

**INTEGRATED SAFEGUARDS DATASHEET
APPRAISAL STAGE**

Date prepared/updated: April 25, 2019

I. Basic Information

Basic Project Data

Country: Ethiopia		Project ID: P162607	
		Additional Project ID: N/A	
Project Name: Renewable Energy Guarantees Program (REGREP) - Phase 1 Metehara Scaling Solar			
Task Team Leaders: Rahul Kitchlu, Arnaud Braud, Joern Huenteler			
Estimated Appraisal Date: April 25, 2019		Estimated Board Date: May 23, 2019	
Managing Unit: GEE01		Lending Instrument: Investment Project Financing	
Sector: Energy			
Theme: Renewable Energy			
IDA Guarantee Amount (US\$m): - 10			
Other financing amounts by source (US\$m): - 120			
<ul style="list-style-type: none"> • Estimated Private Equity representing 25% of Project Cost - 30 • Estimated Debt from Development Finance Institutions, representing 75% of Project Cost - 90 • Estimated Commercial Debt, representing 0% of Project Cost - 0 			
Environmental Category: B			
Is this a transferred project		Yes []	No [✓]
Simplified Processing		Simple []	Repeater []
Is this project processed under OP 8.00 (Rapid Response to Crises and Emergencies)			No [✓]

Project Objectives:

- The Project Development Objective (PDO) for REGREP Phase 1** is to support increased renewable energy generation capacity and diversify electricity generation resources in Ethiopia.

Project Description:

- The proposed Ethiopia Renewable Energy Guarantees Program (REGREP) supports a remarkable transition from public sector led energy sector development to private sector driven expansion of new generation capacity – representing what could be one of the largest independent power producer (IPP) programs in Sub-Saharan Africa.** The proposed REGREP will mobilize IDA guarantees to back-stop certain obligations of the Government for the country’s first set of competitively procured renewable energy (solar and wind) auctions to be developed as IPPs, enabled by the 2018 Public-Private Partnership (PPP) Proclamation. The proposed REGREP will be the first instance of IDA Guarantees being deployed in Ethiopia and is exceptionally well aligned with the World Bank’s corporate priorities on climate change and maximizing finance for development. Overall, the proposed REGREP could mobilize over US\$ 1.5 billion in investment for over 1,000 MW of renewable energy (solar and wind) IPPs in Ethiopia (subject to the readiness of the IPPs as well as the guarantee coverage requested by each IPP).

3. **The REGREP is structured as Multiphase Programmatic Approach (MPA) for IDA Guarantees, with one front-runner solar IPP transaction (Metehara Solar IPP) supported in the first phase (REGREP Phase 1) with three future phases over a six-year period.** Structuring the REGREP as an MPA responds to the Government's need for long-term support to build a strong IPP program and track record of bankable transactions to attract credible private sector sponsors and financiers. First, the MPA allows for continuity and lessons learned to be incorporated into the process and investment framework. Second, the MPA signals a long-term Government commitment (backed by IDA Guarantees) to the private sector to develop IPPs in a transparent, affordable, and sustainable manner. Third, the MPA facilitates the implementation of the ongoing power sector reform program to maximize private sector financing through a longer-term, adaptive, and continuous engagement. Fourth, the MPA offers a more efficient and agile response to private sector investors, further improving the attractiveness of the investments.

4. **The REGREP is designed as a World Bank Group (WBG) engagement to harness world-class solar and wind resources in Ethiopia's renewable energy led power system.** The first phase includes one IPP, the Metehara solar IPP (supported by USAID for advisory services), with all the WBG instruments available to the selected sponsor. The second phase of this MPA encompasses two IPPs developed under the WBG's Scaling Solar initiative, supported by IFC Advisory Services as transaction advisor and offers IDA guarantee, MIGA political risk insurance, and IFC blended finance to potential investors. The Government of Ethiopia (GoE) has requested continued IFC Transaction Advisory Support in the development of future solar IPPs. The technical work for site selection and pre-feasibility of wind IPPs, in collaboration with the Government of Denmark, is ongoing and will be considered in third and fourth phases of this MPA.

5. **The program complements the ongoing Ethiopia Growth and Competitiveness Programmatic Development Policy Operation (DPO) series to sustain GoE's ambitions and defined targets towards economic transformation, underpinned by reforms in infrastructure sectors, including power.** The power sector reform program under the DPO series encompasses: (a) the legal and regulatory framework to attract private sector financing from IPPs; (b) tariff reforms aiming at achieving cost recovery in the medium term: under the approved multiyear tariff reform, the average effective tariff would increase to US\$ 0.07 per kWh by 2021; (c) institutional reforms toward unbundling of sector institutions and privatization of selected generation assets; (d) measures to improve the operational efficiency, service delivery, and customer service of the utilities; and (e) restructuring of the power sector utilities' existing debt obligations. The first operation in the DPO series was approved in 2018 and preparation of the second operation, including for the measures on the power sector side, is well underway.

6. **The proposed REGREP Phase 1 consists of IDA guarantee support to the Metehara Solar IPP (100 MW), the most advanced of the renewable IPP transactions.** The Metehara Solar IPP is expected to be operational by 2022. Under the IPP project, an ENEL¹-led consortium will be investing approximately US\$120 million in the construction of the solar PV plant. The facility will generate approximately 280 GWh per year. This output will be sold under a 20-year PPA to EEP that covers all the energy generated by the plant. The IPP project's location is in the Oromia region, almost 200 km east of the capital Addis Ababa, an area that enjoys high levels of solar radiation. The power plant will cover an area of roughly 250 ha.

¹ Enel Green Power S.p.A. is an Italian multinational renewable-energy corporation, headquartered in Rome. The company was formed as a subsidiary of the power generation firm Enel in December 2008, grouping its global renewable energy operations. As of March 2019, Enel Green Power has over 1,200 active power plants on 6 continents (Europe, North America, South America, Africa, Asia, Australia) and manages a total production capacity of over 42,000 MW from hydro, wind, solar, biomass, and geothermal (around 17,000 MW of which are owned by Enel Green Power).

7. **Procurement of the IPP was supported by U.S. Agency for International Development (USAID) and took about two years starting in 2016.** USAID's Power Africa Transactions and Reform Program (PATRP) provided transaction advisory assistance to the GoE and EEP for the development of the Metehara Solar IPP. PATRP supported EEP in their efforts to identify a qualified developer through a competitive bidding process to design, construct, own, operate, maintain, generate, and sell the energy produced. The RFP was first issued in May 2016 and revised in December 2016. The deadline for bid submission was in February 2017. The tender attracted more than 60 bids, out of which in September 2017 five consortia were short-listed. The bidding process has been completed and the Letter of Intent signed with the awarded consortium, led by ENEL, in December 2018. Commercial agreements, geotechnical studies and surveys, implementation and connection agreements, as well as relevant safeguards instruments were prepared by EEP with support from USAID/Power Africa. Financial close is expected to be achieved by end of calendar year 2019.

Project Location and salient physical characteristics relevant to the assessment of environmental and social risks and impacts:

8. Metehara town is situated about 196 km from Addis Ababa along the highway to Djibouti. The project site is situated outside the urban town area, with its western perimeter running along the boundary between the rural Gelcha kebele and Metehara town. The rural population is mainly composed of Karrayu Oromos, who are predominantly agro-pastoralists. The pastoralist livelihoods have declined in recent decades due to the expansion of irrigation farming and urban settlements combined with restrictions on livestock herding imposed by the Awash National Park.

9. The Metehara solar PV plant will be situated on the flat plains between Mount Fentale, a semi-dormant volcano rising to 2,007 meters above sea level, Lake Beseka and the Metehara Sugar Estate. The vegetation originally consisted of grassland with scattered trees but has in recent years been invaded by the exotic *Prosopis juliflora* forming almost impenetrable thickets in parts of the project site. There are no permanent water bodies within the project boundaries, but Lake Beseka is located less than 1 km to the west. Beseka is a saline lake that has grown significantly in the past half century. The lake expansion has already caused submergence of the old highway and is posing a risk to the nearby sugar estate and to properties at the outskirts of Metehara town. A drainage canal has been excavated from Lake Beseka to the Awash River in order to limit the rise in lake-water level. This canal borders the project site to the south.

10. With the poor vegetation cover and the proximity to Metehara town, wildlife biodiversity is also low, decreasing and stressed. While the Awash National Park is relatively close to the project site, there is no evidence that the space is used as a migration corridor for terrestrial animals. No threatened mammals (including bats), reptiles or amphibians were observed in the project area.

11. Based on the updated assessment from Birdlife international data zone 2013, it is clearly pointed out that the boundary of IBA was identical with the boundary of Awash National Park (75,240 ha). However, at the reestablishment of the Awash National Park boundary (Regulation 329/2014) which is reduced to 59000 ha, which by default make the National Park within the IBA boundary but not the project. However, as the project is 3.5 km away from the Awash National park, it is a borderline case to be categorized as a critical habitat. The consultation with Ethiopian Wildlife and Natural History Society (EWNHS) informed that IBA also marked the surrounding area out of the IBA boundary with an interest to conservation in relation with the Park and Beseka Lake in which many species of conservation are found. Therefore, to be more comfortable and avoid any impact on the avian biodiversity EGP is required to identify competent professionals who are able to involve in the bird impact assessment and propose appropriate mitigation and management options.

Environmental and Social Safeguards Specialists on the Team:

- Simon Sottas- Senior Social Development Specialist
- Yacob Endaylalu – Senior Environmental Specialist
- Samuel Lule- Social Development Specialist

Applicable Performance Standards	Yes	No
PS 1: Assessment and Management of Environmental and Social Risks and Impacts	✓	
PS 2: Labor and Working Conditions	✓	
PS 3: Resource Efficiency and Pollution Prevention	✓	
PS 4: Community Health, Safety, and Security	✓	
PS 5: Land Acquisition and Involuntary Resettlement	✓	
PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	✓	
PS 7: Indigenous Peoples	✓	
PS 8: Cultural Heritage	✓	

Key Safeguard Policy Issues and Their Management

12. Overall, as the technology is relatively simple with manageable impacts, and based on the experience of similar projects, Therefore, this project is classified as Category 'B', mainly to reflect the impacts associated with solar PV installation and operation.

13. **Summary of Key Safeguard Issues.** The site is generally characterized as a bare land which is mostly covered with the invasive and evergreen shrub species *Prosopis juliflora*. There are also some acacia tree species with no concern of conservation status. Nonetheless, clearing of vegetation for the PV installations, risks of contamination from accidental spills or improper storage/disposal of hazardous waste (including PV panels and oils of different purpose), potential collision of birds and bats with project infrastructure, site sensitivity in relation to the IBA boundary, encroachment of invasive species and water consumption for cleaning of the PV panel are some of the issues.

14. EGP's capacity and future commitment to implement its Environmental and Social Management System (ESMS), contractor management to their social, environmental and safety performance and engagement with project stakeholders; assurance of fair, safe and healthy working conditions for all workers during construction and operations; and management of community health and safety, are some of the major issues that can be mentioned.

15. Mitigation measure will be applied based on the national laws and regulations and international best practices including application of OP 4.03 and implementation of ESMP based on the ESMS which will be prepared by EGP. The project's key social impact is expected to be: the physical and/or economic displacement of 562 households. Results of the census enumeration and property registration surveys revealed that a total of 38 residential houses and related structures with an approximately estimated 228 people are currently located within the project site will have to be relocated/resettled. Out of the 38 households, 8 households are physically displaced (lose only their houses) and 30 households are displaced both physically and economically. Another 524 households will be economically displaced as they have agricultural and/ or grazing land affected by the project activities. The census including asset inventory for

Metehara Solar PV Project was completed on April 4, 2019 and this date therefore serves as the project cut-off date.

16. Mitigation measure will be applied based on the national laws and regulations and WB PS requirements. Therefore, impacted households will be provided with compensation resources with more development-oriented investment resources to prevent or mitigate impoverishment of resettles through creating new jobs and is improving incomes. These include livelihood restoration plan and community development interventions.

17. These project-affected households comply with the criteria outlined in PS7 and therefore the project has asserted Free Prior and Informed Consent following Good-Faith Negotiation in line with the respective requirements in this PS. Labor influx will add pressure on public services including health, water supply and sanitation, and increases the risk of increased prevalence of HIV/AIDS, other infections/diseases, and gender-based violence. Other potential adverse social impacts include: increased health risks for communities due to increased dust and traffic during construction and operation periods, malaria, and water-borne diseases; infrastructure and services due to population influx to the area and conflicts between local people and migrants.

18. **EGP is required to develop and implement the ESMS for construction and operation of this project suitable to its scale and meeting the requirements of applicable Ethiopian laws and WB Performance Standards.** The ESMS will include policies, plans, manuals and procedures aligned with ISO 14001. The ESMS will incorporate the Environmental and Social Management Plan (ESMP) developed for the project as well as aspects related to construction covered in the WBG General Environmental Health and Safety (EHS) Guidelines. The ESMS will be updated to reflect the Equator Bank Performance Standards and the new WBG EHSs for the energy sector. In addition, EGP is required to perform the environmental and social management of the suppliers and manufacturers.

B. Disclosure Requirements

Disclosure Requirement	Date
Environmental and Social Review Summary (ESRS):	
Dates of "in-country" disclosure	N/A
Date of submission to Bank website	[April 24, 2019]
For Category A projects, date of distributing the Executive Summary of the client's ESIA to the Executive Directors	N/A
In-country disclosure of the above document i.e., ESRS is not expected, Because the main purpose of the ESRS is to provide an independent assessment of the Project's environmental and social performance, including site-specific ESIA and RAP, against the WB environmental and social performance standards, requirements and policies.	
Environmental and Social Impact Assessment (ESIA):	
Date of receipt by the Bank	23 April, 2019
Date of submission for disclosure	23 April, 2019
Date of "in-country" disclosure	24 April, 2019
The Environment and Social Impact Assessment was prepared by Multi-consult Norge AS in association with Shebelle Consult PLC;	
Resettlement action plan (RAP):	
Date of receipt by the Bank	8 April, 2019
Date of submission for disclosure	23 April, 2019

Date of "in-country" disclosure	24 April, 2019
The RAP was prepared by EEP with support from Mid-Day Consulting.	

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

Performance Standards	
Client's Environment and Social Assessment	
Does the project require a stand-alone Environmental and Social Assessment (including ESMP) report?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] N/A [<input type="checkbox"/>]
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] N/A [<input type="checkbox"/>]
Client's Environmental and Social Management System	
Has the client developed an appropriately detailed ESMS, <u>and</u> does the client have the technical and organizational capacity to implement it?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] N/A [<input type="checkbox"/>]
Labor and Working Conditions	
Does the client have a written human resources policy available to all employees that describes labor and working conditions?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] N/A [<input type="checkbox"/>]
Biodiversity and Natural Resource Management	
If PS 6 is applicable, would the project result in any significant conversion or degradation of critical natural habitats?	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>] N/A [<input type="checkbox"/>]
If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] N/A [<input type="checkbox"/>]
If the project entails use of living natural resources, has certification been obtained or a time-bound plan established to obtain certification?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] N/A [<input checked="" type="checkbox"/>]
Physical Cultural Resources	
If PS 8 is applicable, does the project design include adequate measures related to physical cultural resources?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] N/A [<input type="checkbox"/>]
Indigenous Peoples	
If PS 7 applicable, and have Indigenous Peoples communities been consulted in accordance with requirements of PS 7?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] N/A [<input type="checkbox"/>]
Have the requirements for Free Prior Informed Consent been met, and is there reasonable evidence of broad community support by the affected Indigenous Peoples communities?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] N/A [<input type="checkbox"/>]
Involuntary Resettlement	
If PS 5 is applicable, have the requirements been complied with by the client?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] N/A [<input type="checkbox"/>]
Pollution Prevention and Efficient Use of Resources	
Does the project comply with good international industry practice as presented in the WBG EHSGs or a similar internationally recognized benchmark?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] N/A [<input type="checkbox"/>]
Is the project designed for energy efficiency and waste minimization?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] N/A [<input type="checkbox"/>]
Community Health and Safety	

Has the assessment determined that local communities could face significant adverse impacts in event of an accident or emergency situation associated with the project?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
If so, has an Emergency Preparedness Plan (EPP) been prepared and arrangements been made for public awareness and training?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
Projects on International Waterways	
Have the other riparians been notified by the Bank of the project?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>
Projects in Disputed Areas	
Has the memo conveying all pertinent information on the international aspects of the project, including the procedures to be followed, and the recommendations for dealing with the issue, been prepared by the Bank?	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>
Disclosure	
If Category A or B, has the ESRS been sent to the World Bank's Info Shop?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
Have relevant assessment documents prepared by the client 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"/> N/A <input type="checkbox"/>
Monitoring and Reporting	
Has the client agreed to submit an Annual Monitoring Report to the Bank to report on the management of environmental and social risks and impacts, and does the Legal Agreement contain this provision?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
Has the client agreed to report at least annually to local affected communities on how the project is performing with respect to environmental and social risks and impacts of concern to those communities?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank for disclosure?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <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"/> N/A <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"/> N/A <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"/> N/A <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"/> N/A <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"/> N/A <input type="checkbox"/>

D. Approvals

<i>Signed and submitted by:</i>	<i>Name</i>	<i>Date</i>
Task Team Leader:	Rahul Kitchlu – Senior Energy Specialist	23 April, 2019
Environmental Specialist:	Yacob Endaylalu – Senior Environmental Specialist	23 April, 2019
Social Development Specialist:	Simon Sottsas- Senior Social Development Specialist Samuel Lule- Social Development Specialist	23 April, 2019
Additional Environmental and/or Social Development Specialist(s):	Selam Tarkeghn- Environment Safeguard Specialist (Consultant) Million Legesse – Social Development Specialist (Consultant)	23 April, 2019
<i>Approved by:</i>		
Regional Safeguards Adviser:		25 April, 2019
Comments:		
Practice Manager:		25 April, 2019
Comments:		