PROJECT INFORMATION DOCUMENT / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS)

CONCEPT STAGE

Report No.:PIDISDSC17889

Date Prepared/Updated: 24-May-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Djibouti	**Project ID:**	P158505
		Parent Project ID *(if any)*:	
Project Name:	Djibouti: Sustainable Electrification Program (P158505)		
Region	MIDDLE EAST AND NORTH AFRICA		
Estimated Appraisal Date:	31-Oct-2016	**Estimated Board Date:**	14-Feb-2017
Practice Area (Lead)	Energy & Extractives	**Lending Instrument:**	Investment Project Financing
Borrower(s)	Ministry of Economy and Finance		
Implementing Agency	*Electricité de Djibouti* (EdD)		

Financing (in USD Million)

Financing Source	Amount
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	7.00
Financing Gap	0.00
Total Project Cost	7.00

Environmental Category	B-Partial Assessment
Concept Review Decision	Track I - The review did authorize the preparation to continue
Is this a Repeater project?	Yes
Is this a Transferred project? (Will not be disclosed)	Yes
Other Decision (as needed)	

B. Introduction and Context

Country Context

1. Djibouti is a small country strategically located in the Horn of Africa where 23% of its 876,000 inhabitants live in extreme poverty. The Government of Djibouti has been pursuing a strategy of developing large infrastructure projects to foster rapid growth and reduce poverty. Economic growth in Djibouti has accelerated in recent years driven by port-related activities and large investments. The ports remain the engine of Djibouti's economy. Since 1998, the Port of Djibouti has handled 85% of

landlocked Ethiopia's traffic, transporting goods by rail or road. Ethiopia supplies the country with drinking water and hydropower, and Djibouti's relations to its neighbor Ethiopia will continue to strengthen due to shared economic interests on both sides and cross-border infrastructure projects expected to be completed in 2016-17, including the Addis Ababa-Djibouti railway and the oil pipeline from Ethiopia.

2. Despite the Government's action, poverty and unemployment remain high. Two thirds of Djibouti's population live in urban areas, mostly in the capital. The remaining one third in the rural areas are mainly nomadic and pastoral people. The unemployment rate is at almost 60% and at more than 70% for young people under the age of 30.

3. The regional refugee crisis exacerbates poverty and increases stress on basic social infrastructure and services. Djibouti is located in a conflict-prone region, surrounded by Somalia, Ethiopia, Eritrea and across the Red Sea by Yemen. As a consequence of conflicts in the region, Djibouti hosts an estimated 23,000 refugees and more than 5,000 asylum-seekers (UNHCR 2015), many of whom are in protracted displacement situations in the Ali Addeh and Holl Holl refugee camps. As Djibouti contributes troops to the African Union Mission in Somalia, the country remains vulnerable to retaliation by the Somali Islamists Al-Shabab.

Sectoral and Institutional Context

4. The electricity sector is characterized by vigorous demand growth ranging from 5 to 20% per year, driven by industrial projects and air-conditioning usage. However, only 50% of Djibouti's population, or 70,000 homes located in urban areas, has access to electricity through the national utility *Electricité de Djibouti* (EdD). The price of electricity has been the highest in Africa for many years. Despite the recent tariff reductions (-30% in March 2014 and a new reduction is planned in 2016), Djibouti remains one of the African countries with the highest electricity prices. In addition, quality of electricity generation remains low with frequent interruptions, and supply curtailments.

5. There is a strong correlation between electricity access and poverty. As shown by a World Bank Poverty and Social Impact Analysis (PSIA), 70% of the urban households without access to electricity (43% of the total population) were among the poor who deal with issues related to cooking and fuelwood. Women in particular are affected by lack of energy access, notably by increased drudgery, time loss for educational and income-generating activities. The PSIA also identified the high connection charges, currently at about US$50 on average, as a significant barrier to electricity access by the poor (electricity accounting for around 25% of household budget expenditures). Lighting and water pumping are the top priorities for half of the population living in urban areas where distribution networks are insufficient and in rural areas where there is no local generation, nor connection to the domestic electricity grid.

6. The power transmission grid is fragmented and limited to the interconnection of the two EdD-owned power plants (Marabout and Boulaos in Djibouti city), medium voltage links to the nearby cities of Arta and to Ali Sabieh and the 230 kV link to Ethiopia in the South. The distribution grid is mainly where population is concentrated (Djibouti city, Tadjoura, Obock, Dikhill and Ali Sabieh). Deprived urban and rural areas usually do not have access to electricity, which translates to insecurity (no lighting), a handicap for the school children to do their homework in the evening and a constraint on the economic development of small businesses. The absence of guaranteed 24-hour supply and the high price of electricity also is a serious handicap for the private sector development in Djibouti. Supply interruptions are so frequent (failures, supply curtailments) that many businesses and shops have had to purchase a private generator.

7. EdD's thermal capacity and hydroelectricity imports from Ethiopia are the main sources of power supply. The national utility has 18 generating units running on Heavy Fuel Oil (HFO) in Boulaos and 6 diesel units in Marabout. EdD's effective generation capacity is limited to 67 MW. There are two off-grid solar panel systems, notably in Ali Addeh and Adailou, which are operated by the *Agence Djiboutienne de Développement Social* (ADDS). The World Bank is supporting a US$ 31 million multi-donor Geothermal exploration project under implementation to develop the country's expected large potential for this affordable domestic energy resource, which could unlock the country's private sector-led economic growth. The interconnection between Ethiopia and Djibouti, in operation since 2012, provides a cost effective supply of hydroelectric energy throughout the year. However, power imports are not "firm" meaning that Ethiopia can and does curtail supply, particularly during its dry season, when supply is interrupted every day. During the rainy season, failures of the Ethiopian transport network can lead to unplanned interruptions. It is then necessary to restart the thermal gensets to provide electricity to the country.

8. Djibouti is transitioning towards a green growth path, with a goal of 100% renewable energy by 2020 established by the President of the Republic. Djibouti is richly endowed with enewable energy, but it is virtually unexploited to date. The wind energy potential is remarkable, particularly in Gali Ma'aba, Ghoubet and Bada, as well as the solar potential due to high solar radiation. The country also has a substantial geothermal potential, which could provide base energy supply for the country.

9. The Ministry of Energy and Natural Resources (MERN) regulates Djibouti's electricity sector and oversees EdD, which has a monopoly on the transmission, and distribution of electricity. A new law adopted in 2015 opens power generation to Independent Power Producers (IPP). A 50 MW solar power plant is expected to be the first IPP delivering energy to EdD (single buyer). ADDS has implemented small-scale solar energy access projects and has subsidized the US$50 connection fees to the on-grid system for the poorest population groups. Households that will be connected to the grid will pay the connection fee over time through the electricity bill or using pre-paid meters.

10. Key lessons learned from Projet d'*Accès et de Diversification du Secteur de l'Energie* (PADSE) have and will be taking into account, which include : (i) Scaling-up national energy access by expanding urban electrification has been a very; (ii) need for a sharpened design of project objectives at entry, when developing critical infrastructure activities in a small country with low capacity wise choice; (iii) The main risk with this type of activity is that it is incomplete until the consumers are connected, metered and billed. Phased commissioning of rehabilitated power distribution circuits is key to serve beneficiaries and show regular implementation progress; (iv) Deployment has been done quicker than forecasted and without opposition of the population. Consumers have been informed individually several days before the installation of the new meters so that if their connection to the grid was illicit they had time to correct their connection.

Relationship to CAS/CPS/CPF

11. Electricity is a necessary ingredient for economic development, improves provision of social services, and enhances quality of life, and thus contributes to the World Bank's twin goals of reducing extreme poverty, and promoting shared prosperity. The proposed project, which aims to provide increased access to electricity and thus indirectly contribute to (i) the social contract by fostering private sector development and job creation, which would have a socio-economic impact, and (ii) resilience to IDP shocks by providing energy services to peri-urban and rural areas which would result in reduced urban migration. Therefore, the project is in line with Djibouti's Performance and Learning Review (PLR), which proposed adjustments to the Djibouti Country Partnership Strategy (CPS) FY 2014-2017. The CPS stands on two pillars: (i) reducing vulnerability; and (ii) strengthening the business environment. The PLR proposes to align the CPS with the Bank's Middle East and Northern

Africa Regional Strategy, which puts emphasis on (i) renewing social contract, (ii) regional cooperation, (iii) resilience to IDP/refugee shocks, and (iv) recovery and reconstruction. Changes to the CPS are intended to strengthen the WBG's response to emerging development challenges such as growing refugee and youth populations and enduring service delivery deficits. Furthermore, this project would support the Government's efforts to come closer to reaching the Sustainable Development Goal 7 on Affordable and Clean Energy by providing technical assistance to the EdD to prepare for the implementation of the broader national energy program.

C. Proposed Development Objective(s)

Development Objective(s) (From PCN)

The proposed Project Development Objective (PDO) is to increase access to electricity in the targeted project area in Djibouti.

Key Results (From PCN)

12. The following are the PDO-level results indicators:

(i) Direct project beneficiaries (number), of which female (percentage);
(ii) People provided with access to electricity under the project (number);

D. Concept Description

13. The proposed project will constitute the first phase of a larger national energy program being developed with the Government of Djibouti to provide access to modern energy services to 80% of the population. The national program would include a set of projects to be financed by various donors and focus on off-grid solutions for rural areas, including solar-powered mini-grids and individual solar systems for household, institutional, and light commercial use. The program will be fully coordinated with other Government programs on generation and high-voltage transmission, energy efficiency, and regional interconnection. The proposed project will be used to leverage additional support for the program, notably the technical assistance.

14. The proposed project will directly benefit 22,400 people in 3,500 households from urban, peri-urban and rural areas. Businesses, public administration buildings, health centers and schools will also benefit from new electricity connections financed by the US$ 7 million IDA credit. The project is likely to attract to the program additional parallel financing from the African Development Bank and the Islamic Development Bank. The project will also contribute to Djibouti's decentralization policy of increasing investments in rural areas to boost sub-regional socio-economic development, and would thus reduce migratory pressure towards Djibouti city.

15. The project would achieve the proposed PDO through the following components:

Component 1: Extension and densification of distribution systems (US$6 million)

16. This component will support the expansion, densification, and rehabilitation of medium/low voltage (MV/LV) distribution systems to allow 3,500 new connections in Balbala, a neighborhood in Djibouti-city concentrating 40% of the city's residents and characterized by high population density and poverty, and the two main cities in the northern area, Obock and Tadjoura. It will include sub-transmission and distribution networks, MV/LV transformers, and street lighting. Grid connections will be financed directly by the clients or supported by funds channeled through an existing ADDS program for poor households. This component would be coordinated with other planned and ongoing investment operations to maximize impact and minimize costs. In particular, the proposed World Bank

Horn of Africa Response to Forced Displacement project may include certain grid investments which would be coordinated with the proposed operation.

Component 2: Technical Assistance and Knowledge Generation (US$ 1 million)

17. This component will finance the cost of project implementation and oversight, as well as generation of practically-oriented knowledge aimed at expanding the scope and impact of the program. This would include consultant assistance for safeguards, procurement, financial management, and any engineering tasks. The component would also cover selected technical assistance and knowledge generation activities. These could include development and refinement of the electricity access master plan, drafting of an energy efficiency strategy, development of an off-grid program, a national assessment of Government-owned solar assets (street lighting, mini-grids, health clinics, schools, etc.) and development of a rationalization plan for maximizing their value. The component also could finance capacity building activities on financial viability, energy efficiency, renewable energy, basic gender training, etc. for (i) EdD with the aim of improving its efficiency by providing support to the energy sector strategy development, (ii) Government staff, and (iii) private sector in operationally relevant areas. In addition, because this project is part of a larger Government national energy program, this component would also finance a preparation of a Strategic Environmental Assessment for the entire program.

18. Furthermore, this component will include citizen engagement activities providing a voice to the project beneficiaries, including women and youth in community meetings. The CE tool would be undertaken during implementation (beginning and midterm) with clear understanding from the client of the approach and documented in ISRs as per the CE framework.

II. SAFEGUARDS

A. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

All the geographic areas of intervention of the project are already fixed. They will be located in urban and rural zones.

Safeguard analysis is required for the component 1 "Extension and reinforcement of distribution systems", which include the financing of sub-transmission and distribution networks, MV/LV transformers and street lighting.

At this step, the major environmental and social impacts and project risks would be related to the construction phase of all these pieces of infrastructure; impacts associated with construction sites and the impacts related to the physical presence of the infrastructure during their operating and maintenance, in particular generation of hazard materials and other wastes (e.g. used transformer oils and capacitors, etc.); and risks associated to safety of populations.

B. Borrowers Institutional Capacity for Safeguard Policies

The country has moderate capacity for safeguards. EdD, the national utility in charge of expanding electricity access through grid connections, is the implementing agency for the project. EdD has prior experience with the successful Power Access and Diversification Project (PADSE), and is currently implementing the Geothermal project. During the preparation process the Bank will undertake an assessment of safeguards capacity within EdD and may recommend that additional staff capacity might be required for the implementation of the project.

Strong technical support will be provided by Bank safeguards specialists during preparation to ensure compliance with all World Bank safeguards policies. EdD team will also benefit from continuous advice and guidance from Bank safeguards specialists in the project team during implementation.

The project is likely to leverage funds from other donors such as AfDB and IsDB, which will contribute to a larger national electrification program spearheaded by the proposed project. All Environmental and Social assessments will include appropriate consultations of local stakeholders and will be disclosed following World Bank policies.

C. Environmental and Social Safeguards Specialists on the Team

Fatou Fall(GSU05)

Mohamed Adnene Bezzaouia(GEN05)

D. POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	OP 4.01 is triggered. As all the geographic areas of intervention of the project are already known, an ESIA will be prepared to determine the environmental and social impacts of the project, the other environmental safeguard policies that should be triggered and an ESMP for each sub project in its specific geographical area.
Natural Habitats OP/BP 4.04	TBD	The project is unlikely to impact critical habitats as activities will take place in urban areas or villages. ESIA will analyze the project zones and measures to be followed if natural habitats should be concerned during project implementation.
Forests OP/BP 4.36	TBD	The project is unlikely to impact forests as activities will take place in urban areas or villages. ESIA will analyze the project zones and measures to be followed if forests areas and resources should be concerned during project implementation.
Pest Management OP 4.09	No	The project will not imply the use of pesticides or other related products.
Physical Cultural Resources OP/BP 4.11	TBD	The proposed operation is not expected to pose risks of damaging on the existing community cultural property. Nevertheless, ESIA will analyze the project zones and measures to be followed if these properties will be discovered during project implementation. Cultural property and chance find procedures will be applied and appropriate mitigation measures for both the identification and protection (from theft, mistreatment of discovered artifacts) of cultural property. While not damaging cultural property, project preparation may later identify and include assistance for preservation of historical or archeological sites. If these opportunities occur, cultural property management plans would be prepared for this projects.

Indigenous Peoples OP/BP 4.10	No	There are no known indigenous people in Djibouti as defined in OP 4.10.
Involuntary Resettlement OP/BP 4.12	TBD	Potential impacts are expected to be limited to temporary economic displacement and temporary loss of revenues because of the implantation of the transmission lines. Involuntary land acquisition is not expected. The ESIA will determine the potential OP 4.12 related impacts in the project sites and confirm the trigger or not of the policy. If the policy is triggered and actual locations and impacts are known, related instruments namely ARAPs or RAPs will be prepared, consulted and published prior to appraisal.
Safety of Dams OP/BP 4.37	No	The project will not construct or rely on dams.
Projects on International Waterways OP/BP 7.50	No	The project will not affect international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The project is not located in a disputed area.

E. SAFEGUARD PREPARATION PLAN

1. **Tentative target date for preparing the Appraisal Stage ISDS:**

   25-Oct-2016

2. **Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal-stage ISDS.**

   ESIA to be completed and disclosed by November 2016.

III. Contact point

World Bank

Contact: Roger Coma Cunill
Title: Senior Energy Specialist
Contact: Frederic Verdol
Title: Senior Power Engineer

Borrower/Client/Recipient

Name: Ministry of Economy and Finance
Contact: Ali Mohamed Ali
Title: Director of External Financing
Email:

Implementing Agencies

Name: Electricité de Djibouti
Contact: Djama Agza

Title: Director
Email:

IV. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop

V. Approval

Task Team Leader(s):	Name: Roger Coma Cunill, Frederic Verdol	
Approved By:		
Safeguards Advisor:	Name: Nina Chee (SA)	Date: 27-May-2016
Practice Manager:	Name: Waleed Saleh I. Alsuraih (PMGR)	Date: 29-Sep-2016
Country Director:	Name: Atou Seck (CD)	Date:13-Oct-2016

[1] Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.