

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSA8969

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I. BASIC INFORMATION

1. Basic Project Data

Country:	Egypt, Arab Republic of	Project ID:	P146007
Project Name:	EG: Household Natural Gas Connection Project (P146007)		
Task Team Leader:	Husam Mohamed Beides		
Estimated Appraisal Date:	21-May-2014	Estimated Board Date:	24-Jul-2014
Managing Unit:	GEEDR	Lending Instrument:	Investment Project Financing
Sector(s):	Oil and gas (100%)		
Theme(s):	City-wide Infrastructure and Service Delivery (40%), Urban services and housing for the poor (30%), Other economic management (30%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	1473.90	Total Bank Financing:	500.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			473.00
International Bank for Reconstruction and Development			500.00
European Neighborhood Instrument			78.90
FRANCE French Agency for Development			96.00
LOCAL BENEFICIARIES			326.00
Total			1473.90
Environmental Category:	A - Full Assessment		
Is this a Repeater project?	No		

2. Project Development Objective(s)

The project development objective is to assist the Arab Republic of Egypt to increase household

access to reliable, lower cost, grid connected natural gas supply.

3. Project Description

The proposed project will connect 1.5 million households to the gas distribution networks, of which 1.1 households will be connected in 11 Governorates during the project's first three year implementation period, in areas under the concessions of four LDCs: (i) Town Gas in the Giza, Ismailia, and Alexandria governorates (ii) Egypt Gas in Qalubia, Menufia, Daqahlia, Qena, Gharbia, and Aswan governorates (iii) ReGas in Sohag and Marsa and Matrouh governorates; and (iv) Sianco in the Alexandria governorate.

The proposed project's design draws from the successful implementation experience of the Egypt Natural Gas Connections project that supported the expansion of access to natural gas connections to residents in Greater Cairo area and will have the following similar type of project components:

- Component 1: Gas Network Expansion and Household Connections (Estimated Cost US\$ - 1100 million): This component will finance investments necessary to expanding the gas networks in the project areas and connecting 1.5 million households to the distribution networks.
- Component 2: Financial support for household connection charges in disadvantaged areas (Estimated Cost: Euro 15 million). The scale-up of the natural gas connections as envisaged under this project will expand the grid to 11 Governorates that will include relatively poorer areas of Egypt. To ensure access will be provided to vulnerable households and project implementation will not be delayed due to consumer affordability, this component will provide financial support for connection fees for households in disadvantaged and poor areas. The component will be financed by an EU Grant, managed by AFD, which is under preparation. The methodology for identifying the disadvantaged areas that will benefit from this component and the financing mechanism for the provision of the financial support will be based on socio-economic characteristics and poverty mapping of the targeted areas developed by an ongoing AFD consultancy assignment.
- Component 3: Institutional Strengthening (Estimated Cost: Euro 5 million). This component will be financed by the EU Grant, managed by AFD, and will contribute to improvement of the governance structure and fiscal transparency and accountability at EGAS and support development and implementation of gas sector regulatory and reform programs.

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project will be financing gas connection to about 1.1 million households in 11 governorates; Giza, Alexandria, Marsa Matrouh, Ismaillia, Qalubia, Menofia, Gharbia, Daqahlia, Qena, Sohaj and Aswan. The project will extend gas networks and services to areas in these governorates which are currently covered and new areas as well.

The project is also a follow-up to an ongoing gas connection project supported by Bank covering the greater Cairo area.

5. Environmental and Social Safeguards Specialists

Chaogang Wang (GURDR)

Africa Eshogba Olojoba (GENDR)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	Planned interventions trigger this policy due to due to the potential multi-dimensional environmental and social concerns that could be sensitive, diverse or unprecedented. Given that routing of the high pressure pipelines and exact locations of the PRS'es was not known with certainty at appraisal time, an Environmental and Social Impacts Assessment Framework (ESIAF) was the appropriate environmental assessment instrument to be prepared Site specific ESIA's will be prepared, cleared and disclosed prior to the start of any construction works, following the principles and procedures as set forth in the ESIAF, as location of PRS and pipeline will be determined in the implementation stage. The ESIAF has been prepared, reviewed, approved and disclosed in-country and at the Bank's Infoshop on March 23 and 24 respectively.
Natural Habitats OP/BP 4.04	No	This policy is not triggered.
Forests OP/BP 4.36	No	This policy is not triggered.
Pest Management OP 4.09	No	The use of pesticides is not envisaged in this project.
Physical Cultural Resources OP/ BP 4.11	Yes	This policy is triggered because of the project's potential to affect archaeological or cultural or religious sites. A chance find procedures has been prepared, and attached as annex to the ESIAF.
Indigenous Peoples OP/BP 4.10	No	There are no indigenous people in the project project areas.
Involuntary Resettlement OP/BP 4.12	Yes	This policy is triggered as the land acquisition will not be avoidable for the construction of pressure reducing stations (PRS) and high pressure gas pipelines. The client will make efforts to minimize or avoid the impacts of involuntary resettlement, for instance using the vacant government land for the construction of PRSs and obtaining the land through a willing buyer and willing seller process. However, involuntary taking of land will not be avoidable, particularly for the high pressure gas pipelines. Given that routing of the high pressure pipelines and exact locations of the PRS'es was not known with certainty at appraisal time, The appropriate

		social safeguards instrument prepared was the Resettlement Policy Framework (RPF). Site specific RAPs or ARAPs will be prepared, cleared and disclosed prior to the start of any construction works, following the principles and procedures as set forth in the RPF, as location of PRS and pipeline will be determined in the implementation. The RPF has been prepared, reviewed, approved and disclosed in-country and at the bank's Infoshop on March 23 and 24 respectively.
Safety of Dams OP/BP 4.37	No	This policy is not triggered as project activities do not involve new or existing dams.
Projects on International Waterways OP/BP 7.50	No	This policy is not triggered.
Projects in Disputed Areas OP/BP 7.60	No	This policy is not triggered.

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 proposed project falls under the World bank environmental category A classification due to the potential adverse environmental and social impacts. Three Bank safeguards policies were triggered: Environmental Assessment (OP/BP 4.01), Involuntary Resettlement (OP/BP 4.12), and Physical Cultural Property (OPN 11.03). Given that the final selection of the exact paths of the gas pipelines, pressure reduction stations, and the distribution networks will be made during the course of implementation of the project, an Environmental and Social Impact Assessment Framework (ESIAF) and a Resettlement Policy Framework (RPF) were the safeguards instruments prepared. To address the triggered physical cultural property policy, a chance find procedure was inserted as an annex to the ESIAF. It is expected that during project implementation site-specific Environmental and Social management Plans (ESMPs) and Resettlement Action Plans (RAPs) will be prepared in particular when the locations/paths are known with certainty following guidance contained in the ESIAF and RPF.

The Scope of the ESIAF is to assess the environmental and social impacts of extensions of new high-pressure steel pipes to the project areas (or installations of new pipelines), pressure reduction stations, and distribution networks serving the various project areas. Impacts of NG exploration, extraction, refining, and transmission are outside the scope of the ESIAF. The ESIAF has identified the following potential negative impacts during the construction phase:

- Traffic congestion and loss of access due to excavation and installation works
- Air emissions from heavy machinery and generators; and dust from excavation activities
- Elevated noise levels from heavy machinery and asphalt breaking; as well as other construction/demolition for extending natural gas piping into households
- Risk of damage/breakage of underground utility lines and piping during excavations
- Possible disruption or displacement of ecological systems

- Potential risk to weak structures may arise in areas where building standards are not followed or in areas where high groundwater levels affect integrity of foundations
- Structural and aesthetic effects on culturally-valuable sites and antiquities
- Management of solid, liquid and hazardous waste from handling and temporary storage to transportation and final disposal
- Potential impacts of PRS Construction (related to handling of construction wastes, noise and air pollution from construction machinery)

Potential negative impacts during operations which include user health and safety, improper handling of the odorant, noise of the PRS, safety aspects of PRS operation, and integrity of the pipelines.

The mitigation measures to address these potential negative impacts are well presented and detailed in the Environmental and Social Management and Monitoring Framework (ESMMF) contained in the ESIAF. The objective of the ESMMF is to outline a mechanism for minimizing or eliminating potential negative impacts and for monitoring the application and performance of the mitigation measures. The ESMMF identifies roles and responsibilities for different stakeholders for implementation and monitoring of mitigations, and whenever applicable, the ESMMF is designed to accommodate alternative context-specific mitigation and monitoring measures. The implementation of the ESMMF is estimated to cost US\$790,000 excluding the gross cost of recruiting full-time HSE personnel and the cost of work in antiquities and culturally sensitive areas.

The potential adverse social impacts are mainly related to the permanent land acquisition and temporary land use for construction of 25 PRSs and 187 km of high pressure gas pipeline. It is estimated that the project will need about 4 hectare of permanent land acquisition and 180 hectare temporary land use. Since the exact locations of PRSs and alignment of gas pipeline cannot be finally determined at this stage, a resettlement policy framework (RPF) has been prepared to mitigate the potential resettlement impacts. The RPF establishes the principles for resettlement impact mitigation and the organizational arrangements for preparation and implementation of resettlement action plans which may be needed during project implementation. The RPF summary is included in Annex 3

To address demand side aspects of the service delivery, EGAS already has a continuous Citizen Engagement plan in place to build and maintain a productive relationship over time with the project hosting communities. This process extends throughout the life of the project and encompasses a range of activities and approaches, from information sharing and consultation, to participation, negotiation, and partnerships.

The proposed project will build on this Citizen Engagement focus. It will support the development of a framework for household gas service delivery performance improvement and monitoring and develop a monitoring system to develop a Key Product Indicator. As a relevant tool for citizen engagement, EGAS and the participating LDCs will be strengthening the role of the customers' service centers (CSC's) to a more engaging role with citizens. Initially prior to the implementation of the proposed project, the Bank will also support a safety awareness campaign geared toward the more rural areas, where concerns on the safety of usage of natural gas connections and appliance were raised during the social consultations. Once the project is moved to implementation this will be sustained by the Social Development Officers hired by the project.

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 are expected.

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

The ESIAF considered several alternatives, including not undertaking the project. The No-Project alternative is not favored as it simply deprives the Egyptian Public and Government of the social, economic and environmental advantages associated with the proposed project such as reduced expenditure on LPG importation and subsidies, significantly lower leakage and fire risk compared to LPG and constantly available fuel for home use. Energy alternatives such as expand LPG usage, or convert to electricity or, use renewable energy sources were also considered. Piping material alternatives in the use of copper or steel was evaluated. Several considerations support the use of steel piping such strength, cost, and some aspects of public attitudes (copper is known in Egypt as an attractive target for theft due to its high value. Aside from the aspect of minimizing corrosion (and therefore risk of leakage), selection of one of the piping materials over the other does not seem to offer contrasts in the environmental and social impacts (except a marginally lower pressure loss with copper piping). Therefore, as long as precautions and safety margins are respected steel seems to be the more practical and safe choice.

Alternatives to the sequencing of constructions were also considered. Progressing with constructing the transmission (HP) and distribution networks in the various project areas could be achieved through two alternatives:

Alternative 1: complete the construction of the networks in more than one area simultaneously

Alternative 2: complete networks in sequence area by area

The advantages of Alternative 1 over Alternative 2 are: (i) shorter implementation schedule; and (ii) utilization of economies of scale in lower cost for the additional equipment and components procured to cover multiple areas simultaneously.

The advantages of Alternative 2 over Alternative 1 are: (i) less resources and capital investments required; and (ii) less management and coordination resources required.

Overall, the key contrast between the two alternatives is related to available assets and human resources, while paying attention to coordination of sequential work outputs of the parallel teams. The main advantage of working in parallel would be to minimize project implementation time.

Routing alternatives apply to transmission mains, distribution mains and connection mains. Deciding on routing alternatives for the distribution and connection network is premature at this stage. However, selecting optimum routes for these networks is crucial to avoid as much environmental and social impacts as possible. It is very important to avoid as many sensitive sites as possible to minimize environmental and social impacts.

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.

EGAS/Egypt Gas/Town Gas contracted with ESIAF and RPF to be carried out by one of the leading environmental consulting firm, EcoConServ. This firm has well experienced staff and consultants with ample knowledge of Bank safeguards policies, and also prepared the safeguards

instruments for the Natural Gas Connection (Greater Cairo) I project of which the environmental departments in both EGAS and Town Gas gained experience through the implementation of the various site-specific ESMPs and RAPs. These entities (EGAS, Egypt Gas, and Town Gas) have good track record in paying attention to safety measures in the development of the Gas Sector and use international recognized standards and procedures used by British Gas. Rigorous attention is paid to environmental and social aspects supported by environmental departments and HSE units that were created long ago and are used to international standards.

Three entities namely EGAS, Town Gas and Egypt Gas will be responsible for the implementation of the ESMMF and by extension the site –specific ESMPs. These entities have well qualified environmental and social staff, with well-defined Health, Safety and Environment (HSE) departments. EGAS Environment staff and Town Gas HSE personnel have received training on environmental auditing, EIAs for industrial establishments and environmental legislation. Further, the environmental departments in both EGAS and Town Gas gained experience through the implementation of the ongoing Natural Gas Connections Project in Greater Cairo; as they were involved in planning, tendering and construction procedures. The ESMMF also recommended training programs for EGAS/Town/Egypt Gas staff to build their capacity for environmental and social management. The entities will also benefit from guidance from the Bank Safeguards team members.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Consultations were carried out with key stakeholders. The ESIAF and RPF held two consultation sessions as required for category A projects. These were very well advertised and attended in the 11 governorates. Tools used included focus group discussions, individual interviews, group meetings and public consultation. Consultation activities (scoping, interviews, focus group discussions, public hearing/consultations/scoping sessions) were held with various stakeholders and community members in host communities in the 11 Governorates. These consultations were in compliance with World Bank policies related to disclosure and public consultation (BP 17.50 and OP 4.01) and Egyptian regulations related to public consultation (Law 4/1994 modified by Law 9/2009). Throughout the various consultation and engagement activities, the work teams experienced and recorded overwhelming public acceptance, by the communities and the governmental stakeholders towards the proposed project. Aside from limited concerns regarding arrangements for the Natural Gas installation payments and street restoration, all participants expressed their eagerness for commencement of project implementation without much delay and many others requested the extension of the project to additional areas.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	23-Mar-2014
Date of submission to InfoShop	24-Mar-2014
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Egypt, Arab Republic of	23-Mar-2014
<i>Comments:</i> The link to the website is http://www.egas.com.eg/Corporate_Overview/NaturalGasConnectionsProject.aspx	
Resettlement Action Plan/Framework/Policy Process	

Date of receipt by the Bank	23-Mar-2014
Date of submission to InfoShop	24-Mar-2014
"In country" Disclosure	
Egypt, Arab Republic of	23-Mar-2014
<i>Comments:</i> The link to the website is http://www.egas.com.eg/Corporate_Overview/NaturalGasConnectionsProject.aspx	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment	
Does the project require a stand-alone EA (including EMP) report?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
OP/BP 4.11 - Physical Cultural Resources	
Does the EA include adequate measures related to cultural property?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
OP/BP 4.12 - Involuntary Resettlement	
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
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 [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]

III. APPROVALS

Task Team Leader:	Name: Husam Mohamed Beides	
<i>Approved By</i>		
Regional Safeguards Advisor:	Name: Nina Chee (RSA)	Date: 18-Jul-2014
Sector Manager:	Name: Charles Joseph Cormier (SM)	Date: 30-Jul-2014