Section I - Basic Information

A. Basic Project Data

Country: MADAGASCAR          Project ID: P074659
Project: Energy Services Delivery Project      Task Team Leader: Noureddine Bouzaher
Appraisal Date: February 14, 2002      IBRD Amount ($m):      Board Date: May 30, 2002      IDA Amount ($m): 136.00
Managing Unit: APTEG          Sector: GY - Other Fuels; PD - Distribution & Transmission; PY - Other Power & Energy Conversion
Lending Instrument: Specific Investment Loan (SIL)      Status: Lending

I.A.2. Project Objectives:
The project development objectives are to: (a) Support the growth of the economy by reliably meeting the demand for electricity at least-cost; and (b) Expand access to electricity in rural and peri-urban areas, especially in the poorest provinces.

The achievement of the project objectives is enhanced by the support provided by ongoing Energy Sector Development Project (ESDP) in the following areas:
- putting in place a legal and regulatory framework (an electricity reform law and a regulatory law have been enacted);
- carrying a least-cost expansion plan to determine the optimal investment sequence;
- carrying a rural electrification master plan;
- opening up of the power sector to independent power generation; and
- setting the stage for the restructuring/privatization of the national power utility, JIRAMA.

The project also aims at helping the Government in the transition to a power sector where private investment is predominant, especially in those segments that are potentially competitive such as generation and commercial (i.e. metering, billing and collection) activities.

I.A.3. Project Description:
Components:
1. Improvement in system reliability;
2. Transmission and distribution;
3. Rural electrification; and
4. Project coordination and monitoring

I.A.4. Project Location: (Geographic location, information about the key environmental and social characteristics of the area and population likely to be affected, and proximity to any protected areas, or sites or critical natural habitats, or any other culturally or socially sensitive areas.)
The project covers the whole country, especially the rural electrification component. The project components are as follows:

1. Improvement in system reliability (US$15.5 million): addition to a third turbine to the two already existing at the Andekaleka dam which
supplies more than 70% of the energy needs of the Antananarivo interconnected network. This turbine will serve as a mechanical reserve in case of failure or for scheduled maintenance of either one of the existing two turbines.

2. Transmission and distribution (US$62.5 million): The transmission sub-component is composed of transmission lines and substations as follows:

   a) Transmission lines:
   - Line 138 kV TANA NORTH - TANA NORTH - WEST
   - Line 63 kV TANA NORTH WEST - TANA SOUTH
   b) Substations/Transformers:
   - Transformers 138/20 kV TANA - NORTH
   - Substation 138/63/35 kV TANA NORTH WEST
   - Substation 20 kV TANA NORTH
   - Substation 35 kV TANA SOUTH
   - Substation 63/20 kV AMBOHIMANAMBOLA
   - Substation Toamasina I
   - Substation Ankidona-Fianarantsoa
   - Substation Antsiranana.

   The distribution sub-component is comprised of distribution lines in the main consuming centers, particularly Antananarivo, Toamasina, Mahajanga, Antsiranana and Fianarantsoa. This sub-component also includes the acquisition of meters, including pre-payment meters;

3. Rural Electrification (US$ 50 million): This component includes rural electrification schemes all over the country. The schemes, where the technology will be decided by communities and private promoters (micro or pico hydro, diesel, renewable energy, etc.) will be supported by the project through output based subsidies (i.e. number of connections or lowest tariff). The sites or the areas where rural electrification is going to take place are not known in advance and will be decided as the program get implemented by the private sector, communities, etc.; and

4. Project coordination and monitoring (US$20 million): This component would support the privatization of JIRAMA which will be based on clear economic rationale and progressive. It would consist primarily of the privatization of commercial activities (metering, billing and collection) with no environmental and social liabilities. The project also supports project implementation, studies and training, and support for environmental mitigation measures.

B. Check Environmental Classification: B (Partial Assessment)

Comments: For the improvement in system reliability and transmission and distribution components, the impacts on the environment are likely to be contained. The proposed transmission lines which are strengthening existing links will use existing right-of-way. Transformers and substations might necessitate new sites: According to JIRAMA (the national parastatal), these sites are located on JIRAMA’s own land. For the rural electrification component: The environmental impacts are expected to be minor due to the very small scale of projects, decentralization of the energy production and use of renewable energy sources. The project has classified as a B, because it is anticipated that the potential environmental and social impacts can be mitigated and/or avoided. An environmental analysis has been carried out and is underway to assess the potential impacts resulting from the activities funded under
the project. The results of the environmental and social analysis will
determine the extent of social impacts (i.e. loss of livelihoods, land
acquisition, and involuntary resettlement) and how they can be addressed
under the project. Because of the uncertainty of the resettlement or the
land acquisition issue, especially for rural electrification, a
resettlement framework will be prepared and disclosed as a precautionary
measure.

As an integral part of their business plan for rural electrification and
as a condition for obtaining financing, local communities and promoters
will submit an environmental and social assessment tailored to the
technology and the particulars of their project to the approval of the
National Environmental Office. The issue of waste disposal (batteries,
etc) will be addressed in the environmental assessment.

C. Safeguard Policies Triggered

<table>
<thead>
<tr>
<th>Policy</th>
<th>Applicability</th>
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<tbody>
<tr>
<td>Environmental Assessment</td>
<td>Yes</td>
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<tr>
<td>Forestry</td>
<td>TBD</td>
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<tr>
<td>Natural Habitats</td>
<td>No</td>
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<td>Safety of Dams</td>
<td>No</td>
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<td>Pest Management</td>
<td>TBD</td>
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<tr>
<td>Involuntary Resettlement</td>
<td>No</td>
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<td>Indigenous Peoples</td>
<td>Yes</td>
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<td>Cultural Property</td>
<td>TBD</td>
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<td>Projects in Disputed Territories</td>
<td>No</td>
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<tr>
<td>Projects in International Waterways</td>
<td>No</td>
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</tbody>
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*By supporting the proposed project, the Bank does not intend to prejudice
the final determination of the parties’ claims on the disputed areas

Section II - Key Safeguard Issues and Their Management

D. Summary of Key Safeguard Issues. Please fill in all relevant questions.
If information is not available, describe steps to be taken to obtain
necessary data.

II.D.1a. Describe any safeguard issues and impacts associated with the
proposed project. Identify and describe any potential large scale,
significant and/or irreversible impacts.

Potential safeguard issues might arise with regards to: (i) loss and/or
assets due to planned construction activities; (ii) loss of vegetation and
endemic species as a result of construction and the installation of
transmission lines; (iii) sites of cultural and historic significance; and
(iv) areas where indigenous people may live. It is anticipated that any
of these potential impacts would be irreversible.

II.D.1b. Describe any potential cumulative impacts due to application of
more than one safeguard policy or due to multiple project component.
Cumulative impacts could include air, water and soil pollution resulting
from construction activities, and siltation due to poor management of the
watershed and/or of the dam.

II.D.1c Describe any potential long term impacts due to anticipated future
activities in the project area.

TBD

II.D.2. In light of 1, describe the proposed treatment of alternatives (if
required)
II.D.3. Describe arrangement for the borrower to address safeguard issues
An environmental and social assessment has already been carried out and is
under review by the ASPEN team. TORs for a Resettlement Policy Framework
is being prepared by ASPEN and the Framework will be completed, reviewed
and disclosed in-country and at the Infoshop prior to Appraisal.

II.D.4. Identify the key stakeholders and describe the mechanisms for
consultation and disclosure on safeguard policies, with an emphasis on
potentially affected people.
Key stakeholders will include the relevant sector agencies, the
project-affected persons in rural and urban areas, and private sector
entities.

E. Safeguards Classification. Category is determined by the highest impact
in any policy. Or on basis of cumulative impacts from multiple safeguards.
Whenever an individual safeguard policy is triggered the provisions of
that policy apply.

[ ] S1. - Significant, cumulative and/or irreversible impacts; or
significant technical and institutional risks in management of one or more
safeguard areas
[X] S2. - One or more safeguard policies are triggered, but effects are
limited in their impact and are technically and institutionally manageable
[ ] S3. - No safeguard issues
[ ] SF. - Financial intermediary projects, social development funds,
community driven development or similar projects which require a safeguard
framework or programmatic approach to address safeguard issues.

F. Disclosure Requirements Environmental Assessment/Analysis/Management
Plan: Expected Actual
Date of receipt by the Bank 12/20/2001
Date of "in-country" disclosure 2/5/2002
Date of submission to InfoShop 2/5/2002
Date of distributing the Exec. Summary of the EA to the ED
(For category A projects)
Resettlement Action Plan/Framework: Expected Actual
Date of receipt by the Bank 2/4/2002
Date of "in-country" disclosure 2/7/2002
Date of submission to InfoShop 2/7/2002
Indigenous Peoples Development Plan/Framework: Expected Actual
Date of receipt by the Bank
Date of "in-country" disclosure
Date of submission to InfoShop
Pest Management Plan: Expected Actual
Date of receipt by the Bank
Date of "in-country" disclosure
Date of submission to InfoShop
Dam Safety Management Plan: Expected Actual
Date of receipt by the Bank
Date of "in-country" disclosure
Date of submission to InfoShop

If in-country disclosure of any of the above documents is not expected,
please explain why.

Signed and submitted by Name Date
Task Team Leader: Noureddine Bouzaher 01/02/2002
Project Safeguards Specialists 1:
Project Safeguards Specialists 2:
Project Safeguards Specialists 3:
Approved by: Name Date
Regional Safeguards Coordinator: Charlotte S. Bingham 01/08/2002
Sector Manager/Director: M. Ananda Covindassamy 01/03/2002

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Lucy Njuguna
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