

# ENVIRONMENTAL AND SOCIAL REVIEW SUMMARY

### Disclaimer

This Environmental and Social Review Summary is prepared and distributed in advance of the IFC Board of Directors' consideration of the proposed transaction. Its purpose is to enhance the transparency of IFC's activities, and this document should not be construed as presuming the outcome of the Board of Director's decision. Board dates are estimates only. Any documentation which is attached to this Environmental and Social Review Summary has been prepared by the project sponsor and authorization has been given for public release. IFC has reviewed this documentation and considers that it is of adequate quality to be released to the public but does not endorse the content.

### Project Identification:

<i>Country:</i> Lao People's Democratic Republic	<i>Project Name:</i> EdL Rural Electrification	<i>Project No.:</i> 28141
<i>Region:</i> ASIA		<i>Environment Category:</i> B - Limited
<i>Dept./Div.:</i> CSFDR - Sub-National Finance/Office of the Director-CSF	<i>Company Name:</i> Electricite' du Lao	
<i>Project Business Sector:</i> V-EA - Distribution Business		<i>Project Status:</i> Active

### Parent Project Identification:


Parent ID:	
Parent Short Name:	
Parent Relationship:	No Relationship

### IFC's Disclosure Requirements:

Date ESRS sent to InfoShop & posted on IFC Web site:	
Date of revision (if appropriate):	
Date of clearance by client for factual accuracy	
Local Disclosure Date	
Local Disclosure Date of revised ESRS	

### Overview of IFC's scope of review:

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	Project ID 28141	
	Environmental and Social Review Summary	
	12/7/2009	
Version 0.3		Official Use Only

Electricite Du Laos (“EDL” or the “Company”) is expanding its rural electricity distribution grid through a comprehensive rural electrification program (“REP”). IFC is proposing a US\$ 15 million debt to EDL to finance a part of the rural electricity distribution grid expansion program. The exact locations where IFC funds will be invested are not known at this time – therefore the appraisal focused on the management commitment and capacity of the Company in relation to the environmental, health and safety and social issues addressed by the IFC Performance Standards.

The appraisal comprised a review of technical, environmental and social information submitted by the Company including: Environmental and Social Safeguards Framework (“ESSF” or the “Safeguards Framework”), which includes a Resettlement Policy Framework and an Ethnic Group Development Framework prepared for REP Phase II (REP-II), Draft Environment Safeguards Operation Manual and Draft Resettlement Operation Manual, both together referred to as Safeguards Operation Manual (“SOM”) and a number of human resources related policies and rules. The Safeguards Framework for REP-II is consistent with The World Bank Social and Environmental Safeguard Policies and has been further strengthened drawing upon the experience gained in planning and implementation of the REP-phase I project. The appraisal team also interviewed professionals from EDL’s REP Project, Operations, Personnel, Environmental and Safety offices. The appraisal included a site visit to the Company’s recently implemented REP-phase I project site in village Nahin and also village Nasang (proposed to be covered under REP-phase II) in Pakading district, both in Bolikamaxay province of Lao People’s Democratic Republic.

The distribution grid extension sub projects to be financed by IFC have as yet not been finalized. However, these are expected to be similar (in nature and scale) to the sub projects proposed under REP-I and REP-II. Hence, EDL will extend the scope of the Safeguards Framework for REP-II and apply the same to sub projects undertaken as part of IFC’s financing package. In light of this, the focus of this review is on: social and environmental assessment, including identification of issues that need to be managed in accordance to the Performance Standards 2-8 and relevant IFC environmental, health and safety guidelines; social, environmental, occupational health and safety (SEHS) management systems; and corporate capacity to successfully implement and monitor projects.

**Project Description:**

Electricite Du Laos (“EDL” or the “Company”) is the utility company owning and operating the transmission and distribution system in the country as well as the existing hydropower plants (except for Nan Theun 2). EDL was corporatized in 1986, remaining wholly owned by the Government of Lao PDR (“GoL”). Rapid expansion of rural electrification is one of the key priorities of the GoL for the power sector. GoL has been implementing the Rural Electrification Program with support from the World Bank. Under REP phase-I (REP-I), the EDL investment aims to provide electrification to about 42,000 households in 540 villages of the central and southern provinces (Khammouane, Savanakheth, Champasack, Saravan, Sekong, and Attapeu) during 2006-2010. The subprojects (survey, design, construction, and installation) have been carried out by the Electricity Construction and Installation (ECI), a state owned enterprise, through an existing contract between EDL and ECI. ECI also has their own branch offices in the provinces to carry out the tasks.

REP-II involves extension/expansion of grid services to about 27,000 households in some 582 villages (78 subprojects) in the central and southern target provinces. Main activities will be similar to those implemented under REP-I i.e. construction of 22 kV transmission line and 0.4 kV distribution lines, including construction of towers, pole, and/or small substations. The implementation arrangement will also be similar to that of the REP-I. Maximum requirement for the right of way of 22 kV is 8 meters. IFC proposes to finance grid extension project (“Project”), which will be similar in nature and scale to the REP I & II grid extension projects.

The activities involved in IFC financed sub projects (as in case of REP I & II sub projects) would include erection of 8-14 m concrete poles for the low-medium voltage line (0.4-22 kV) of which about one sixth will be buried underground. Poles will generally be spaced at a frequency of about 40 poles/km along existing roads and within the existing right of ways. Step down voltage transformer will be supported on the same poles. Small amount of land may be required for some poles and/or small substations, that have to be located outside existing right of way of roads.

	Project ID 28141	
	Environmental and Social Review Summary	
	12/7/2009	
	Version 0.3	Official Use Only

**Identified Applicable Performance Standards:**

IFC’s environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards:

- PS1 -- Social and Environmental Assessment and Management System; and
- PS2 – Labor and Working Conditions;

However, once specific sub project locations have been finalized, during screening of sub projects, certain impacts that need to be managed in accordance with other Performance Standards may also be identified. Adequacy of the Company’s social and environmental assessment and management systems under PS1 is therefore critical to assure compliance with the Performance Standards during the lifetime of IFC’s investment. EDL’s social and environmental assessment and management system comprised of the Safeguards Framework and the Safeguards Operations Manual (SEHS management system), is consistent with The World Bank Social and Environmental Safeguard Policies and will incorporate any additional provisions contemplated under IFC Performance Standard 3 through 8.

**E & S Categorization Rationale:**

The key social and environmental aspects that are associated with the Project relate to EDL’s Environmental, Occupational Health, Safety and Social (EHSS) assessment, management system and implementation. The Bank Group’s experience during the planning and implementation of REP-I suggested that implementation of subprojects will involve small scale physical and civil works, which require very minor land acquisition or restrictions on land use and the negative impacts on local environment during construction are short term, very limited and localized. Further, it is possible to readily design and implement engineering and management measures to mitigate adverse impacts. In view of the above, the project has been classified as a Category B project.


**Description of key Environmental and Social Issues and Mitigation:**

The Company has presented plans to address these impacts to ensure that the proposed Project will upon implementation of the specific agreed measures, comply with the environmental and social requirements - the host country laws and regulations, The World Bank Group Social and Environmental Safeguard Policies, IFC Performance Standards and the WBG/IFC environmental, health and safety guidelines. The information about how these potential impacts will be addressed by the Company/Project is summarized in the paragraphs that follow.

*PS1: Social and Environmental Assessment and Management Systems:* EDL is committed to addressing social, environmental, occupational health and safety (SEHS) aspects associated with its projects and operations. The Company has, in the REP-I project, developed and implemented an Environmental Management Framework, the Resettlement Policy Framework and the Ethnic People’s Development Plan. Further, based on the experience gained in implementation of the environmental and social frameworks/plans in REP-I, the Company has developed an Environment and Social Safeguard Framework, which incorporates lessons learnt in REP-I implementation. The ESSF is consistent with The World Bank Group Social and Environmental Safeguard Policies and together with the Safeguards Operation Manual will be consistent with IFC Performance Standards. The Company will apply the Safeguards Framework and Safeguards Operation Manual to manage social and environmental impacts of the REP-II project and extend its scope to also include the subprojects financed by IFC.

Although material adverse impacts are not expected from most works undertaken on the Project, since sub projects and their alignments have not been frozen at this stage, EDL will as part of their SEHS management system, implement a screening procedure (screen all sub projects in early development stage) to ensure that all relevant issues and actions are identified at an early stage of the sub project planning and development process.

For effective implementation of the Safeguards Framework, EDL has developed a draft of the Safeguards Operation Manual, which: describes the safeguard procedure and process, including roles and responsibility of the offices, units and contractors; and provide technical guidance, including standard screening forms for ensuring social and environmental outcomes are consistent with the ESSF. Social and Environmental Impact Assessment of each sub project is not expected to be undertaken. However, a set of standardized screening criteria, mitigation measures and monitoring procedures have been developed (based on the implementation of REP-I) and incorporated into Safeguards Operations Manual and in the Safeguards Framework.

	Project ID 28141	
	Environmental and Social Review Summary	
	12/7/2009	
	Version 0.3	Official Use Only

Further, in case of sub projects where the screening procedure indicates potential for significant impact or where the sub project is located in the vicinity of an environmentally and socially sensitive area, sub project specific social and environmental assessments will be undertaken and social and environmental management plans developed.

EDL has put in place an appropriate organization for implementation of the Safeguards Framework and Safeguards Operation Manual. The Company’s Environment Office will be responsible for: developing appropriate policy direction, operational guidelines and procedures, and technical guidance related to environmental and social safeguards; provide appropriate training and capacity building to other units/offices as needed; monitoring the compliance with the safeguard requirement for REP II and the Project; and ensuring that all EDL contractors and/or development partners undertaking the investment activities of the subprojects are aware of and commit to comply with the safeguard requirements (inclusion of mitigation measures in bid and contract documents); and that their performance are acceptable. Typically, the responsibility of implementation of the various elements of the ESSF and consultation with authorities and affected communities is the responsibility of the field team and the branch office.

EDL recognizes the need for training and capacity building of field and branch office staff so as to ensure effective implementation of the ESSF. Accordingly, the Company proposes to: (i) train EDL staff, especially branch office staff, on the safeguard screening, supervision, and monitoring including consultation with local communities and authorities; (ii) incorporation of safeguard concerns into EDL operations and enhancing technical and management capacity of key staff; and (iii) development of a standing training course, on social and environmental aspects, for the Company’s staff at the EDL center. Associated requirement for environmental management under the Safeguards Framework will be included in the bid documents for selection of contractors. EDL will ensure that EDL’s contractors for installation of grid extension subprojects have adequate capacity to effectively implement the safeguards.


**Pollution Prevention and Abatement**

Potential environmental impacts during construction works are expected to be limited in scale, localized, temporary, and can be mitigated through the application of good engineering practices and good housekeeping. To improve effectiveness of the planning and implementation of the sub projects, the Company has developed draft forms and specific requirements for good engineering practices and good housekeeping as a means to mitigate the potential negative impacts. These good industry practices address management of dust, noise, waste disposal, hazardous materials, hazardous and other wastes during construction and operation. The Company will ensure that Poly-chlorinated biphenyls (PCBs) containing material/transformer oils are not used. The Company has procedures in place to collect hazardous wastes (e.g. used transformer oil) and dispose them to authorized recyclers.

**Community Health, Safety and Security:** While the Company adheres to good industry practices in design and construction of the distribution system, it also has in place procedures to make members of local communities aware of safety risks from the distribution system installations. However, at the national level, fatalities involving members of the community and EDL assets averages six per annum for last 3 years – due a lack of awareness regarding electrical hazards. In light of this, EDL will further strengthen its efforts towards education of community on electrical safety and implement a structured community electrical safety awareness program for community resident in the vicinity of the REP-II and IFC finance subprojects. Further, EDL will ensure that Project contractors: train equipment operators and drivers in safe driving techniques; develop a materials movement plan to ensure that vehicle movement during construction has minimal impact on normal life patterns of nearby communities; undertake appropriate measures to reduce fugitive emissions; restrict night time activities to low noise generating activities; use construction equipment with appropriate noise mufflers/provision for attenuation of noise; and periodically monitor noise levels in potentially affected communities/villages, and implement mitigation measures where required.

Where an influx of construction workers is expected during the Project construction period, the Company will ensure that appropriate amenities/facilities for workers are provided by the Project contractors during construction. In this regard the Company will provide, or require its contractors to ensure that: worker accommodation, have appropriate facilities and amenities; treated sanitary waste water meets IFC/WBG requirements prior to discharge; and potential host community impacts on account of influx of labor are assessed and managed. EDL’s projects are not expected to exacerbate community exposure to disease due to changes in land/hydrologic or other terrestrial/air quality/hydrologic regimes. EDL uses security guards in its operations. Further, EDL or its contractors will deploy security guards at Project material storage sites. EDL will, review IFC’s Performance Standard 4 (PS 4) provisions on security personnel related aspects, and update its security procedure to make these consistent with the Performance Standards.

**Land Acquisition and Resettlement**

	Project ID 28141	
	Environmental and Social Review Summary	
	12/7/2009	
	Version 0.3	Official Use Only

The project is not expected to cause significant land acquisition nor resettlement. However, extension of electrification grid may involve minor land acquisition or restrictions (temporary or permanent) on land use. A Resettlement Policy Framework has been prepared (as part of the Safeguards Framework) and will be applied to the sub projects. Further, for effective implementation of the Resettlement Policy Framework, the Company is in the process of finalizing a Resettlement Operation Manual. It is expected that the subprojects may involve acquisition of extremely small parcels of land (e.g. a fraction of a square meter) for placement of power poles. In keeping with local practice, compensation will be made by EDL in the form of community improvement, typically as no-cost electrical hook-ups to community facilities (wats and/or schools). EDL will keep documentation on amounts of land acquired for distribution poles in each village, as well as community improvements provided in lieu of direct compensation.

Where local communities are willing to make voluntary contribution of affected land and trees without compensation, EDL will ensure that the impacts on the affected people are: marginal (partial impact on land without causing any displacement or impact on structures and remaining assets remain viable for continued use); and benefits to the affected people can be assured. The process of consultation and decisions for 'voluntary' contributions will be based on the 'informed choice' of affected people and transparent. People who are willing to make voluntary contributions will be informed of their rights to compensation, and the process and decisions will be documented by the district authorities.

**Biodiversity Conservation and Cultural Heritage**

Environmentally Sensitive Areas include ecologically important zones such as National Biological Conservation Areas, wetlands, forests, areas of high scenic value or any area relatively unaltered by humans. Other sensitive areas include zones of significant human habitation, archeological/historical or cultural sites and mountainous terrain especially when soils are eroded and adjacent to surface water channels. EDL has procedures in place to minimize adverse impacts on all sensitive areas by planning the power line alignment along the ROW of existing roads and to avoid: (a) protected areas including wildlife sanctuary, national parks, reserved forests, gardens, nurseries, high tree areas and plantations; and (b) to minimize river, stream and canal crossings.


The Company will also put in place procedures to avoid cultural heritage sites, monuments and structures of archeological importance, places of worship and cremation. The Company will, as part of the Safeguards Operation Manual, implement measures to mitigate any adverse impact on cultural resources and will particularly put in place a chance find procedure including for finds of archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values, as well as unique natural environmental features that embody cultural values, such as sacred groves. Further, if the subproject is located in the area known to have UXO, EDL will ensure proper inclusion of special measures designed to adequately address the risk and impact. In particular, only appropriately qualified organization will be engaged to undertake search and disposal of UXO in areas where activities are to take place.

**Ethnic Groups**

The project is not expected to generate adverse impacts on ethnic groups. However, some subprojects may be located in areas inhabited by ethnic minority groups, but community-specific negative impacts on ethnic groups' culture or traditional resources or means of livelihood are not likely to occur. To ensure that the ethnic groups are aware of, and have access to the potential benefits from the project, an Ethnic Group Development Framework has been prepared as part of Safeguards Framework. The Ethnic Group Development Framework describes the screening requirements, the principles and procedures for consultation, and reporting and monitoring activities to be followed, and includes guidelines for conducting free, prior and informed consultations with ethnic communities.

**PS2: Labor and Working Conditions**

EDL has about 3200 employees of which about 500 are women. The Company has employment rules in place, which are periodically updated through notifications. A handbook of personnel policies is made available to all employees upon joining EDL. Ensuring full adherence to the personnel policies is the responsibility of personnel department. Each branch location has a personnel department team for the purpose. Further, annual meetings are conducted at each branch by personnel department to convey policies and updates to employees, and also to obtain feedback from employees on the existing policies. Each site, branch and corporate office has in place a trade union, comprised of representatives from branch management, personnel and labor representatives, to discuss and address employee concerns, grievances, disciplinary and other issues. This trade union

	Project ID 28141	
	Environmental and Social Review Summary	
	12/7/2009	
	Version 0.3	Official Use Only

meets every month and grievances or written requests of EDL employees are considered in these meetings. Complaint boxes are placed at all locations for employees to provide feedback, complaints and grievances. The grievances received through the complaints box or otherwise in writing or verbally are considered by the trade union committee at the branch. While specific timeframe for resolution of grievances has not been stipulated, the effort is to resolve the grievances as soon as possible. In the event, the grievance of an aggrieved party remains un-resolved, the said person (s) may approach the committee at the Company’s corporate office as well.


EDL has developed regulations to address occupational health and safety (OHS) aspects in project design, and in operational and maintenance procedures, which includes a work permit system including tag out/lock out/isolation/access control and safety signage. Safety Rules and the Safety Policy are issued to each employee and each employee is expected to ensure adherence to their requirements. The Company will make available (and also require the construction contractor to make available) to all employees appropriate personal protective equipment (e.g. safety shoes, helmets, gloves, safety harness, welding helmets, goggles, dust masks, fluorescent jackets, boiler suits and equipment for safely working at height, on electrical equipment etc as appropriate). Safety rules address use of PPE, periodic health checkup, first aid, first aid training, compensation policy for injuries, accident investigation and corrective action. The Company has a safety training process in place, including programs on electrical hazards and safe work practices, first aid, CPR and use of PPE. It has also put in place a safety organization with a safety officer appointed at corporate level. The Company collects incident data but only the number of incidents (minor and fatal) are recorded. The Company will further strengthen the safety management system in accordance with good international industry practices including commencing recording and reporting lost time data and various indices (severity index, frequency rate) as well as part of the safety management system.

**Client’s Community Engagement:**

Even though the land requirement and/or restriction on use are very limited, under REP-I, EDL selected the sub project through consultation with local authorities and communities, which resulted in shifting of the alignments of sub projects. The local community was actively involved in the planning, construction, and operation, and many were willing to voluntarily contribute land and rights over trees/assets. In any case, most of the subprojects are located along the existing roads and the actual impacts on local environment, and the need for a new right of ways clearance is minimal (maximum requirement for the right of way of 22 kV is 8 meters).

For REP-II and IFC financed subprojects, EDL will continue to engage actively with local communities and involve them actively in planning, construction, and operation of the sub projects under the IFC financed Project. Moreover, the Company will, ensure that: all Branch Office and construction company are properly and timely informed of the subproject activities to be carried out; and that the potential impacts, mitigation measures proposed are effectively disclosed to the local population and local authorities. If necessary, an Environment Management Plan (EMP) and a compensation plan for each subproject will be prepared and disclosed to the public. The Safeguards Operation Manual has procedures in place to ensure appropriate disclosure on information to affected communities and for community engagement. The Branch Office will, with help of the District Environment Co-ordination Committee, the District Resettlement Co-ordination Committee and the contractor, announce, organize, conduct and document consultation meetings with affected individuals, villages, local authorities, community organization, and local NGOs in the project area. The purpose of these consultations is to obtain views of the local people, including of the vulnerable groups, concerning environmental and social issues related to the project which they feel are important, and to inform them about potential project impacts. The Branch Office will, in these consultation meetings discuss the EMPs, RAP/Land Acquisition Compensation Report (as applicable) and grievance procedures. Further, the Branch Office will: document the comments and feedback obtained during consultation in a minute of the meeting; include these minutes in the EMP and RAP/Land Acquisition Compensation Report; and as required incorporate changes in the EMP, RAP/Land Acquisition Compensation Report to address the feedback received during the consultation meetings. Though material degradation, diversion or adverse impacts on land and resources on which ethnic groups are dependent is not expected on account of the Project, the Company has developed, as part of the Safeguards Framework, a “Consultation Framework for Ethnic Group Issues”. The consultation framework aims to ensure that ethnic groups are well informed, consulted and mobilized to participate in the sub-projects. EDL will ensure full adherence to the Ethnic Group Development Framework and the consultation framework for Ethnic Groups.

The Company will put in place a structured complaints and grievances redress procedures both at Branch Office in the provinces and the Environment Office in Vientiane. In case complaint and grievances/issues are made, they will be first dealt with by the

	Project ID 28141	
	Environmental and Social Review Summary	
	12/7/2009	
	Version 0.3	Official Use Only

Branch Office and the district administration. If the issues remain unresolved, these will be dealt with by the Environment Office and the provincial authorities. Project Displaced Persons will be exempted from all administrative and legal fees incurred in pursuit of the grievance redress procedures.


**Local access of project documentation**

In addition to disclosure through IFC Website of this ESRS, the Safeguards Framework and the Draft Safeguards Operation Manual, EDL will: (a) disclose the ESRS through its website; and (b) ensure that the potential impacts, mitigation measures proposed and provisions of the EMP, RAP/Land Acquisition Compensation Report are effectively disclosed to the local population and local authority. If necessary, an EMP, RAP/Land Acquisition Compensation Report for each subproject will be prepared and disclosed to the public locally in the villages, at the relevant Branch Office and through the Corporate Environment Office at Head Quarters. EDL has already disclosed the ESSF, both Lao and English language versions through its website on August 10, 2009.

**Inquiries and comments about the Project may be directed to:**

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	Project ID 28141	
	Environmental and Social Review Summary	
	12/7/2009	
	Version 0.3	Official Use Only