

## INTEGRATED SAFEGUARDS DATASHEET APPRAISAL STAGE

### I. Basic Information

Date prepared/updated: 12/16/2009

Report No.: 52376

### 1. Basic Project Data

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| Country: Lao People's Democratic Republic  | Project ID: P110978  |
| Project Name: Rural Electrification Phase II Project of the Rural Electrification (APL) Program  |  |
| Task Team Leader: Jie Tang   |  |
| Estimated Appraisal Date: October 7, 2009  | Estimated Board Date: January 12, 2010                                       |
| Managing Unit: EASTS   | Lending Instrument: Adaptable Program Loan                                   |
| Sector: Power (85%);Renewable energy (15%)   |  |
| Theme: Rural services and infrastructure (40%);Climate change (20%);Regulation and competition policy (20%);Rural non-farm income generation (20%) |  |
| IBRD Amount (US\$m.):  | 0.00   |
| IDA Amount (US\$m.):   | 20.00  |
| GEF Amount (US\$m.):   | 0.00   |
| PCF Amount (US\$m.):   | 0.00   |
| Other financing amounts by source:   |  |
| BORROWER/RECIPIENT   | 8.22   |
| Local Communities  | 2.10   |
| Energy Sector Management Assistance Program  | 0.50   |
| NORWAY: Norwegian Agency for Dev. Coop. (NORAD)  | 4.00   |
|  | 14.82  |
| Environmental Category: B - Partial Assessment   |  |
| Simplified Processing  | Simple <input type="checkbox"/> Repeater <input checked="" type="checkbox"/> |
| Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)                                 |  |
|  | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>          |

### 2. Project Objectives

The development objectives of the Rural Electrification Phase II Project (REP II) of the APL Program are to (i) increase access to electricity of rural households in villages of targeted provinces; and (ii) further improve the financial performance of EdL.

### 3. Project Description

The project comprises two components: (a) the EdL component and (b) the Ministry of Energy and Mines (MEM) component and the key activities are summarized below:

For EdL Component, most activities are the continuation from REP I. The component will support (i) distribution grid extension; (ii) technical assistance for EdL system loss reduction; (iii) technical assistance for operation and maintenance of EdL's information technology (IT) system for billing and accounting and financial management; (iv)

promotion of demand side management (DSM) and Energy efficiency; (v) EdL's safeguard management capacity building. In addition, the agreed tariff adjustment for 2005-2011 and later reform will continue but funded under the on-going Greater Mekong Subregion Power Trade (GMS PT) project, and it will also continue to be monitored closely as part of the Action Plan for Financial Sustainability of the Power sector.

For MEM Component, most activities are the continuation from REP I. The component will support (i) off-grid electrification through solar home systems; (ii) operation of the Rural Electrification Fund to support private sector participation in off-grid electrification services; (iii) technical assistance for alternative renewable energy delivery models such as biomass or pico/micro-hydro energy; (iv) capacity building in master planning of rural electrification; and (v) technical assistance to the Project Management Unit (PMU) for project implementation.

#### **4. Project Location and salient physical characteristics relevant to the safeguard analysis**

The project will include two physical investment activities for rural electrification: (i) grid extension in the seven southern provinces, namely: Bolikhamxay, Khammouane, Savannakhet, Salavan, Xekong, Champasak, and Attapeu for grid extension and seventeen provinces for off-grid electrification; and (ii) off-grid electrification through solar home systems and pico-hydro options at rural locations throughout the country.

Most of the grid-extension subprojects will follow the existing roads which connect local communities located in the flat and mountainous areas.

#### **5. Environmental and Social Safeguards Specialists**

Ms Manida Unkulvasapaul (EASTS)

Mr Daniel R. Gibson (ECAVP)

| <b>6. Safeguard Policies Triggered</b>                  | <b>Yes</b> | <b>No</b> |
|---|------------|-----------|
| <b>Environmental Assessment (OP/BP 4.01)</b>            | <b>X</b>   |           |
| <b>Natural Habitats (OP/BP 4.04)</b>                    |            | <b>X</b>  |
| <b>Forests (OP/BP 4.36)</b>                             |            | <b>X</b>  |
| <b>Pest Management (OP 4.09)</b>                        |            | <b>X</b>  |
| <b>Physical Cultural Resources (OP/BP 4.11)</b>         |            | <b>X</b>  |
| <b>Indigenous Peoples (OP/BP 4.10)</b>                  | <b>X</b>   |           |
| <b>Involuntary Resettlement (OP/BP 4.12)</b>            | <b>X</b>   |           |
| <b>Safety of Dams (OP/BP 4.37)</b>                      |            | <b>X</b>  |
| <b>Projects on International Waterways (OP/BP 7.50)</b> |            | <b>X</b>  |
| <b>Projects in Disputed Areas (OP/BP 7.60)</b>          |            | <b>X</b>  |

## **II. Key Safeguard Policy Issues and Their Management**

### ***A. Summary of Key Safeguard Issues***

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts: The REP II project will not create any potential large scale, significant, and/or irreversible impacts. The safeguard issues/impacts and proposed mitigation measures are discussed below while capacity assessment and institutional issues are discussed in Section A4 and A5.

#### **Environment:**

Experience during the planning and implementation of REP I suggested that providing transmission line of low voltage to local communities (on-grid) will involve small scale civil works and the negative impacts (dust, noise, wastes, site clearance) on local environment during construction are temporary, localized and can be mitigated by good engineering practices. Most of the REP I subprojects follow existing roads however many of the final subproject routes were changed after extensive consultation with the local community and local authority. Application of appropriate safeguard instrument and ensuring adequate safeguard capacity of EdL divisions and branch offices will increase EdL capacity to implement safeguard measures. To mitigate the limited impacts of REP II, EdL proposed to apply good engineering practices and provide training to EdL branch office. Given that the subproject routes have not been finalized, EdL also prepared an Environment and Social Safeguard Framework (ESSF) to be applied to all the on-grid subprojects, including the Resettlement Policy Framework (RPF) and the Ethnic Groups Development Framework (EGDF) -see below.

Execution of the off-grid electrification (MEM component) using the Solar Home System (SHS) carried out under REP I does not create any negative impacts. Experience from the pilot study of Pico Hydro suggested that safety aspect of local people during operation can be an issue, but this can be mitigated through communication and increase awareness of local population. Although this component plans to provide about 700 units of Pico Hydro and if additional fund is available some pilot studies for other alternative technology (such as household biogas, village hydro, and village biomass) will be conducted, any adverse impacts are not anticipated. Given that the subproject locations and scale have not been identified, the off-grid ESSF, which includes a RPF and EGDF, has been prepared to ensure that adverse impacts will not occur, or can be adequately mitigated.

#### **Indigenous Peoples:**

The project is not expected to generate adverse impacts on ethnic peoples. However, some on-grid and off-grid subprojects may be located in areas inhabited by ethnic minority groups, but community-specific negative impacts on ethnic groups' culture or traditional means of livelihood are not likely to occur. Indeed, ethnic group communities generally expect to benefit significantly from improved access to electrification. To make sure that the ethnic groups are aware of, and have access to the potential benefits from the project, a revised Ethnic Group Development Framework (EGDF) has been prepared (as part of ESSF). The EGDF describes the screening requirements, the

principles and procedures for consultation, and reporting and monitoring activities to be followed, includes guidelines for conducting free, prior and informed consultations with ethnic communities. This is to ensure that (a) any concerns they may have are identified and (b) opportunities to provide culturally appropriate benefits are considered. The consultation process will be applied during the planning of the subprojects.

**Resettlement and land acquisition:**

The project is not expected to cause significant land acquisition nor resettlement. However, extension of on-grid electrification may involve minor land acquisition or restrictions (temporary or permanent) on land use. A Resettlement Policy Framework (RPF) has been prepared (as part of the ESSF) and will be applied to both the on-grid and the off-grid subprojects. Experience from the implementation of REP I suggested that the subproject 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. Land acquisition and community compensation practices will be reviewed by the Bank in field supervision.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

No potential indirect and/or long term impacts is anticipated.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

Not applicable.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

Borrower measures: EdL will be the implementing agency for the grid-extension subprojects while the Department of Electricity under the Ministry of Energy and Mines (DOE/MEM) will be the implementing agency for the off-grid electrification investment. To comply with the safeguard requirements for the Environment Assessment (OP/BP/GP 4.01), the Indigenous Peoples (OP/BP 4.10), and Involuntary Resettlement (OP/BP 4.12), EdL has prepared an ESSF, including RPF and EGDF, for the EdL component and this will be applied to all the on-grid subprojects. DOE/MEM has prepared an ESSF, including a RPF and EGDP, for the MEM component and this will be applied to the off-grid subprojects. These two ESSFs have been submitted for IDA review and disclosure in the InfoShop and they have also been translated into Lao and disclosed (both in English and Lao) in-country. In addition, both EdL and DOE/MEM have also prepared a draft Safeguard Operation Manual (SOM) for each component, to be applied during project implementation.

**Capacity assessment:** During the preparation of the project, assessment of safeguard performance during REP I concluded that capacity of EdL and DOE to implement safeguard measures remains limited. Main weaknesses include (i) limited knowledge and experience on implementation of safeguard measures of staff both at management and technical level, including English deficiency; (ii) the lack of clear safeguard requirements for contractors and supervision records; (iii) limited budget for supervision and monitoring; and (iv) inadequate internal communication among key divisions/offices and the lack of clear institutional policy guidelines and procedures on safeguard implementation. Specific review of EdL's performance indicated that the Environment Office (EO) has been established under the planning division and still has inadequate staff and budget to function effectively. Under REP I, EO with assistance from the EdL branch office staff is responsible for social screening and assessment of social impacts, including determining the compensation amount, and providing safeguard training. The EO does not have any authority to supervise and/or monitor safeguard performance of EdL staff in other divisions and/or at the branch offices.

With technical assistance provided under REP I for safeguard capacity building (\$0.1M), the EO has taken the lead in the implementation of the safeguard capacity building subcomponent, and carried out the agreed activities, although with some delay. During 2007-08, necessary equipment was procured, a study on EO's capacity assessment and a few trainings were conducted, and a draft Safeguard Operation Manual (SOM) was prepared. At present, a program to develop training courses for management and technical and studies sites is being implemented.

DOE/MEM performance is difficult to assess since most of the activities are related to household solar systems. However, DOE staff has participated in the training programs conducted by EdL and has also developed their safeguard management capacity at central level.

**ESSFs review:** In light of the capacity assessment and REP I implementation experience described above, the two ESSFs were reviewed by an IDA's environment safeguard specialist and a social safeguard specialist and they are found to be satisfactory.

**Safeguard actions under REP II:** Given that the safeguard training of EdL staff at the branch offices and of MEM provincial offices will be critical for forging effective implementation of safeguard measures, REP II will continue to provide budget for training/capacity building for EdL, especially the EdL's branch offices, focusing on good engineering practice and management of contractor's performance for the grid extension subprojects. For DOE/MEM, priority will be given to address the issues related to Pico-Hydro safety and battery management related to solar home systems. International or regional consultant will be hired to assist EdL and/or DOE/MEM as appropriate. An IDA-funded technical assistance for capacity building in the hydropower and mining sectors in Lao PDR will also support capacity building of DOE/MEM and EdL, as well as private investors and contractors for safeguard management related to hydropower and transmission line projects. This will help enhance the overall safeguard capacity of the two implementing agencies.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. For the on-grid expansion subcomponent, participation of local authorities and community has been part of the planning and selection of the subproject routes. EdL will continue with the participatory process for REP II subprojects. For the off-grid subcomponent, the recipients for the home solar system will be consulted during the planning process. For other technologies, extensive consultation with local communities and local authorities will be one factor in for site selection and this will be part of the planning process.

If land acquisition or restrictions (temporary or permanent) on land use are involved, consultation with the affected people will follow the guidelines provided in the RPF/ESSF. If the subprojects are located in the area involved ethnic minority groups, the consultation will follow the guidelines provided in the EGDF/ESSF. The ESSFs, including the RPFs and EGDFs, will be disclosed in Lao language to the local authorities and communities affected by the project.

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#### **B. Disclosure Requirements Date**

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##### **Environmental Assessment/Audit/Management Plan/Other:**

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| Was the document disclosed <b>prior to appraisal?</b>  | Yes        |
| Date of receipt by the Bank  | 03/25/2009 |
| Date of "in-country" disclosure  | 08/10/2009 |
| Date of submission to InfoShop   | 07/08/2009 |
| For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors |            |

##### **Resettlement Action Plan/Framework/Policy Process:**

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|---|------------|
| Was the document disclosed <b>prior to appraisal?</b> | Yes        |
| Date of receipt by the Bank                           | 03/25/2009 |
| Date of "in-country" disclosure                       | 08/10/2009 |
| Date of submission to InfoShop                        | 07/08/2009 |

##### **Indigenous Peoples Plan/Planning Framework:**

|   |            |
|---|------------|
| Was the document disclosed <b>prior to appraisal?</b> | Yes        |
| Date of receipt by the Bank                           | 03/25/2009 |
| Date of "in-country" disclosure                       | 08/10/2009 |
| Date of submission to InfoShop                        | 07/08/2009 |

##### **Pest Management Plan:**

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|---|
| Was the document disclosed <b>prior to appraisal?</b> |
| Date of receipt by the Bank                           |
| Date of "in-country" disclosure                       |
| Date of submission to InfoShop                        |

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\* If the project triggers the Pest Management and/or Physical Cultural Resources, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

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

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**C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)**

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**OP/BP/GP 4.01 - Environment Assessment**

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|---|-----|
| Does the project require a stand-alone EA (including EMP) report?                                       | Yes |
| If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report? | Yes |
| Are the cost and the accountabilities for the EMP incorporated in the credit/loan?                      | Yes |

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**OP/BP 4.10 - Indigenous Peoples**

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|--|-----|
| Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?           | Yes |
| If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?   | Yes |
| If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Sector Manager? | Yes |

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**OP/BP 4.12 - Involuntary Resettlement**

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| Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared? | Yes |
| If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?            | Yes |

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**The World Bank Policy on Disclosure of Information**

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|--|-----|
| Have relevant safeguard policies documents been sent to the World Bank's Infoshop?   | Yes |
| Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs? | Yes |

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**All Safeguard Policies**

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|---|-----|
| Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? | Yes |
| Have costs related to safeguard policy measures been included in the project cost?  | Yes |
| Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?            | Yes |
| Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?          | Yes |

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**D. Approvals**

| <b>Signed and submitted by:</b>                                   | <b>Name</b>                     | <b>Date</b> |
|---|---------------------------------|-------------|
| Task Team Leader:   | Mr Jie Tang                     | 10/26/2009  |
| Environmental Specialist:   | Ms Manida Unkulvasapaul         | 10/26/2009  |
| Social Development Specialist                                     | Mr Daniel R. Gibson             | 10/26/2009  |
| Additional Environmental and/or Social Development Specialist(s): |                                 |             |
| <b>Approved by:</b>   |                                 |             |
| Sector Manager:   | Ms Jeeva A. Perumalpillai-Essex | 12/16/2009  |
| Comments:   | Approved                        |             |