives are:

- To integrate E&S considerations into the lifecycle of sub-loans to eligible MSMEs (sub-borrowers) to ensure that E&S risks and impacts are consistently identified, screened, and managed;
- To set out the responsibilities for E&S risk and impact identification, assessment, decision-making, as well as monitoring and escalation; and
- To work with our the PFIs and the sub-borrowers to manage E&S risks and impacts and support ongoing capacity building in the implementation of the Project.

## **Applicable Standards and Guidelines**

The project is Financial Intermediary (FI) project. Beneficiary PFIs of Partial Credit Guarantee under component 1, and beneficiary MSMEs of Emergency Line of Credit (Component 2) in particular for the COVID recovery phase are expected to engage in diverse types of activities similar to existing project (farming and livestock, agriculture processing, handicrafts and tourism) which are likely to cause minimal or no adverse environmental and social risk of impact due to small size of MSMEs and credit to be provided to MSMEs (not exceed 200,000 USD-the average size of credit of current project is 83,000 USD).

The potential negative project's environmental impacts (dust from rice mill, odor from pig farm, wastewater from restaurant, pig farm, fishpond, vegetable processing, etc.) are likely to be minor, localized and reversible due to its small scale of business and can be mitigated with simple measures and environmental and social good practices. No large scale, significant and/or irreversible impacts are financed under the proposed project. Similar to the current project that taking into an account clean technology (reducing water consumption in dyeing process, reducing flour for noodle factory, install biogas, bag house to reduce dust, etc.) the project will bring positive environmental and social benefits in terms of reducing pollutions from agriculture productions, reducing the GHG emissions, and reducing health risk for consumers by improving the food safety and quality, reducing health risk due to COVID-19 as well as utilization of water resources and energy effectively. With this environmental and social moderate risk rating, ESS9 as well as ESS 1, 2, and 10 are applied. To ensure that the potential E&S risks are adequately screened and mitigated, an ESMS will be prepared by each PFIs (or adopted this ESMS) and to be consulted and disclosed within 45 days after the project effectiveness date.

During the project implementation, all candidate sub-projects will be screened by PFIs against the project's exclusion list of this ESMS, categorized and assessed for their E&S risks and impacts prior to financing under the project. Since a relevant amount of the FI subprojects are likely to cause minimal or no adverse environmental or social risks or impacts, it is expected that in all subprojects, this PFI will apply the national environmental, labor and social laws and regulations. Each PFIs will assign both a senior management representative to have overall accountability for environmental and social performance plus a staff member or consultant as E&S Focal Point to manage the day-today implementation of ESMS. The PFIs and DOSMEP/PMU will disclose relevant project information during project preparation and implementation to promote transparency and accountability on the use of the project's funds.

The following are the standards at a minimum that the ESMS will apply to all transactions:

- Exclusion List (see Annex A Exclusion List);
- Applicable local, provincial and national laws and regulations (see Moderate Risk Activities
- 
- The potential adverse risks and impacts on human populations and/or the environment are not likely to be significant. This is because the Project is not complex and/or large, does not involve activities that have a high potential for harming people or the environment, and is located away

from environmentally or socially sensitive areas. The project's risk and impacts can be easily mitigated in a predictable manner.

- Characteristics may include:
  - Predictable and expected to be temporary and/or reversible;
  - Low in magnitude;
  - Site-specific, without likelihood of impacts beyond the actual footprint of the Project; and
  - Low probability of serious adverse effects to human health and/or the environment (e.g. do not involve use or disposal of toxic materials/substances, routine safety precautions are expected to be sufficient to prevent accidents, etc.).
- 
- **Relevant Laws in Lao PDR);**
  - Screening out of any substantial and high-risk activities (see Annex B Environmental and Social Risk Categorisation Guidance and Annex C);
  - Monitor the sub-loans (see Annex E and G);
  - Implement Labour Management Procedures (Annex H) and SEP as well as GRM.

As High or Substantial Risk sub-loans will not be financed under this project, Substantial and High-Risk activities are also described below. Note that given the nature of MSME financing these are not anticipated to be encountered, nonetheless should be confirmed with the application of the ESMS. Also see Annex B Environmental and Social Risk Categorisation Guidance. This also includes descriptions of the types of activities that would be eligible under the ESMS (Low and Moderate Risk activities). For clarity characteristics of Substantial and High-Risk activities are provided below.

### **Substantial and High-Risk Activities**

Characteristics may include:

- A range of significant adverse risks and impacts
- Mostly temporary, predictable and/or reversible, and the nature of the Project does not preclude the possibility of avoiding or reversing them (although substantial investment and time may be required) to long term, permanent and/or irreversible, impossible to avoid entirely;
- Possibility of avoiding or reversing but with substantial investment and time to some that cannot be mitigated or require complex, unproven mitigation, sophisticated social analysis
- Medium in magnitude and/or in spatial extent (the geographical area and size of the population likely to be affected are medium to large) to high in magnitude and/or in spatial extent (large to very large area or population);
- The potential for cumulative and/or transboundary impacts may exist;
- Medium to low probability of serious adverse effects to human health and/or the environment (e.g. due to accidents, toxic waste disposal, etc.) with known and reliable mechanisms to prevent or

minimize such incidents to a high probability of serious adverse effects to human health and/or the environment

- Effects of the project on areas of high value or sensitivity to impacts on higher value and sensitivity (e.g. protected and internationally recognized areas)
- High value, sensitive lands or rights of ethnic minorities<sup>3</sup> and other vulnerable minorities
- Involuntary resettlement or land acquisition
- Impacts on cultural heritage or densely populated urban areas
- the adverse social impacts of the project, and the associated mitigation measures, may give rise to a limited degree of social conflict, harm or human security risks
- A history of unrest in area or sector, concerns about use of security forces

### **Moderate Risk Activities**

The potential adverse risks and impacts on human populations and/or the environment are not likely to be significant. This is because the Project is not complex and/or large, does not involve activities that have a high potential for harming people or the environment, and is located away from environmentally or socially sensitive areas. The project's risk and impacts can be easily mitigated in a predictable manner.

- Characteristics may include:
- Predictable and expected to be temporary and/or reversible;
- Low in magnitude;
- Site-specific, without likelihood of impacts beyond the actual footprint of the Project; and
- Low probability of serious adverse effects to human health and/or the environment (e.g. do not involve use or disposal of toxic materials/substances, routine safety precautions are expected to be sufficient to prevent accidents, etc.).

### **Relevant Laws in Lao PDR**

All sub-loans provided need to be compliant with the provisions of legal framework of Lao PDR, (e.g. environment, social, health, safety & labour laws, construction and operation permits etc.) as such there is a need to screen to ensure that material aspects are met in addition to sub-borrowers confirming compliance with the relevant laws as part of the loan agreement.

Key relevant legislation includes:

- *The Environmental Protection Law (EPL) was issued in 2000 and revised in 2012. The EPL (2012) covers the general requirements for effective 1) protection of natural and social environment including environmental quality; 2) management of control of pollutions, waste, and toxic substance*

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<sup>3</sup> Ethnic minorities is a common local term in Lao PDR referring to what is described under ESS7 of the World Bank ESF Indigenous Peoples which is used in a generic sense to refer exclusively to a distinct social and cultural group possessing the following characteristics in varying degrees: (a) Self-identification as members of a distinct indigenous social and cultural group and recognition of this identity by others; and (b) Collective attachment to geographically distinct habitats, ancestral territories, or areas of seasonal use or occupation, as well as to the natural resources in these areas; and (c) Customary cultural, economic, social, or political institutions that are distinct or separate from those of the mainstream society or culture; and (d) A distinct language or dialect, often different from the official language or languages of the country or region in which they reside

from various sources; 3) environmental impacts caused by human or natural disasters; 4) environmental certification and permission, and 5) public participation.

- *National Environmental Standards Decree, 2017*, defines quality of air, soil, water, noise and vibration, pollutions, and measures for management and control.
- *Pollution Control Guidelines, 2015*, defines types of pollution, management and control, certification, monitoring, inspection and reporting of pollutions and management.
- *Polluted and Hazardous Waste Management Guidelines, 2015*, defined principles and management methods, monitoring and inspection, obligations, and responsibility for management of polluted and hazardous waste.
- *Law on Chemicals Management, 2015*, defined type of chemicals including hazardous chemicals, safety measures and prevention and solutions for accidents, businesses and management including licencing, monitoring, inspection, and responsibilities for chemicals management.
- *Law on Hygiene, Disaster Prevention and Health Promotion, issued in 2011 and updated 2019*, defines the principles, rules, measures and requirements for hygiene, disease prevention and health promotion. Particularly, it provides a regulation and guideline for hygiene practices for all group of people including labour and occupation, places and facilities, production, consumption and environmental health. Disease prevention includes immunization and prevention of communicable and infectious disease. Health promotion includes rules, measures and requirements for promoting health and quality of life of all group of people, nutrition, healthy environment and recreation.
- *Labour Law, adopted in 2006 and updated in 2013*, defines the principles, regulations and measures on administration, monitoring, labour skills development, recruitment, and labour protection. This labour law applies to all employers, registered and unregistered employees, Lao employees working for foreign organizations, and foreign employees working within the Lao PDR. Importantly, it defines a mandatory obligation for employers and other relevant parties on Labour Occupational Health and Safety (OHS) to protect labour health and safety, and labour accident and occupational diseases.
- *Law on Preventing and Combating Violence Against Women and Children (2014) Law on gender (2019) and Women Development and Protection (2004)*. These legislations provide regulations and measures to manage, prevent and address potential misconduct among civil servants including health workers and outsourced volunteers, community health and safety issues and risks associated with Sexual Exploitation and Abuse (SEA), Gender-based Violence (GBV) and Violence Against Children (VAC).
- *Law on Handling Petitions (2015)* provides provisions of objectives, principles and process of applying and handling different types of grievance, petition and complaints that may be raised by citizens.

## Scope

The provisions of the ESMS are applicable to the DOSMEP- PMU and all PFIs using funds provided by the Project.

- The DOSMEP PMU is the entity responsible to assist PFIs in preparing this ESMS, provide ESF training, supervising, monitoring and reporting of ESMS implementation by PFIs. PMU will also regularly update environmental and social information and PFIs portfolio Risk.
- The PFI is the entity responsible for adoption, localisation and implementation of the ESMS for eligible sub-loans and ongoing monitoring. The ESMS of each PFI, consistent with this ESMS, will need to be prepared and disclosed before the beginning of the operations of each PFI. The

ESMS of each PFI will apply to each of the sub-loans processed under the Project. There are no waivers or dispensations for its application.

### **ESMS Communication & Disclosure**

Ensuring awareness of relevant stakeholders (see the Stakeholder Engagement Plan) of the existence of the ESMS which supports its implementation, including to all relevant personnel at the PMU and PFIs.

The ESMS is available here:

- <http://dosmep.org/msme-a2f-est/>

Each PFI will ensure that the PFI's ESMS is disclosed and available to relevant staff.

### **Training**

The MPU and PFIs are required to develop and maintain organisational capacity and competency for implementing the ESMS, with clearly defined roles and responsibilities. The PMU and PFIs will designate a representative of their senior management to have overall accountability for environmental and social performance of the sub-loans, including the implementation of this ESMS and Labour Procedures and resources necessary to support such implementation. The representative will: (a) designate a staff member to be responsible for day-to-day implementation of the ESMS, including the environmental and social procedures; (b) ensure that adequate resources are available for management of and training in environmental and social issues; and (c) ensure that adequate technical expertise, either in-house or external expert support, is available to carry out due diligence and manage the environmental and social risks of the PFI sub-loans, including providing implementation support as required.

DOSMEP and PFIs and other relevant implementing support staff responsible for the Project, including the E&S Focal Point, to receive training (mainly from consultants but, sometime, from the staff of the World Bank) on the Project's ESMS and SEP, GRM Labor Management Procedures, provisions to prevent sexual abuse (SEA), Gender Based Violence (GBV) and/or violence against children (VAC), and the roles and responsibilities of different key agencies in the ESF implementation.

Relevant online training courses (in English) are provided below:

#### **IFC Sustainability Training and E-Learning Program (STEP)**

This program has been designed for managers and staff of financial institutions (FIs) including banks, private equity funds, and others. This free e-training aims to help FIs better understand sustainable finance, social and environmental risk management and explore sustainability-related business opportunities.

It will take you approximately 3 hours to complete the free training. The bookmarking capability of this training will enable you to proceed at your own pace. You will be able to stop at any time and then begin where you left off at a later time. If you are experiencing technical difficulties, please email [olcsupport@worldbank.org](mailto:olcsupport@worldbank.org). In your email, please include the course name, a clear description of the problem and a screenshot if possible.

How to access the online course:

1. Please make sure to disable your web browser's pop-up window blocker (course is best viewed using Internet Explorer).

2. Go to <https://olc.worldbank.org>. If you have an OLC account, log in using your credentials. To create an account, follow the instructions in this [PDF tutorial](#).
3. Once you are logged in/your account has been set up, log in to the system with the following link: [https://wbg.sabacloud.com/Saba/Web\\_spf/NA1PRD0002/common/leclassview/dowbt00000000004082](https://wbg.sabacloud.com/Saba/Web_spf/NA1PRD0002/common/leclassview/dowbt00000000004082)

### **IFC Environmental and Social Management Systems and Tools for Financial Institutions Financing SMEs**

This one hour webinar offered an overview of the business case for sound environmental and social risk management. It focused on Environmental and Social Management Systems (ESMS) and E&S due diligence tools for financial institutions providing financing to SMEs, and discussed practical solutions to implementation challenges commonly faced by financial institutions in this area.

- o [Recorded Webinar: Environmental and Social Management Systems and Tools for Financial Institutions Financing SMEs by Sandra Abiola](#)
- o [Presentation: Environmental and Social Management Systems and Tools for Financial Institutions Financing SMEs by Sandra Abiola \[PDF\]](#)

### **IFC E-Learning Course on Managing Environmental and Social Performance**

Take this course and learn how you can help your clients manage their environmental and social risks, thereby having a positive impact on their bottom line, reputation and development impact.

The free course consists of four 15-minute modules within a single container module. At the end of each module, you will need to answer at least 4 out of 6 questions correctly to receive your certificate of completion.

If you experience any technical difficulties, please email [olcsupport@worldbank.org](mailto:olcsupport@worldbank.org).

How to access the online course:

1. Please make sure to disable your web browser's pop-up window blocker (course is best viewed using Internet Explorer).
2. Go to <https://olc.worldbank.org>. If you have an OLC account, log in using your credentials. To create an account, follow the instructions in this [PDF tutorial](#).
3. Once you are logged in/your account has been set up, log in to the system with the following link: [https://wbg.sabacloud.com/Saba/Web\\_spf/NA1PRD0002/common/leclassview/dowbt00000000004081](https://wbg.sabacloud.com/Saba/Web_spf/NA1PRD0002/common/leclassview/dowbt00000000004081)

### **World Bank ESF Fundamentals**

The “ESF Fundamentals” course delves into each of the ESF Environmental and Social Standards (ESS). It includes videos and two case studies with stakeholders demonstrating and sharing helpful approaches, mindsets and behaviours that are key to successful implementations of the ESF. It comprises 8 modules and takes about 8 hours to complete.

<https://www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/esf-training>

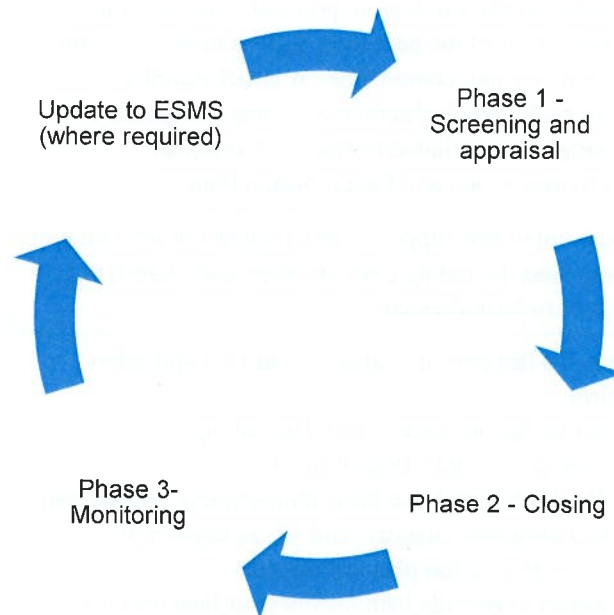
(Note that this includes requirements of the ESF that are not triggered by this Project.)

## Environmental & Social Procedure

The overall summary of the process of E&S review under the ESMS is set out below:

- **Phase 1 – Screening and Appraisal**
  - Screen against exclusion list activities
  - Categorise
  - Conduct an E&S appraisal of the sub-borrower
- **Phase 2 – Closing**
  - Confirm commitments in the loan agreement (and any actions required)
- **Phase 3 – Monitoring**
  - As part of regular monitoring follow-up on E&S aspects and also any E&S issues reported by the sub-borrower

**Figure 2 E&S Review Process**



The requirement is that this process is replicated internally by the PFIs so that this undertaken by them.

Details are further set out in the sections below.

### Phase 1: Screening and Appraisal (for the PFI to conduct)

Entity	Responsibilities	Documents
Loan Officer	<ul style="list-style-type: none"> <li>▪ Screen a sub-borrower’s activities against the Exclusion List (in Appendix A).</li> <li>▪ If any excluded activities are identified, then the loan should proceed no further.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Completed screening assessment refer to Annex C Screening and</li> </ul>



Entity	Responsibilities	Documents
	<ul style="list-style-type: none"> <li>▪ If no exclusion list activities are identified, then the application can proceed to the next Phase.</li> <li>▪ Categorisation should be undertaken (see Annex B Environmental and Social Risk Categorisation Guidance) of the sub-borrower also see Table 1 below. <ul style="list-style-type: none"> <li>– Where “high” or “substantial” risk activities are identified, the sub-loan processing should not proceed. This includes an activity that requires an IEE or ESIA in Lao PDR.</li> </ul> </li> <li>▪ The sub-borrower must be able to demonstrate compliance with applicable local, provincial and national laws and regulations in Lao PDR, including permits and approvals). <ul style="list-style-type: none"> <li>▪ Where compliance cannot be demonstrated, an E&amp;S Action Plan must be agreed with the sub-borrower in order for the sub-loan to proceed. The plan must specify all of the necessary actions to bring the sub-borrower into compliance. A target completion date for each specified action must also be agreed. A template is included in Annex D Template Environmental and Social Action Plan.</li> </ul> </li> </ul>	Appraisal Format
<b>PFI E&amp;S Focal Point</b>	<ul style="list-style-type: none"> <li>▪ Provide input and support where required in screening of the sub-loan, including categorisation and identifying any gaps to be addressed.</li> </ul>	-
<b>Credit</b>	<ul style="list-style-type: none"> <li>▪ This is the last part of evaluation, and is required to confirm: <ul style="list-style-type: none"> <li>▪ No exclusion list activities (including high/substantial risk activities)</li> <li>▪ The E&amp;S risks have been appropriately understood, including the category, and where necessary a corrective action plan developed</li> <li>▪ Reject to provide loan (business or loan purpose exists in Exclusion List)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Reviewed screening assessment refer to Annex C Screening and Appraisal Format</li> </ul>

**Table 1 E&S Categorisation**

Category	Definition	Notes
<b>High Risk</b>	High Risk means any business activity which is likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented, and which includes, for the avoidance of doubt, activities involving (a) involuntary resettlement, (b) risk of adverse impacts on ethnic minorities, (c) significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage,	Not allowed to proceed under the ESMS.

Category	Definition	Notes
	or (d) significant occupational health and safety risks (risk of serious injury or fatality to workers).	
<b>Substantial Risk</b>	Substantial Risk means any business activity that is not as complex as High-Risk activities, however, has some significant risks and impacts with the possibility of avoiding or reversing but with substantial investment and time and may give rise to limited degree of social conflict, harm, human security risk.	Not allowed to proceed ESMS.
<b>Moderate Risk</b>	Moderate Risk means any business activity that has potentially limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. Impacts are often site-specific without likelihood of impacts beyond the activity's footprint and routine safety precautions are expected to be sufficient to prevent accidents.	Allowed, but requires review (see Annex C).
<b>Low Risk</b>	Low Risk means any business activity minimal or negligible risks to and impacts on human populations and/or the environment with few or no adverse risks and impacts and issues.	Allowed but should be straightforward to review (see Annex C).

*Note – also see Annex B for further detail.*

## Phase 2: Closing

Entity	Responsibilities	Documents
<b>Loan Officer</b>	<ul style="list-style-type: none"> <li>▪ Review legal documentation in relation to E&amp;S related definitions, representations and undertakings, including the incorporation of any actions required to address gaps. Annex D Template Environmental and Social Action Plan.</li> <li>▪ Key inclusions of the legal agreement with the sub-borrowers are: <ul style="list-style-type: none"> <li>– Not to engage in any activities on the Exclusion List</li> <li>– To comply with all legal requirements.</li> <li>– To report to the PFI if there is a substantial change in the nature of the operations.</li> <li>– To report to the PFI if there are any material E&amp;S incidents.</li> <li>– (If required) to address any gaps identified.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Legal Agreement with E&amp;S inclusions for the sub-borrower</li> </ul>
<b>Credit</b>	<ul style="list-style-type: none"> <li>▪ Ensure that the legal agreement with the borrower meets ESMS requirements on E&amp;S aspects.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Legal Agreement with E&amp;S inclusions for the sub-borrower</li> </ul>

### Phase 3: Monitoring

Entity	Responsibilities	Documents
<p><b>Loan Officer</b></p>	<ul style="list-style-type: none"> <li>▪ Ensure there is reporting of material adverse E&amp;S events. A template is included in Annex F Material E&amp;S Incident Report Template for the PFI to formally record these events. Examples of material E&amp;S incidents may include:               <ul style="list-style-type: none"> <li>– Major injuries or fatalities (employees, the general public or contractors);</li> <li>– Strikes or significant employee disputes;</li> <li>– Regulator action in relation to E&amp;S matters;</li> <li>– Spills, pollution incidents, fires, explosions; and</li> <li>– Etc.</li> </ul> </li> <li>▪ The category will determine the extent of monitoring and oversight required of the sub-loan during the post-financial close monitoring phase. Monitoring will               <ul style="list-style-type: none"> <li>– Low risk sub-loans do not require monitoring.</li> <li>– Medium risk sub-loans require straightforward follow-up to find out if there have been any significant changes in business activities, confirm ongoing compliance with the exclusion list and local requirements and any actions required to be addressed have been closed out. Monitoring will be undertaken annually. (If the sub-loan tenor is less than 12 months monitoring is not required.) Annual site visits to these transactions are also recommended.</li> </ul> </li> <li>▪ In the event of non-compliance in relation to E&amp;S matters (including material issues reported or a grievance raised) the PFI will seek to resolve the issue with the sub-borrower in order to address the issue. Actions will be documented, and the PFI will work with the sub-borrower to ensure that corrective actions are implemented. If the issue cannot be addressed through engagement, the PFI may seek to remedy the situation through available clauses in the loan documentation. Material developments will be reported to the PMU for onward reporting to World Bank.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annex F Material E&amp;S Incident Report Template</li> <li>▪ An example (that can be tailored) is included as Annex E Biannual Environmental and Social <b>Monitoring Report Template</b> for annual monitoring.</li> </ul>

### DOSMEP Oversight

DOSMEP is required to provide oversight and support in the implementation of the PFI's ESMS. This includes:

- Sample review of complete loan applications and loan documents;
- Ensuring reporting is provided to DOSMPE from the PFIs; and
- Providing support where required on screening of loans (e.g. where there is uncertainty on the E&S risk profile of a Sub-borrower).

## **Reporting**

### **Material Adverse Events**

Sub-borrowers will be required to promptly report to the PFI (which will report to the PMU) any actual or potential material adverse E&S event immediately after becoming aware of it. As noted above, these include:

- Major injuries or fatalities (of employees, the general public or contractors);
- Strikes or significant employee disputes;
- Regulator action in relation to E&S matters;
- Spills, pollution incidents, fires, explosions; and
- Etc.

### **Routine Reporting**

The PFIs are required to report semi-annually to the PMU. In turn the PMU will report annually to World Bank.

A format is included in Annex E Biannual Environmental and Social Monitoring Report **Template For PFIs**.

## **Stakeholder Engagement Plan**

As part of the Project, as required under the ESCP, the PMU has prepared, disclosed, adopted, and implemented a Stakeholder Engagement Plan (SEP) consistent with ESS10. As part of the SEP, a Grievance Mechanism is described.

The overall objective of the SEP is to define a program for stakeholder engagement, including public information disclosure and consultation, throughout the entire Project cycle. The SEP outlines the ways in which the project team will communicate with stakeholders and includes a mechanism by which people can raise concerns, provide feedback, or make complaints about the Project and any activities related to the Project. The PMU is responsible for maintaining the SEP.

The SEP has been publicly disclosed here:

- DOSMEP web page: <http://dosmep.org/download-info-2/>
- World Bank web page: <https://projects.worldbank.org/en/projects-operations/document-detail/P174169>

## **Review and Update of the ESMS**

The ESMS will be updated and reviewed:

- In the first year after initial deployment by the PMU, and thereafter annually.
- If there are modifications in the Applicable Standards under the ESMS (for example significant changes to local legalisation).
- Incorporation of feedback from the SEP/Grievance Mechanism.
- Documentation of lessons learnt and/or good practice based on implementation.

Note that revisions will need to be communicated to all relevant partners such as PFIs and the World Bank (through the PMU).

## **Document Control**

DOSMEP has established a robust M&E system to record and monitor all aspects of the Line of Credit (LOC) component. Funds under the LOC will be disbursed to PFIs based on documentation on sub-loans provided by the PFIs, which will include a check list in accordance with this ESMF and confirmation that all submitted sub-loans will be in compliance with the requirements of the ESMS. These documents will be entered into the M&E system and stored in the PMU filing system for Project documents, for prior or post review by the World Bank or for audit purposes.

The PFIs will also maintain sub-loan documents submitted to DOSMEP under their own filing systems. In addition, the PFIs will:

- PFIs will provide DOSMEP with a set of documentation for all sub-loans to enable it to maintain all project records and make them available for ex post review by the World Bank or by external auditors as necessary; and
- PFIs and MSMEs will be required to provide reasonable information for the purpose of monitoring and an impact assessment during the life of the project (and for a certain period after the project), as may be requested by the World Bank and/or DOSMEP.

## Annex A Exclusion List

These are a list of activities that form part of the ESMS where any involvement would trigger a “no go” on providing a loan to a Sub-borrower. For the avoidance of doubt, any activities that require an Initial Environmental Examination (IEE) or an Environmental & Social impact Assessment (ESIA) under regulations in Lao PDR are excluded.

All participating financial intermediaries (PFIs) must apply the following exclusions to ALL sub-loans processed under the Project:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions<sup>4</sup>.
- Production or trade in alcoholic beverages (excluding beer and wine)<sup>2</sup>.
- Production or trade in tobacco<sup>2</sup>.
- Gambling, casinos and equivalent enterprises<sup>2</sup>.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment which is considered to be the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers or use of asbestos-containing materials. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the waterway using nets in excess of 2.5 km in length.
- Production or activities involving harmful or exploitative forms of forced labor<sup>5</sup>/harmful child labor<sup>6</sup>.
- Sub-loans involving logging/harvesting of timber or wood products.
- Production and distribution of construction materials is one of the eligible activities provided that wood/lumber production are sourced legally and further due diligence of the sources will be pursued as part of processing and approval of the transaction.
- Commercial logging operations for use in primary tropical moist forest production or trade in wood or other forestry products other than from sustainably managed forests.
- Sub-loans involving any transaction that will require acquisition of private land, physical relocation of households or displacement of livelihoods.
- Activities involving major construction and civil works that would cause significant adverse impact and require an impact assessment (IEE or ESIA) according to the national regulations and in line with WB ESF policies (e.g. higher risk activities), which would be beyond the capacity of the MSMEs to manage.
- Activities based on or directly linked to land/natural resource based productions such as food production and processing, and other transactions of which the scale of impact exceeds the cost

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<sup>4</sup>This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>5</sup>Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

<sup>6</sup>Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

and time to address them given the scale of the project benefits and the capacity of project stakeholders.

- Industrial-scale or EIA required activities involving significant conversion or degradation of natural and/or critical habitats and/or any activities in legally protected or internationally recognized areas.
- Industrial-scale or EIA required activities involving production, harvesting, or trade in wood or other forestry products from plantation and natural forests other than from legal and sustainable origin.
- Industrial-scale or EIA required activities involving harvesting of wild fish populations or other aquatic species other than from legal and sustainable origin.
- Activities, including relocation, that have adverse impacts on the lands, natural resources, or critical cultural heritage subject to traditional ownership or under customary use by the Indigenous Peoples (ethnic minorities).
- Activities involving significant alteration, damage, or removal of any critical cultural heritage.
- High and Substantial risk sub-loans (following the definitions of World Bank's Environmental and Social Framework (also see Annex B). In this case it means any activities that would require an impact assessment under Lao PDR requirements.

## Annex B Environmental and Social Risk Categorisation Guidance

### Categorisation

*This document is intended to provide guidance on the categorization of sub-borrowers. Whilst this guide provides an overview to the characteristics and some examples of each category, categorisation should be considered on a case by case basis factors such as location, environmental & social context, scale, and magnitude of impacts need to be considered.*

Table B1 - Categories

Category	Definition	Example Activities
<b>High and Substantial Risk</b>	<p>High Risk means any business activity which is likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented, and which includes, for the avoidance of doubt, activities involving (a) involuntary resettlement, (b) risk of adverse impacts on indigenous peoples, (c) significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage, or (d) significant occupational health and safety risks (risk of serious injury or fatality to workers).</p> <p>Substantial Risk means any business activity that is not as complex as High Risk activities, however, has some significant risks and impacts with the possibility of avoiding or reversing but with substantial investment and time and may give rise to limited degree of social conflict, harm, human security risk.</p>	<ul style="list-style-type: none"> <li>▪ Activities that require an IEE or ESIA in Lao PDR (See Table B2 below).</li> </ul>
<b>Moderate Risk</b>	<p>Moderate Risk means any business activity that has potentially limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. Impacts are often site-specific without likelihood of impacts beyond the activity's footprint and routine safety precautions are</p>	<ul style="list-style-type: none"> <li>▪ Acquisition of new transportation equipment (automobiles, trucks, other specialised equipment, and replacement parts);</li> <li>▪ Small-scale processing of agricultural produce e.g. rice.</li> <li>▪ Building of small warehouses or renovation of existing physical premises on the land fully-owned by the MSMEs;</li> </ul>



Category	Definition	Example Activities
	expected to be sufficient to prevent accidents.	<ul style="list-style-type: none"> <li>▪ Acquisition of assets such as industrial machines, medium sized tools and equipment.</li> </ul>
<b>Low Risk</b>	Low Risk means any business activity minimal or negligible risks to and impacts on human populations and/or the environment with few or no adverse risks and impacts and issues.	<ul style="list-style-type: none"> <li>▪ Office based activities such as marketing, consultancy, etc.</li> <li>▪ Working capital needs (loans for payment of salaries, marketing costs, audit and accounting costs);</li> <li>▪ Acquisition of communications equipment (phone and fax equipment, computers, printers, servers, software, other hardware, etc.);</li> <li>▪ Purchase of construction materials for shops selling construction material,</li> <li>▪ Purchase of feed stock, and feed mixer machine;</li> <li>▪ Acquisition of fixed small assets (refrigerators, replacement parts, etc.), small tools and equipment etc.).</li> <li>▪ All types of retail outlets (except those dealing in hazardous or toxic chemicals, flammable materials); and</li> <li>▪ Restaurants and other food premises.</li> </ul>

Under Ministerial Agreement No. 8056/MONRE, a list of activities is provided and are divided into two categories. Activities in category 1 are required to conduct an Initial Environmental Examination (IEE) and those in Category 2 are required to complete an Environmental and Social Impact Assessment (ESIA). The investment projects and activities have been divided into 5 sectors as follows: (1) energy; (2) agriculture and forestry; (3) industry processing; (4) infrastructure and service and (5) mining

Type and size details of investment projects and activities classified into category 1 and 2 are in the table below:

*Table B2 – Activities Requiring IEE and ESIA in Lao PDR*

TYPES OF INVESTMENT PROJECTS AND ACTIVITIES	CATEGORY 1 - REQUIRED TO CONDUCT IEE	CATEGORY 2 - REQUIRED TO CONDUCT EIA
I. Investment projects and activities in energy sector		

TYPES OF INVESTMENT PROJECTS AND ACTIVITIES		CATEGORY 1 - REQUIRED TO CONDUCT IEE	CATEGORY 2 - REQUIRED TO CONDUCT EIA
Electric power development			
1.1	Electricity generation by Hydropower (Hydropower plants construction)	(a) 1-15 megawatt or (b) catchment basin < 200 million m <sup>3</sup> or (c) catchment area < 1,500 hectares	(a) ≥ 15 megawatt or (b) catchment basin ≥ 200 million m <sup>3</sup> or (c) catchment area ≥ 1,500 hectares
1.2	Nuclear power, control and disposal of nuclear waste		All size
1.3	Natural gas or biogas power	5-50 megawatts	> 50 megawatts
1.4	Wind power by using turbines	2-10 turbines	> 10 turbines
1.5	Coal, oil or biomass power plant project	≤ 10 megawatts	> 10 megawatts
Gas and petroleum			
1.6	Petroleum and pipelines		All sizes
1.7	Extraction of oil or natural gas		All sizes
1.8	Oil refinery		All sizes
1.9	Petroleum storage facilities	5,000-50,000 m <sup>3</sup>	> 50,000 m <sup>3</sup>
High voltage transmission development			
1.10	High voltage transmission construction:		
1.10.1	High voltage ≥ 230 Kilo-volt	≤ 15 Kilometers	> 15 Kilometers
1.10.2	High voltage < 230 Kilo-volt	All sizes	
1.11	High voltage power distribution station	< 10 hectares	≥ 10 hectares
II. Investment projects and activities in agriculture and forestry			
Tree plantation and crops			
2.1	Planting and cutting industrial tree plantation	20-200 hectares	> 200 hectares
2.2	Plantation of industrial crops	20-400 hectares	> 400 hectares
Animal raising and fisheries			
2.3	Large animal rearing (cattle, buffaloes, horses, etc.)	≥ 500 head	
2.4	Poultry raising	≥ 5,000 head	

TYPES OF INVESTMENT PROJECTS AND ACTIVITIES		CATEGORY 1 - REQUIRED TO CONDUCT IEE	CATEGORY 2 - REQUIRED TO CONDUCT EIA
2.5	Pig raising	≥ 500 head	
2.6	Fish pond and aquatic culture in industrial ponds	≥ 10 hectares	
2.7	Fish cage and aquatic culture in cages along rivers	≥ 300 m <sup>2</sup>	
2.8	Crocodile raising	≥ 100 heads	
III. Investment projects and activities in processing industrials			
Food processing industry			
3.1	Production, processing and storage of foods (meat, fish, fruit, cooking oil, animals and animal feed)	≤ 1 ton/day	> 1 ton/day
3.2	Milk processing factory	≤ 40 ton/day	> 40 ton/day
3.3	Tapioca and tapioca products processing	40-80 ton/day	> 80 ton/day
3.4	Sugar factory	≤ 30 ton/day	> 30 ton/day
3.5	Liquor manufacture	≤ 500,000 liters/year	> 500,000 liters/year
3.6	Drinking water processing	All sizes	
3.7	Tobacco factory	All sizes	
Textile, pulp, paper and wood products			
3.8	Textile, cotton, garment manufacture and dye factories	All sizes	
3.9	Leather tanning factory	All sizes	
3.10	Leather processing factory	≤ 1 million pieces/year	> 1 million pieces/year
3.11	Wicker, bamboo and rattan production factory	All sizes	
3.12	Plywood factory	≤ 100,000 m <sup>2</sup> /year	> 100,000 m <sup>2</sup> /year
3.13	Paper factory	≤ 30 tons/year	> 30 tons/year

TYPES OF INVESTMENT PROJECTS AND ACTIVITIES		CATEGORY 1 - REQUIRED TO CONDUCT IEE	CATEGORY 2 - REQUIRED TO CONDUCT EIA
3.14	Printing house	All sizes	
Chemical products and clinical equipment			
3.15	Petroleum and hydrocarbon factory		All sizes
3.16	Chemical production factory		All sizes
3.17	Medical equipment and pharmaceutical factory using chemical reactions and biochemicals		All sizes
3.18	Cleaning products	≤ 10 tons/day	> 10 tons/day
3.19	Rubber manufacture	50-200 tons/year	> 200 tons/year
3.20	Plastic manufacture	≤ 400 tons/year	> 400 tons/year
Non-metallic product manufacture			
3.21	Glass product factory	All sizes	
3.22	Mineral product production and no other metals processing	All sizes	
3.23	Cement, lime and plaster factory	≤ 20 tons/hour	> 20 tons/hour
Mining extraction industry			
3.24	Steel and iron smelting factory	≤ 5,000 tons/year	> 5,000 tons/year
3.25	Precious metal processing factory		All sizes
3.26	Steel processing factory	≤ 50 tons/day	> 50 tons/day
3.27	Non-ferrous metal processing factory	All sizes	
3.28	Metal fabrication (tanks, sinks, etc.)	All sizes	
3.29	Battery production factory	All sizes	
Other industries			
3.30	Home appliances, office equipment, and electrical tools production	All sizes	
3.31	Automotive and alkaline battery production factory	≤ 70 tons/year	> 70 tons/year

TYPES OF INVESTMENT PROJECTS AND ACTIVITIES		CATEGORY 1 - REQUIRED TO CONDUCT IEE	CATEGORY 2 - REQUIRED TO CONDUCT EIA
3.32	Spare parts factory for automobiles and related machines	≤ 1,000 tons/year	> 1,000 tons/year
3.33	Bicycles and wheelchairs for disabled people	≤ 10,000 sets/year	> 10,000 sets/year
3.34	Home appliances factory	≤ 10,000 pieces/year	> 10,000 pieces/year
3.35	Water supply and treatment	All sizes	
Waste treatment			
3.36	Disposal of non-hazardous waste	≤ 5,000 tons/year	> 5,000 tons/year
3.37	Hazardous waste disposal		All sizes
3.38	Hazardous waste treatment		All sizes
3.39	Other waste management and treatment		All sizes
3.40	Construction of a factory for recycling		All sizes
3.41	Construction of a waste incinerator		All sizes
3.42	City waste water treatment	≤ 50,000 persons	>50,000 persons
3.43	Industrial waste water treatment		All sizes
3.44	Waste drainage construction	All sizes	
IV. Investment projects and activities in infrastructure and services			
4.1	Backfill for marsh, river, canals damaging public benefits		All sizes
4.2	Dormitory and condominium construction	>50 rooms	
4.3	Golf course construction		All sizes
4.4	Sport complex construction		All sizes
4.5	Hotel or resort construction	≤ 80 rooms	> 80 rooms
4.6	Hotel complex construction	≤ 50 hectares	> 50 hectares
4.7	Tourism and recreation in areas of environment and social significance		All sizes

TYPES OF INVESTMENT PROJECTS AND ACTIVITIES		CATEGORY 1 - REQUIRED TO CONDUCT IEE	CATEGORY 2 - REQUIRED TO CONDUCT EIA
4.8	Special economic zone development		All sizes
4.9	Hospital construction	≤ 80 beds	> 80 beds
4.10	Railway construction		All sizes
4.11	Road construction (national, province, district, special zone levels)		All sizes
4.12	Road rehabilitation (national, province, district and special zone levels)	All sizes	
4.13	Airport construction		All sizes
4.14	Telecom network construction	All sizes	
4.15	Navigation (improvement of channels along rivers)	≤ 200 tons	> 200 tons
4.16	Port construction		
4.16.1	Port for public transport	≤ 500 tons (excluding ship weight)	> 500 tons (excluding ship weight)
4.16.2	General goods port	≤ 500 tons (excluding ship weight)	> 500 tons (excluding ship weight)
4.16.3	Dangerous goods port		All sizes
4.17	Erosion protection and embankment construction	≤ 1 Kilometre	>1 Kilometre
V. Investment projects and activities in mining sectors			
Mining processing and exploitation			
5.1	Gravel and sand extraction	1,000-50,000 m <sup>3</sup> /day	> 50,000 m <sup>3</sup> /day
5.2	Rock drilling and transport	≤ 50 tons/day	> 50 tons/day
5.3	Extraction of construction materials (earth, gravel, sand, etc.)	≤ 100,000 m <sup>3</sup> /year or areas ≤ 20 hectares	> 100,000 m <sup>3</sup> /year or areas > 20 hectares
5.4	Extraction of solid minerals (without using chemicals)		All sizes

TYPES OF INVESTMENT PROJECTS AND ACTIVITIES		CATEGORY 1 - REQUIRED TO CONDUCT IEE	CATEGORY 2 - REQUIRED TO CONDUCT EIA
5.5	Extraction of solid minerals (using hazardous chemicals)		All sizes
5.6	Solid minerals processing	≤ 50,000 tons/year	> 50,000 tons/year
Water control and management			
5.7	Abstraction and use of groundwater for use in industry, agriculture and urban consumption	500- 5,000 m <sup>3</sup> /day	> 5,000 m <sup>3</sup> /day
5.8	Construction of reservoir and dams	1-200 millions m <sup>3</sup> or height of dam ≤ 10 m <sup>3</sup>	> 200 millions m <sup>3</sup> or height of dam > 10 m <sup>3</sup>

Areas that are important for environmental and social aspects cover the following zones:

- All areas or most areas of proposed zone have been announced as protection area, conservation areas in accordance with the law on forest No. 06/NA dated 24/12/2007 or other legal replaced;
- All areas or most areas of proposed zone have been announced as wildlife and aquatic animal conservation area in accordance with law on wildlife and aquatic animals, No. 07/NA dated 24/12/2008 or other legal replaced;
- All areas or most areas of proposed zone have been announced as national cultural heritage and history areas in accordance with law on national heritage No. 08/NA dated 9/11/2005 or other legal replaced;
- All areas or most areas of proposed zone have been announced as water resource conservation areas in accordance with law on water and water resource, No. 02/NA dated 11/1/1996 or other legal replaced; and
- Other areas have been announced as environmental and social important areas in different periods.

## Annex C Screening and Appraisal Format

### Annex C Screening and Appraisal Form

Environmental and Social Aspects Screening Checklist	
<b>Borrower Name:</b>	<b>Location:</b>
<b>Loan Amount (US\$) and Purpose:</b>	
<b>Industry Sector:</b>	<b>Brief Borrower Description:</b>
<b>Completed by:</b>	<b>Reviewed by:</b>
<b>Date:</b>	<b>Date:</b>
<b>Category</b> <input type="checkbox"/> Low Risk <input type="checkbox"/> Medium Risk <input type="checkbox"/> High/Substantial Risk ( <i>do not proceed</i> )	
<b>Rationale (please summarise the reasons for the category selected):</b>  	
Compliance with the Applicable Requirements — Check all that apply:	
Exclusion List Activities Yes <input type="checkbox"/> No <input type="checkbox"/> ( <i>if there are exclusion list activities identified do not proceed</i> ) National regulatory requirements Yes <input type="checkbox"/> No <input type="checkbox"/> <input type="checkbox"/> Environmental, health and safety permits granted: ( _____ ) <input type="checkbox"/> Injuries and fatalities have occurred: (how and when: _____ ) <input type="checkbox"/> Labour-related fines: (when and why: _____ ) <input type="checkbox"/> Environmental incidents and fines: (when and why: _____ )	



**Site(s)—Check all that apply:**

- Non-urban/undeveloped land
- Proximity to river/stream/pond/lake
- Proximity to protected area (e.g. forest/endangered species)/ecologically sensitive area (e.g., river/protected areas)
- Proximity to culturally sensitive/indigenous area

**Environmental Issues – Check all that apply:**

<p><i>Air emissions</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Boilers</li> <li><input type="checkbox"/> Generators</li> <li><input type="checkbox"/> Vehicles and equipment</li> <li><input type="checkbox"/> Furnaces and incinerators</li> <li><input type="checkbox"/> Welding and soldering</li> <li><input type="checkbox"/> On-site burning</li> <li><input type="checkbox"/> Use of solvents</li> <li><input type="checkbox"/> Use of fumigation</li> <li><input type="checkbox"/> Use of exhaust ventilation</li> </ul>	<p><i>Waste water</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Waste water discharged to: _____</li> <li><input type="checkbox"/> Oil separators</li> <li><input type="checkbox"/> Cleaning operations</li> <li><input type="checkbox"/> Cleaning operations</li> <li><input type="checkbox"/> Spraying operations</li> <li><input type="checkbox"/> Separation tanks or filters</li> <li><input type="checkbox"/> Foul sewers and septic tanks</li> <li><input type="checkbox"/> De-watering/water pump out</li> <li><input type="checkbox"/> Water treatment units</li> </ul>
<p><i>Solid waste</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Waste generated</li> <li><input type="checkbox"/> Types of waste: _____ _____</li> <li><input type="checkbox"/> Hazardous waste (e.g., waste oils, pesticide washings, solvents, clinical waste, asbestos) Waste disposed to _____</li> </ul>	<p><i>Hazardous chemicals, fuels, and pesticides</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> On-site chemicals or fuels storage</li> <li><input type="checkbox"/> Protective measures against leaks/spills</li> <li><input type="checkbox"/> Signs of leaks/spills</li> <li><input type="checkbox"/> Protective measures against rain</li> <li><input type="checkbox"/> Signs of corrosion on tanks/containers</li> <li><input type="checkbox"/> Secured storage areas against theft</li> <li><input type="checkbox"/> On-site spill clean- up equipment</li> <li><input type="checkbox"/> Training on proper handling of chemicals and fuels</li> <li><input type="checkbox"/> Pesticide use and management</li> </ul>

<p><i>Resource use</i></p> <p><input type="checkbox"/> Main Materials used: _____</p> <p><input type="checkbox"/> Use of renewable natural resources</p> <p><input type="checkbox"/> Use of tools and equipment</p> <p><input type="checkbox"/> Water source: _____</p> <p><input type="checkbox"/> Energy source: _____</p>	<p><i>Nuisance</i></p> <p><input type="checkbox"/> Dust</p> <p><input type="checkbox"/> Noise</p> <p><input type="checkbox"/> Odours</p> <p><input type="checkbox"/> Fumes</p> <p><input type="checkbox"/> Vibration</p> <p><input type="checkbox"/> Traffic congestion</p>
<p>Based on the above are there any issues (e.g. poor practices, hazardous conditions, non-compliance with local requirements etc.)? If so, please describe:</p>	

**Community Interactions — Check all that apply:**

No designated person in charge of responding to questions from the community

No procedures for managing community complaints

Use of security personnel

Based on the above are there any issues (e.g. community complaints, problems with the community and security personnel, etc.)? If so, please describe:

**Social issues – Check all that apply:**

Land acquisition required (do not proceed)

Displacement/resettlement of local settlements (do not proceed)

Impact on local settlements/livelihood (do not proceed)

Impact on indigenous peoples (do not proceed)

Complaints from neighbours/communities

On or adjacent to site of cultural/archaeological importance (do not proceed)

Based on the above please describe briefly any issues:

**Labour issues — Check all that apply:**

- No Personal Protective Equipment provided (e.g., safety goggles/hard hat/protective glove)
- Inadequate employee health and safety measures (e.g. fall prevention/ventilation)
- Inadequate working conditions (e.g., air quality/lighting/confined spaces/on-site hygiene)
- Inadequate terms of employment (e.g., working hours/rest breaks/time off/overtime pay)
- Unequal employment opportunities (e.g., discrimination against gender/ethnic group/age)
- Payment below minimum wage
- Employees below minimum age
- Child or forced labour (do not proceed)
- No process for employees to voice complaints
- No recognition of employee organizations/labour unions

Comments (any issues identified):

**Additional comments**

Please provide further details (e.g. number of persons affected due to E&S gaps identified, types of emissions, hazardous substances found, etc.) for better clarity of the E&S condition at the investee company and attach any supporting documents where applicable.

Comments:

**Actions to be taken (include in the loan agreement)**

The following actions are to be taken to address gaps against Lao PDR requirement (in case of exclusion list issues the loan should not proceed). Note gaps to be addressed should be put into the E&S Action Plan (see Annex D of the ESMS):

Ref. No.	Action Description AND Related Standards/Requirement	Completion Indicator	Due Date (DD/MM/YYYY or defined number of days linked to an event e.g. after loan disbursement)




## Annex D Template Environmental and Social Action Plan

An Environmental and Social Action Plan (ESAP) should be tabular in format and designed to address the gaps identified in the sub-loan assessment (Annex C) and should be incorporated into the loan documentation. The aim is for the ESAP to be as succinct as possible, but clear, and set realistic timelines with clarity on what is required.

Reference No.	Action Description AND Related Standards/Requirement	Completion Indicator	Due Date (DD/MM/YYYY or defined number of days linked to an event)
<i>1</i>	<i>e.g. Obtain a water abstraction license for the groundwater abstraction well that is planned as part of the new development to meet e.g. Water Use Regulations.</i>	<i>Water abstraction license obtained</i>	<i>30 days prior to drilling of the well</i>
<i>2</i>	<i>e.g. Ensure that all workers have written contracts that explain their rights and obligations and have had these contracts explained to them this should be in line with Labour Code.</i>	<i>Contracts signed by all workers</i>	<i>Within 90 days after the loan receipt.</i>
<i>etc.</i>	<i>etc.</i>	<i>etc.</i>	<i>etc.</i>

**Annex E Biannual Environmental and Social Monitoring Report Template For PFIs to report to DOSMEP**

Name of Organization			
Completed by (name):			
Position in organisation:		Date:	

**Portfolio Information (Financed by MSME A2F Project)**

Report Covering Period:	
From:	To:

For the reporting period, please provide the following information about your portfolio:

Product line	Description	Total exposure outstanding for most recent FY year end (in US\$)	Average loan or transaction size (in US\$)
<b>Micofinance</b>	<b>Definition</b>		
SME Loans	SMEs are defined as small firms with less than 20 employees and medium firms with 20-99 employees as per Lao PDR Decree No. 42/PM, dated 20 April 2004, or as may be modified by the Government of Lap PDR in future. Only employment size regulation of this Decree shall be applied for SME eligibility to borrow under this Project.		

**Exposure by Industry Sectors**

Please provide an indicative % of portfolio that these sectors represent of the total portfolio.

<b>Industrial Sector</b>	<b>Outstanding exposure (in US\$)</b>	<b>% of portfolio</b>
Animal Production		
Apparel		
Chemicals		
Collective Investment Vehicles		
Common Carriers		
Construction and Real Estate		
Consumer Goods		
Crop Production		
Electrical Equipment, Appliances and Components		
Fabric Mills		
Fabricated Metal Product Manufacturing		
Finance & Insurance		
Finishing (Dyeing, Printing, Finishing, etc.)		
Fishing		
Food & Beverages		
Forestry		
Furniture and Related Products		
Integrated Textile Operation (Spinning, Weaving/Knitting, but no Garment )		
Internet Projects		
Leather and Allied Products		
Machinery and Other Industrial		
Non-metallic Mineral Product Manufacturing		
Oil, Gas and Mining		
Plastics & Rubber		
Primary Metals		
Printing & Publishing		
Pulp & Paper		

Spinning (Yarn, Including Integrated with Fiber Production)		
Telecommunications		
Textiles - Others		
Transport Service		
Transportation Equipment		
Utilities		
Warehousing & Storage		
Wholesale and Retail Trade covering any of the following. Gasoline stations, dry cleaners, printing, large auto and truck fleets, photographic film processing and any operations involving the use of any chemical or biological wastes or materials		
Wood Products		
<b>Total</b>		

<b>Exclusion List Exposures (Type of Activity)</b>	<b>Outstanding Exposure in US\$</b>	<b>Name of Company*</b>	<b>Loan Due Date</b>

<b>ESMS Processes</b>	<i>Yes/No</i>	
Have there been any updates to the ESMS or procedure?		If yes, please provide a copy of the updated procedure and reasons for the same.
Has Senior management signed off on the changes?		If yes, please provide a copy of the same.
Were any transactions rejected on an account of the exclusion list?		If yes, please provide details.
Were there any difficulties and/or constraints related to the implementation of the E&S procedures?		If yes, please provide details.
Were there any material environmental and social issues associated with borrowers during the reporting period in particular?		If yes, please provide details.
<b>Supervision and monitoring</b>	<i>Yes/No</i>	
Have you supervised the performance of your loans?		If yes, please describe how you do this and the extent of coverage of your portfolio.



Did you conduct client site visits?		If yes, please describe the process including any environmental and social issues considered.

<b>Safety, Social and Community Issues</b>	<i>Yes/No</i>	
Have there been any worker accidents, injuries on the job?		If yes, please provide details.
Have there been any grievances against any borrower?		
Has there been any media coverage on a borrower?		

**Annex F Material E&S Incident Report Template**

<b>Report on E&amp;S Issues/Incident at a Sub-borrower</b>	
<b>Date of report</b>	DD/MM/YYYY
<b>Name of Sub-borrower</b>	•
<b>Date of transaction and type of financing</b>	•
<b>Amount outstanding/tenor</b>	•
<b>Description of issue</b>	<ul style="list-style-type: none"> <li>• Date and time of incident.</li> <li>• Type of incident: environmental issue, fatality, spill, etc.</li> <li>• Name of person/s involved/injured/deceased, if applicable • Narrative and contextual information.</li> <li>• Causes of incident.</li> <li>• Status of investigation.</li> <li>• Listing of parties involved in investigation (witnesses and staff, unions, police, other authorities, and other parties).</li> </ul>
<b>Actions taken by the sub-borrower</b>	<ul style="list-style-type: none"> <li>• Reporting if required to any regulator, police, etc.</li> <li>• Any internal investigations commenced (indicate contact name of person responsible for investigation).</li> <li>• Any external investigations anticipated or commenced (list all entities that have jurisdiction or could reasonably be expected to investigate the incident).</li> <li>• Any press releases or other media communications</li> </ul>
<b>Follow-up by PFI</b>	<ul style="list-style-type: none"> <li>• Views on the significance of the incident – degree of severity, possible uncertainties, or disputed facts to be investigated.</li> <li>• Status of investigation.</li> <li>• Reports received (and outstanding, if any).</li> <li>• Immediate actions taken by the PFI (including if communications/crisis response to be triggered).</li> <li>• Actions to prevent re-occurrence of incident.</li> <li>• Monitoring/reporting arrangements to follow up on efficacy of actions taken.</li> <li>• Results to date of actions taken.</li> </ul>
<b>Conclusion</b>	<ul style="list-style-type: none"> <li>• Broader conclusions for the PFI/PMU</li> </ul>

## Annex G E&S Monitoring Report for PFIs

Reviewer(Name, Title and Position):	Sub-Loan Name and #:	Date loan issued:

### Situation and Observations:

1. Are the sub-borrower's activities the same as at origination?
2. Are there any excluded activities?
3. Are all permits in order and is the sub-borrower following all required regulations? Y / N
4. Did the SME encounter any unexpected environmental and/or social issues and how were they addressed? Any media coverage, grievance issues or outstanding liability?
5. Other Comments

Approved by (Name, Title and Position):

## Annex H Labour Management Procedures

### 1. OVERVIEW OF LABOR USE ON THE PROJECT

The Labour Management Procedures (LMP) is a living document to be reviewed and updated throughout development and implementation of the Lao PDR Micro, Small, and Medium Enterprise (MSME) Access to Finance Emergency and Recovery Project (P174169). The LMP applies to all Project workers, irrespective of contracts being full-time, part-time, temporary or casual. However, given the nature of the Project only direct employees at the DOSMEP (PMU) and PFI level are anticipated and are included in the LMP. If other types of workers become relevant, the LMP should be extended to cover them in line with World Bank Environmental and Social Framework (ESF) Environmental & Social Standard 2 on Labour and Working Conditions (ESS2).

The Project is expected to engage a variety of staff in the PMU and the PFI as identified below.

*Table 1 Staff Type*

Project Component	Estimated Number of Project Workers	Characteristics of Project Workers	Timing of Labour Requirements	Contracted Workers
PMU	Unknown at this stage	Project Coordinators	Throughout project cycle	Direct workers
		E&S Focal Point		Direct workers
		Finance, administrative and support staff of DOSMEP		Direct workers
PFIs	Unknown at this stage	Loan Officer	Throughout project cycle	Direct worker
		Credit Officer		Direct worker
		E&S Focal Point		Direct worker
		Others: Other core PFI staff as required		Direct worker

### 2. ASSESSMENT OF KEY POTENTIAL LABOR RISKS

This section describes the following, based on available information:

***Key Project Activities:***

- Mainly office based (in common with MSME financing activities); and
- Potential visits to MSME borrowers for review/monitoring.

**Key Labour Risks:** The key labour risks which may be associated with the Project day-to-day operations are generally considered to be low (aside from COVID-19 related risks that will require special attention). Key potential labour-related risks include:

- Office-related health and safety risks, including ergonomic related risks; and
- Possible risks associated with COVID-19.

People engaged to work on the Project may come into contact with people with COVID-19. It is therefore extremely important that all Project workers follow strict protocols as recommended by the World Health Organization (WHO) and Lao PDR requirements.

**Table 2 Key Labour Risks**

Project Activity	Key Labour Risks
General Project administration and implementation (loan review and processing)	<p>A non-exhaustive list of risks that may be relevant to the Project's implementation is provided below:</p> <ul style="list-style-type: none"> <li>• Exposure to people who could have COVID-19 if without the proper Personal Protective Equipment (PPE) and/or training;</li> <li>• Ergonomics;</li> <li>• Trip and fall hazards;</li> <li>• Harassment;</li> <li>• Fire; and</li> <li>• Mental stress and fatigue.</li> </ul>
Visits to MSME Borrowers	<p>A non-exhaustive list of additional risks that may be relevant to the Project's implementation are provided below:</p> <ul style="list-style-type: none"> <li>• Context hazards in MSME operations e.g. physical hazards such as moving equipment;</li> <li>• Traffic hazards;</li> <li>• Lone working in remote areas; and</li> <li>• Exposure to people who could have COVID-19 if without the proper PPE and/or training.</li> </ul>

### 3. BRIEF OVERVIEW OF LABOR LEGISLATION: TERMS AND CONDITIONS

This section sets out the **key aspects** of national labour legislation with regards to term and conditions of work, and how national legislation applies to different categories of workers identified in Section 1. The overview focuses on legislation which relates to the items set out in ESS2, paragraph 11 (i.e. wages, deductions and benefits).

Lao PDR has national legislation that outlines worker's rights. The Labour Law (2013) is the key document governing the regulatory framework for labour in Lao PDR. The Lao PDR government has also ratified five of the eight core ILO conventions, including those on forced labour, child labour, discrimination, minimum age and equal remuneration. The ratified conventions are summarised in the table below.

**Table 3 Core ILO Conventions Ratified in Lao PDR**

Convention	Date	Status
C029 - Forced Labour Convention, 1930 (No. 29)	23 Jan 1964	In Force

C100 - Equal Remuneration Convention, 1951 (No. 100)	13 Jun 2008	In Force
C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111)	13 Jun 2008	In Force
C138 - Minimum Age Convention, 1973 (No. 138)	13 Jun 2005	In Force
C182 - Worst Forms of Child Labour Convention, 1999 (No. 182)	13 Jun 2005	In Force

The National Assembly adopted an amended Labour Law (No. 43/NA, 24 December 2013) (“Labour Law”) which was published in the Lao Gazette on 14 October 2014 and became effective on 29 October 2014. The Labour Law defines non-discrimination in employment and in wages. It establishes the need to abide by at least the government minimum wage. Working hours are limited to 8 hours per day, 6 days a week. The Labour Law is extensive and covers discrimination in the workplace, equal opportunity, gender aspects, labour disputes and collective bargaining, amongst others. A chapter in the Labour Law is dedicated to health and safety in the workplace. The Labour Law covers formal and informal workers, however, does not apply to government officials, soldiers, police, Lao Front for National Development, and mass organisations.

In addition, the Law on Civil Servants, 2016 and associated Decree on Code of Conduct for Civil Servants, 2019 (No. 184 issued 29 June 2019) also largely consistent with ESS2 and applicable for the Project. The Civil Servant Law and Decree on Code of Conduct provide provisions and measures to manage, prevent and address misbehaviours and misconduct. Compliance with these requirements is monitored by the relevant Ministries, and Ministry of Home Affairs (MOHA).

Child labour remains a noticeable gap in the legal framework despite many years of participation in related international programs. The Labour Law defines 12 years old as the minimum working age for children, however, workers between the ages 12 to 14-years old are meant to only engage in certain light jobs. Although this is not always closely monitored. Article 102 states that youth employees are prohibited from engaging in work that is unsafe, forced labour, work to pay off debts, human trafficking, and hazardous work. In any case, no persons under the age of 18 will be allowed work on any aspect relating to implementing the Project in the PMU and PFIs and forced or indentured labour of any kind will be prohibited.

#### 4. BRIEF OVERVIEW OF LABOR LEGISLATION: OCCUPATIONAL HEALTH AND SAFETY

This section sets out the *key aspects* of the national labour legislation with regards to occupational health and safety, and how national legislation applies to the different categories of workers identified in Section 1. The overview focuses on legislation which relates to the items set out in ESS2, paragraphs 24 to 30.

The Labour Law includes provisions on Occupational Health and Safety (OHS) mostly consistent with ESS2 of the World Bank’s Environmental and Social Framework (ESF). Additional measures must also be taken compliant with WHO guidelines on COVID-19.

At the beginning of this Project, the PMU and PFIs will ensure that:

- Workplace health and safety standards are in full compliance with Lao PDR law. This refers particularly to: (1) basic safety awareness training to be provided to all persons (as well as on COVID-19 prevention and related measures); and (2) Adequate provision of hygiene facilities (toilets, hand-washing basins) separated by gender as needed and with distancing guidelines in place;
- All workplace health and safety incidents will be properly recorded in a register detailing the type of incident, injury, people affected, time/place and actions taken, including COVID-19 cases in the workforce, which should be reported to DOSMEP and the World Bank immediately;
- All workers (irrespective, where relevant, of contracts being full-time, part-time, temporary or casual) to be covered by insurance against occupational hazards and COVID-19, including ability to access medical care and take paid leave if they need to self-isolate as a result of contracting COVID-19;
- Fair and non-discriminatory employment practices are in place;
- Provide PPE as suitable to the task and hazards of each worker, without cost to the worker;
- Under no circumstances will contractors (if required), suppliers or sub-contractors engage forced labour or children under the age of 18;
- All employees are aware of their rights under the Labour Law, including the right to organise; and
- All employees are to be informed of their rights to submit a grievance through the established Grievance Mechanism.

In relation to COVID-19 basic infection prevention measures, drawn from the World Health Organization (WHO) are included in section 6 below.

## 5. RESPONSIBLE STAFF

This section identifies the functions within the Project responsible for Labour Management:

- **DOSMEP:** Human resources staff will be responsible for the engagement of direct workers and PFIs with compliance with labour and work conditions. DOSMEP will address all LMP aspects as part of its human resources management and engagement with PFIs. The PMU established within DOSMEP will be responsible for overseeing all aspects of implementation of the Project, including the management and monitoring of the PFIs.
- **PFIs:** PFIs will in turn appoint personnel who will be responsible for supporting the implementation of the LMP and reporting to the PMU.

## 6. POLICIES AND PROCEDURES

This section sets out information on OHS, reporting and monitoring and other general project policies. Where relevant, it identifies applicable national legislation.

Where the Borrower has stand-alone policies or procedures, these can be referenced or annexed to the LMP, together with any other supporting documentation.

COVID-19 Considerations

The following is from WHO:

- Make sure your workplaces are clean and hygienic

- Surfaces (e.g. desks and tables) and objects (e.g. telephones, keyboards) need to be wiped with disinfectant regularly
- Why? Because contamination on surfaces touched by employees and customers is one of the main ways that COVID-19 spreads
- Promote regular and thorough hand-washing by employees, contractors and customers
  - Put sanitizing hand rub dispensers in prominent places around the workplace. Make sure these dispensers are regularly refilled
  - Display posters promoting hand-washing – ask your local public health authority for these or look on [www.WHO.int](http://www.WHO.int).
  - Combine this with other communication measures such as offering guidance from occupational health and safety officers, briefings at meetings and information on the intranet to promote hand-washing
  - Make sure that staff, contractors and customers have access to places where they can wash their hands with soap and water
  - Why? Because washing kills the virus on your hands and prevents the spread of COVID19
- Promote good respiratory hygiene in the workplace
  - Display posters promoting respiratory hygiene. Combine this with other communication measures such as offering guidance from occupational health and safety officers, briefing at meetings and information on the intranet etc.
  - Ensure that face masks<sup>7</sup> and / or paper tissues are available at your workplaces, for those who develop a runny nose or cough at work, along with closed bins for hygienically disposing of them
  - Why? Because good respiratory hygiene prevents the spread of COVID-19
- Advise employees and contractors to consult national travel advice before going on business trips.
- Brief your employees, contractors and customers that if COVID-19 starts spreading in your community anyone with even a mild cough or low-grade fever (37.3 C or more) needs to stay at home. They should also stay home (or work from home) if they have had to take simple medications, such as paracetamol/acetaminophen, ibuprofen or aspirin, which may mask symptoms of infection
  - Keep communicating and promoting the message that people need to stay at home even if they have just mild symptoms of COVID-19.
  - Display posters with this message in your workplaces. Combine this with other communication channels commonly used in your organization or business.
  - Your occupational health services, local public health authority or other partners may have developed campaign materials to promote this message
  - Make clear to employees that they will be able to count this time off as sick leave.

There are a substantial number of documents available providing further detailed guidance.

For PFI staff that will be sub-borrower-facing, additional considerations apply and plans or procedures should be in place to address the following issues:

---

<sup>7</sup> Ordinary surgical face masks rather than N95 face masks



- Obtaining adequate supplies of Personal Protective Equipment (PPE), including medical masks and respirators (N95 or FFP2), eye protection (goggles or face screens), hand washing soap and sanitizer, including for when travelling to meet sub-borrowers. Where relevant PPE cannot be obtained, the plan should consider viable alternatives, such as cloth masks, alcohol-based cleansers, hot water for cleaning and extra handwashing facilities, until such time as the supplies are available;
- Training staff on the latest WHO advice and recommendations on the specifics of COVID-19;
- Conducting enhanced cleaning arrangements, including thorough cleaning (using adequate disinfectant) of “touch points” including common areas, door handles, floors and all surfaces that are touched regularly;
- Training and providing cleaning staff with adequate PPE when conducting cleaning;
- Implementing a communication strategy/plan to support regular communication, accessible updates and clear messaging to, regarding the spread of COVID-19 in nearby locations, the latest facts and statistics, and applicable procedures.

## 7. AGE OF EMPLOYMENT

Persons below the age of 18 years old should not be employed to carry out any undertakings of the Project.

## 8. TERMS AND CONDITIONS

All terms and conditions as outlined in the ESS2, paragraphs 9 to 30 apply to direct workers. In addition:

- In line with national law, the maximum working hours are limited to 8 hours per day, 6 days a week unless there is payment of overtime.
- The compensation packages will be defined in employee contracts. No salaries paid by DOSMEP or the PFIs are lower than the Lao PDR minimum wage.
- Employment opportunities will be available to all. This includes equal pay for equal work, regardless whether the person performing the work is male or female.
- All workers of DOSMEP and the PFIs are entitled to insurance against occupational hazards, including ability to access medical care and take paid leave if they need to self-isolate as a result of contracting COVID-19.

## 9. GRIEVANCE MECHANISM

This section sets out details of the grievance mechanism that will be provided for direct and contracted workers, and describes the way in which these workers will be made aware of the mechanism.

There will be a specific Grievance Redress Mechanism (GRM) for project workers as per the process outlined below. This considers culturally appropriate ways of handling the concerns of direct workers. Processes for documenting complaints and concerns have been specified, including time commitments to resolve issues. All Project workers will be informed of the Grievance Mechanism, if one is not already available internally that meets the requirements of ESS2.

The process for the Worker GRM is as follows:

- The first step is that the complainant may report their grievance in person, by phone, text message, mail or email (including anonymously if required) to their direct Supervisor as the initial focal point

for information and raising grievances. For complaints that were satisfactorily resolved by the complainant, the incident and resultant resolution will be logged and reported to the E&S Focal Point of the relevant organisation.

- As a second step, where the complainant is not satisfied, the Supervisor (or the complainant directly) will refer the aggrieved party to the Human Resources department. The Human Resources department endeavours to address and resolve the complaint and inform the complainant as promptly as possible, in particular if the complaint is related to something urgent that may cause harm or exposure to the person. For complaints that were satisfactorily resolved by Human Resources department, the incident and resultant resolution will be logged by the E&S Focal Point. Where the complaint has not been resolved, the E&S Focal Point will refer to the Management of the relevant organisation for further action or resolution.
- If the complaint remains unresolved or the complainant is dissatisfied with the outcome proposed by Management of DOSMEP and PFIs respectively, the complainant may refer the matter to the appropriate court, at the complainant's own expense. A decision of the Court will be final.

Each grievance record should be allocated a unique number. Complaint records (letter, email, record of conversation) should be stored together, electronically or in hard copy. The E&S Focal Point in each PFI and the PMU will be responsible for undertaking a regular (at least monthly) review of all grievances to analyse and respond to any common issues arising. The E&S Focal Point in the PMU and the PFI is also responsible for oversight of the GRM.

For recording and documentation purposes, the following Grievance Form and Grievance Tracker should be used (if there is not an existing process).

**Table 4      Grievance Form**

Internal Grievance Form		
<b>Date/Time</b>	Date (dd/mm/yyyy):	Time (24 hr format):
<b>Name and Contact Details of Complainant:</b>		<input type="checkbox"/> This is an anonymous grievance.
<b>Information about Representative(s) of the Complainant:</b>		
<b>Name of the relevant employer (DOSMPE/PFI)</b>		
<b>Supporting Documents Provided:</b>	<input type="checkbox"/> Photograph(s): <input type="checkbox"/> Voice Recording: <input type="checkbox"/> Documents: <input type="checkbox"/> Others:	

## Internal Grievance Form

**Brief Description:** (What happened?  
Who was involved? Who did it happen  
to?)

**Table 5 Grievance Tracker Log**

SN	Current Status	Details of Complainant					Resolution	
		Name	Date	Description of the Issue	Method to Contact	Contact Details	Action Proposed	Action Taken
001								
002								
003								
004								
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