# Concept Environmental and Social Review Summary

## Concept Stage

## (ESRS Concept Stage)

Date Prepared/Updated: 09/17/2020 | Report No: ESRSC01595

## BASIC INFORMATION

### A. Basic Project Data

| Country | Region | Project ID | Parent Project ID (if any) |
|---|---|---|---|
| Peru | LATIN AMERICA AND CARIBBEAN | P174812 | |
| Project Name | Resilient Electricity Service to support Post-COVID-19 Recovery in Vulnerable Regions in Peru | | |
| Practice Area (Lead) | Financing Instrument | Estimated Appraisal Date | Estimated Board Date |
| Energy & Extractives | Investment Project Financing | 1/25/2021 | 3/31/2021 |
| Borrower(s) | Implementing Agency(ies) | | |
| | Ministry of Energy and Mines | | |

Proposed Development Objective

To improve electricity service quality and reliability in selected vulnerable urban and rural areas in Peru.

| Financing (in USD Million) | Amount |
|---|---|
| Total Project Cost | 75.00 |

### B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

Yes

### C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The proposed activity focuses on investing in resilient and sustainable, existing electricity system infrastructure to help accelerate the recovery from COVID-19 in Peru. Delayed investments by the public distribution companies has led to deteriorating service quality and emergency situations in various departments in Peru outside the Lima area. This constrains economic activities at the regional level, which disproportionately impacts the poorest and more vulnerable populations. The COVID-19 crisis has further delayed critical electricity system investments, increasing the risk that important secondary cities and peri-urban areas may face service disruptions. If not addressed, this could undermine the provision of electricity to both power critical services and essential sustain economic activities. In

addition, the country also still has a sizable population without access to electricity access, especially in rural areas, which that further limits already vulnerable communities' access to essential services.

The proposed project will finance critical priority electricity system investments needed to improve the country's electricity service reliability and quality gaps. The project will include the following project components: (i) Existing substation strengthening and transformer replacement and expansion; (ii) sustainable electrification pilot; and (iii) project management and capacity building. The Ministry of Energy and Mines (MINEM), through its General Directorate of Rural Electrification (DGER) would be the implementing agency for the project.

These investments are essential to furthering the Government's post-COVID economic recovery efforts by enhancing the continuity, resilience and sustainability of electricity services needed to sustain the economy and enhance social welfare in vulnerable regions in Peru following the COVID-19 crisis.

## D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

Component 1 will finance the expansion of transformers within pre-existing electricity substations and the expansion of transmission lines within the existing Right of Ways (ROWs). These interventions will be chosen from a list of 58 high priority investments in electricity infrastructure, identified by the Ministry of Energy and Mines (Ministerio de Energia y Minas - MINEM) in March 2020. A preliminary analysis of this universe of 58 investments shows that they are located in 14 of the 24 regions of Peru and cover the coastal, highlands, and Amazon regions. Their locations are:

San Martin: Moyobamba, Picota
Cajamarca: Jaén
Amazonas: Bagua Grande
Ucayali: Manantay, Campoverde
Ayacucho: Ayacucho
Junin: Chanchamayo
Puno: Puno, Azángaro, Ayaviri
Madre de Dios: Puerto Maldonado
Arequipa: Arequipa
Moquegua: Moquegua
Tacna: Tacna
Piura: Sullana, Morropón
Ancash: Huaraz
La Libertad: Trujillo, Virú, Huamachuco, Otuzco, Ascope

Regarding Component 2, the sustainable electrification pilot will be located in the highlands or in the Amazon region, with its exact location not known at the moment.

Environmental Context:

Component 1. Preliminary analysis shows that existing substations are away from critical habitats. However, a more detailed analysis once investments are selected, and more information is available should confirm this and assess if fragments of natural vegetation exist in the surroundings of existing substations. The route of transmission lines requiring an upgrade was not available, and this will also be assessed during Project preparation. Information to date indicates that no access roads will need to be built.

Component 2. This pilot is likely to consist of two types of activities: one or two hybrid renewable energy systems (solar, wind) to replace diesel generators feeding existing microgrids in the Amazon region serving approximately 50 persons each; or a solar house systems in the highlands region which will be installed in individual household land plots. Hybrid renewable energy will consist of either a solar panel or wind turbine connected to a battery and existing microgrids, and typical solar house systems in the highlands will consist of a solar panel mounted on a pole with small concrete support requiring minimal footprint. None of these activities will be expected to require a significant amount of land, and neither will require heavy equipment for the installation.

Social context:

Interventions that will be financed in Component 1 will be situated in urban and peri-urban areas of yet unknown social characteristics. Interventions that will be carried out as part of Component 2 will be in rural areas of the Amazon and highland regions. These are the country's most underserved regions with the highest proportion of disadvantaged and vulnerable people. Pilot locations will be known once the assessment is carried out and completed during preparation. It is currently unclear if the pilot in the Amazon (serving approximately 50 persons) could involve negotiating the use of a small area of communal land belonging to indigenous peoples to install necessary equipment (battery, panel, inverter, generator, transformer, etc.). The specifics regarding both types of pilots are not known yet. During preparation, the team will explore possibilities to inform about project design and ensure greater inclusion through increased access for vulnerable end-users not receiving services (Component 1), and to explore Community Driven Development approaches to be consulted with critical stakeholders for pilots under Component 2. Specific inclusion measures and strategies will be identified and discussed with the Borrower as part of the Bank's due diligence.



### D. 2. Borrower's Institutional Capacity

The Ministry of Energy and Mines (Ministerio de Energía y Minas - MINEM), through its Directorate General of Rural Electrification (Dirección General de Electrificación Rural - DGER) would be the implementing agency. DGER, in turn, would be supported by its Directorate of Competitive Funds (Dirección de Fondos Concursables - DFC) that would serve as the Project's Implementing Unit (PIU). The DFC/DGER have had experience executing World Bank financed Projects for rural electrification under safeguards (P090116 and P117864); however, they have not had any specific experience with the Environmental and Social Framework (ESF). Consequently, DFC, who will be the Project's PIU, might be unfamiliar with the scope of the Bank's new standards. It is also understood that the specialists that worked on Environmental and Social issues for these previous Projects are no longer in the DFC. To mitigate this capacity risk, PIU key personnel will include an environmental specialist and a social specialist to prepare Environmental and Social Management Instruments that will be required under ESF, as well as implement, monitor, and report compliance with Bank's E&S requirements during Project implementation. These two specialists should be coming onboard commencing project preparation and will remain part of the PIU at least until the end of the investment transfer to the distribution companies, which will cover the end of project activities. In the beginning, the specialists will be consultants hired by MINEM, and they are likely transferred to the PIU to provide E&S support.

Institutional capacity needs will be assessed during the Bank's due diligence, as well as the roles of each directorate in the Project. Capacity strengthening would be provided as needed for current environmental and social standards. Relevant measures of the assessment will be included in the Project's Environmental and Social Commitment Plan (ESCP), promoting the strengthening of the Borrower's capacity.

## II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC) Moderate

**Environmental Risk Rating** Moderate

The environmental proposed risk classification for the Project is Moderate under the World Bank ESF. Classification responds to the scale of the activities, which relates to strengthening substations and replacing transformers, which are routine activities executed by distribution companies. Potential risks and impacts are: (i) not likely to be significant, comprising mostly of small nuisances during construction and assembly works; (ii) not expected to be complex, with existing mitigation and management mechanisms in place that have been proven to be effective; (iii) predictable and expected to occur only during construction; (iv) site-specific, with Project activities taking place within fenced areas and existing ROWs, and without the likelihood of impacts beyond the Project footprint; (v) low probability of serious adverse effects to human health and/or the environment. Although hazardous materials containing Polychlorinated Biphenyls (PCBs) will be required to be disposed of as hazardous waste during construction, local regulations have stringent procedures to handle these wastes and specialized companies for handling these are available locally; (vi) routine safety precautions as related to construction and assembly of electrical parts are sufficient to prevent accidents, and; (vii) will be easily mitigated in a predictable manner.

During construction of the Project, potential environmental impacts will be small nuisances such as noise, dust, and air emissions. These are not to reach community members as substations are located at a safe distance from receptors. Some clearance of vegetation may be required; however, it would involve only small bushes and grasses in an already heavily modified habitat. Another potential environmental impact would come from the generation and inadequate transport and disposal of hazardous wastes likely containing PCBs. Special attention will be given to the generation of these types of waste will be assessed, and strict management measures put in place for adequate and safe handling, transportation, and treatment or disposal. These measures will follow the WBG General EHS Guidelines and local regulations specific to these hazardous wastes. An Environmental and Social Management Framework (ESMF) will be prepared, considering these guidelines.

Occupational health and safety risks are common from works at substations and electricity facilities. They are related to works with energized equipment, working at heights, transportation of equipment, and from the manipulation of materials potentially contaminated with hazardous oils, including PCBs. These risks will be assessed, and guidelines for each specific risk will be developed in the ESMF. These guidelines will build from the EHS Guidelines and local regulations aimed at promoting a safe work environment in construction activities in the electricity sector.

During the operation of the substations, potential increases in electric and magnetic fields and noise from the expanded systems may occur. This will be further assessed when more information becomes available; however, values of noise and magnetic fields are expected to be within Environmental Quality Standards (EQS).

Impacts from Component 2 are also not likely to be significant, with pilots consisting of installing wind and solar micro facilities serving approximately 50 persons in the Amazon or solar panels mounted on poles in the highlands, thus having a low risk.

Should the Project be implemented during the COVID-19 (C19) emergency, the ESMF will consider measures for surveilling workers' health and avoiding transmission of C19 from project workers to local communities and vice versa. These measures will consider: (i) Workers screening before traveling to project sites, (ii) maintaining social distancing, (iii) providing adequate PPE, (iv) setting up disinfection protocols, and (iv) contingency plans in the event someone carrying SARS-CoV-2, among others.

**Social Risk Rating** Low

Considering the information provided, the social risk is rated low, since all works under Component 1 will take place within existing fenced off substations, in urban and peri-urban areas, and pre-existing rights of way, no land acquisition or economic displacements would take place. The Project will not finance existing substations and transmission lines that would require new areas (land acquisition/ rights of way) under this component, nor will new substations or transmission lines. However, although Pilot investments (Component 2) in the Amazon region will be made in pre-existing microgrids, converting from current diesel generators to the use of renewable hybrid energy sources, this might require a small area to install required equipment to provide electricity for approximately 50 persons. It is unclear at present if the required area will be within public land or if the needed area might potentially be located on communal land. If the necessary area is on communal land, an agreement with the community will be required, preferably avoiding the use of productive land. The highlands pilot will be implemented at individual households requiring minimal space to install a single solar panel (concrete base, pole, and solar panel) that will be directly connected to a single house meter. The Project will benefit electricity end-users, including vulnerable groups in underserved areas, by strengthening existing energy systems and providing more stable access to and delivery of electricity service. These activities would, in turn, provide local development opportunities and improved social welfare and living conditions of end-users. Dissemination of Project's information (design, proposed investments, work opportunities, opportunities for the provision of local goods and services, E&S management, etc.) and access to grievance mechanisms, aligned with ESS 10 stakeholder engagement plan (SEP), will create a mechanism for addressing beneficiaries concerns, manage expectations, and collect stakeholders suggestions. Regarding workers, a Labor Management Procedure aligned with ESS 2 will be prepared by Borrower (see ESS 2 for details), and an ESMF will provide guidelines to identify and manage Project risks, impacts, and opportunities once screening of investments is carried out and substation locations are known. The ESMF will feature an exclusion list of activities that would potentially result in land acquisition and related impacts on people as a result of construction. The Project is not expected to require a significant workforce influx since it is likely that the workforce will be locally sourced. Although risk level related to sexual exploitation and abuse (SEA) and sexual harassment (SH) is considered low, this risk will be evaluated as part of the Bank due diligence (see ESS4). Currently, no specific information regarding locations and social characteristics of the end-users (direct beneficiaries) is available for Component 2 to address the risk of elite capture. During Bank due diligence this risk will be further evaluated, and measures to increase inclusion, such as promoting CDD approaches for the pilots, will be explored through stakeholder consultation.

The Bank will review the risk classification assigned to the Project regularly, including during implementation, and will change the classification where necessary, to ensure that it continues to be appropriate.

## B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

### B.1. General Assessment

#### ESS1 Assessment and Management of Environmental and Social Risks and Impacts

***Overview of the relevance of the Standard for the Project:***

This standard is relevant.

The Ruling for the Environmental Protection in Electrical Activities, approved by Supreme Decree (SD) 014-2019-EM establishes that in the cases where the holder has a pre-existing Environmental Study or a complementary Environmental Management Instrument for an electrical facility and wishes to carry out an extension and/or modification of its original Project, it must apply for a modification of its Environmental License through the submission of an Environmental Instrument specific for this change. The Environmental Instrument to be used to request such change will depend upon the scope of the change asked and the level of the original Environmental Instrument (detailed EIA, semi-detailed EIA, or a Declaration of Environmental Impact, DIA). This would apply to the expansion of substations or replacement of transformers under Component 1, which are expected to be operating under an existing Environmental Instrument. On the other hand, this Ruling also indicates that rural electrical systems of generation of electricity up to 1500 kW should carry out a DIA, the least stringent of the Environmental Instruments. When more information becomes available, the Bank will evaluate with MINEM the requirements for updated or new licenses for activities under component 1 and 2.

Nonetheless, the ESS1 requires the assessment, management, and monitoring of environmental and social risks and impacts associated with the Project to achieve environmental and social outcomes consistent with the ESSs.

Environmental impacts preliminarily identified:

- Noise, dust, and air emissions generation. Small nuisances to the surrounding communities are expected to occur during the construction and assembly works. Because no excavations are anticipated, dust generation is expected to be low in magnitude and not to reach nearby houses or sensitive areas outside the fenced areas in a manner that affects them. Noise and air emissions generated from the use of construction equipment are also unlikely to affect surrounding communities. An assessment of the potential receptors and measures to address these impacts will be carried out.

- Clearance of vegetation consisting of small bushes and grasses. For safety purposes, it may be required to clear vegetation that may be present within the fenced areas or ROWs. A site visit (or if not possible, photos) will provide information on this to assess its need before construction or installation activities.

- Generation, transport, and disposal of hazardous wastes which will likely contain PCBs. Old transformers are likely to have PCBs, so the replacement of these transformers and expansion of substations will generate this type of hazardous waste. During Project preparation, the Bank will assess the possibility of encountering these wastes and the adequate disposal and/or treatment methods available and compliant with local regulations and international best practices, including those from the General EHS guidelines focusing on Waste Management.

- Occupational health and safety risks are those common from works at substations and electricity facilities. They are related to works with energized equipment, working at heights, transportation of equipment, and from the manipulation of materials potentially contaminated with hazardous oils, including PCBs. Environmental and occupational health and safety impacts and risks will be assessed, and guidelines for each specific impact and risk will be developed. These guidelines will build from the General EHS Guidelines and Industry Specific Guidelines.

- Some minor effects on the natural environment (wildlife) during operation and maintenance activities may occur, these will be considered and addressed in the specific ESMPs or instruments required by the national law.

Social impacts:

The Project and proposed investments for selected electricity systems will have a direct positive effect for end users of these electric systems, through better quality and more stable service delivery, this will, in turn, improve wellness and living conditions of end-users, as well as support local development opportunities (productive activities and employment, etc.). End users will include, households, businesses, local industries, as well as health care and education facilities, and local government agencies that all provide services to citizens including vulnerable and disadvantaged population; thus the Project will have extended indirect beneficial effects that will reach beyond the number of direct end-users of the electric systems. During Project preparation, there will be a screening of the government's proposed critical investments under Component 1, so that no investment requiring land acquisition or economic displacements will be financed by the Project (refer to ESS5). As mentioned previously, the ownership (public land or communal land) of the necessary area to install equipment in the Amazon pilot (Component 2) is unclear at this time; this issue should be addressed during Project preparation. Project workforce will include civil servants (MINEM/DFC/DGER/FONAFE), contractors, and subcontractors; construction workforce is expected to be small and mainly locally-sourced through third party hiring; at this stage, it is unclear if community workers will be involved (refer to ESS2). Although the construction workforce is expected to be small and locally sourced, nonetheless, the investments will be screened for sexual exploitation and abuse and sexual harassment (SEA/SH), and gender-based violence (GBV) risks (refer to ESS4). It is unclear at this stage if Indigenous People (IP) will be directly affected (positively or negatively) by the Project. Considering that no land acquisition nor economic displacement will be financed through the Project and all the proposed electric systems including transmission lines are pre-existing (Component 1), it is proposed at this stage that potential IP issues (refer to ESS7) be addressed as part of the Stakeholder Engagement Plan (refer to ESS10).

Given the lack of knowledge regarding the specific locations where the proposed investments will be made, an Environmental and Social Management Framework (ESMF) will be prepared by the Borrower to help screen activities once locations and scope of works are known. This ESMF will provide guidelines on (i) sub-Project eligibility criteria and exclusion list, (ii) procedures for screening sub-Projects for E&S risks and impacts, (iii) proposed methodologies for carrying out the environmental and social risk assessment of the Project, and (iv) guidelines for developing Environmental and Social Management Plans (ESMPs) for the identified impacts and risks. The ESMF will take into account (a) national laws and regulations, institutional capabilities relating to environmental and social issues, country studies such as the National Inventory of transformers containing PCBs; and relevant international treaties and agreements such as the Basel Convention set to protect human health and the environment against the adverse effects of hazardous wastes; (b) applicable requirements under the ESSs; and (c) the EHS General Guidelines for

Environmental, for Occupational Health and Safety, and Construction and Decommissioning, as well as the Industry Sector Guidelines of Electric Power Transmission and Distribution.

An Environmental and Social Commitment Plan (ESCP) will also be developed and agreed with the MINEM, which will include the findings of the ESMF and the Bank's own Environmental and Social Due Diligence (DD). The ESCP will include requirements related to local regulations and existing licenses and permits, and requirements for monitoring and reporting on the environmental and social performance of the Project against the ESSs.

The ESMF, SEP, LMP, and ESCP will be prepared by the DGER with Bank's support and disclosed before appraisal.

**Areas where "Use of Borrower Framework" is being considered:**

None

**ESS10 Stakeholder Engagement and Information Disclosure**

This standard is relevant.

Key stakeholders include institutions such as MINEM, DFC/DGER, and FONAFE, as well as the population that would benefit from the improved electricity service where the Project investments will be made. Beneficiaries (end users) encompass different subgroups such as local governments and agencies that provide services to citizens including disadvantaged and vulnerable people and groups, economic agents (micro, small, medium and large enterprises, business, industries, etc.), health care and education facilities, among others, as well as households, including disadvantaged and vulnerable households in underserved regions through proposed pilots under Component 2. Substantial buy-in is expected for the Project given that it supports the Government's economic and social reactivation objectives; therefore, it is expected to generate opportunities for creating jobs, facilitate production, and increased opportunities for income-generating activities, as well as enhanced environmental sustainability. The Borrower will prepare a draft Stakeholder Engagement Plan (SEP), proportionate to the risk of the Project, that will be disclosed before Project appraisal (MINEM/DCF/DGER web page). The SEP draft will include a general key stakeholders mapping for the Project, and a Grievance Redress Mechanism (GRM) that will be ready and publicly available to process any complaints resulting from Project activities before civil works start. Beneficiaries will be informed on the availability of this mechanism as soon as the draft SEP is published. All technical information and ESF compliance requirements will be disclosed in an on-going manner and in a way that is satisfactory to the Bank. Also, once the location and scope of the specific intervention are known, each intervention will be screened following ESMF guidelines (ESS 1) and this will include a stakeholder mapping to engage local stakeholders, using culturally appropriate approaches and material whenever necessary, to address specific concerns and risks identified by these stakeholders, including risks to vulnerable people, security and/or safety risks affecting the delivery of services, past social liabilities regarding access and service, or related to E&S management of past rural electrification Projects, etc.

Given the uncertainty of the locations, but that ESS 7 is relevant due to the national scope of the project, SEP will be used to address possible Project issues related to ESS 7. As such, it will be consulted in a manner consistent with the ESS 7, including meaningful consultations with IP communities and their representative bodies and organizations; culturally appropriate engagement processes; providing sufficient time for IPs decision making processes; and allowing their effective participation. The GRM will be culturally appropriate and accessible for IPs, taking into account their customary dispute settlement mechanisms.

Due to the COVID-19 pandemic crisis, stakeholder engagement will carry out consultations and other participatory engagements respecting WHO's guidelines and existing national norms related to this issue. Remote engagement strategies will be preferred whenever feasible. When in-person engagement activities need to be carried out to ensure robust and inclusive engagement with key stakeholders, all necessary precautions will be taken to protect Project personnel involved in stakeholder engagement as well as the stakeholders; following Bank's Technical Note prepared for this situation "Public Consultations and Stakeholder Engagement in WB-supported operations when there are constraints on conducting public meetings, March 20, 2020."

### B.2. Specific Risks and Impacts

**A brief description of the potential environmental and social risks and impacts relevant to the Project.**

**ESS2 Labor and Working Conditions**

This standard is relevant.

The standard recognizes the importance of promoting sound worker-management relationships and to enhance Project development benefits by treating workers fairly and providing safe and healthy working conditions. Project workers will include direct workers (MINEM/DFC/DGER/FONAFE, the state holding corporation National Fund for Financing of State Companies that manages the 11 public distribution companies), contractors, and subcontractors. It is unclear at this stage if community workers will be involved; this will depend on the nature and scope of the works to be carried out in each intervention (this will be determined before appraisal). Given the scope of the interventions to be financed it is expected that necessary workforces should not be extensive, and no major issues associated with labor influx are anticipated. Local labor laws are aligned with ESS 2, and the Project will not hire children under the age of 18. Workers' rights are protected by government organizations such as the Ministry of Labor and Employment Promotion, and the National Superintendence of Labor Inspection (Superintendencia Nacional de Fiscalización Laboral - SUNAFIL), among others. National work regulations recognize equal opportunities and non-discrimination. The extent to which these regulations are applied and potential exclusion risks will be further assessed as part of the Bank's due diligence and results reflected in the Labor Management Procedure to be prepared by the Borrower.

The Borrower will prepare Labor Management Procedures (LMPs) in line with para. 9-13, 31-32, and 34-38 of ESS 2, which will set out how all types of Project workers will be managed under the requirements of national law and ESS2. The LMPs will describe the working conditions and management of worker relationships, the terms and conditions of employment, provisions for non-discrimination and equal opportunity, worker's organizations and freedom of association, occupational health and safety for workers, provisions to protect the workforce, including child labor and minimum wage, and the prevention of forced labor. The LMPs will also provide general guidelines regarding the provision of housing or accommodation for workers to be included in contractor's bidding documents to ensure that workers' health conditions and safety are adequate if such facilities are required.

The LMPs will further ensure that the health and safety of workers are adequately addressed using World Bank Group General Environmental, Health, and Safety (EHS) Guidelines as pertinent to the Project. Key industry occupational health and safety risks for this Project would be those related to i) electric power transmission and distribution (EHS, such as electric and magnetic fields, hazardous materials, live power lines, etc.; and ii) construction and

decommissioning activities (WB EHS Guidelines 4.2), such as overexertion, slips, and falls, works in heights, struck by objects, dust, moving machinery, exposure to chemical, hazardous or flammable material, waste, etc. Also, key general H&S risks considered under WB EHS Guidelines 2.0, such as workspace, physical hazards, chemical hazards, etc. will be addressed. These risks will be confirmed during Project preparation once the exact nature and scope of the works are known.

Regarding work safety issues under COVID-19 pandemic crisis, all actors involved in the electricity sector have prepared and submitted to the Supervisory Body of Investment in Energy and Mining (Organismo Supervisor de la Inversión en Energía y Minería – OSINERGMIN) and MINEM their Contingency Plan (protocols and measures) to address health and safety issues related to COVID-19, following WHO guidelines and national regulations. The Contingency Plan, protocols and measures are also mandatory for contractors and subcontractors as well as the general public that would go to public distribution companies' premises. This Contingency Plan will be included in the LMPs to be prepared by the Borrower.

Likewise, a Workers Code of Conduct, which contains obligations of all workers involved in the Project, will be prepared, and adherence to the Code of Conduct will be a condition of employment for all workers. The code of conduct will explicitly address issues of sexual exploitation and abuse (SEA), sexual harassment (SH), and gender-based violence (GBV).

The LMPs will also have the details of the grievance mechanism for workers and the roles and responsibilities for monitoring such workers. SUNAFIL is the national mechanism for any labor complaints, the PIU, and any other workers, independent of their level, will have access to this mechanism. How SUNAFIL function regarding grievances will be described. Moreover, a workers grievance mechanism will also be developped and implemented for the project. This GRM will be included in the LMPs and available to all project's workers.

During Project implementation, the LMPs will be revisited and updated as required, and as additional labor-related risks or issues unfold.



**ESS3 Resource Efficiency and Pollution Prevention and Management**

This standard is relevant.

The proposed replacement of transformers and upgrade of substations will improve operating conditions and facilitate meeting projected expanded demand in the medium to long-term. These improvements should lead to positive impacts, via the reduction of greenhouse gas emissions through the avoidance of emergency diesel generators. The estimation of climate co-benefits will be completed by appraisal and will be based on economic analysis. In addition to this, the Project will propose to do a specific GHG analysis. Component 2 considering renewable energy pilots will also contribute to the reduction of greenhouse gas emissions and will promote the use of sustainable energy resources. The following issues related to Resource Efficiency and Pollution Prevention are relevant and will be addressed during Project preparation and implementation.

Generation of Hazardous Waste. Existing transformers identified as hazardous waste due to PCB content will pose health and safety risks to humans and the environment if environmentally sound final disposal is not undertaken.

Waste management will follow World Bank Group EHS Guidelines on Solid Waste Management (storage, transportation, and disposal) of hazardous waste, international best practice guidance, and local regulations. These will be in line with both national legislation and applicable international conventions. National regulations include the Technical Ruling for the Sanitary and Environmental Management of PCBs approved in 2018, which establishes concentration limits for permitted disposal of waste containing PCBs. These protocols will be documented in the ESMF.

Use of resources. The Project will promote the use of sustainable forms of energy and it is not expected to involve significant use of water or raw materials.

Pollution. No significant pollution issues are expected to arise from civil works under Component 1 (expected to be small scale works). Nevertheless, the ESMF will include (i) provisions to consider ESS3 requirements in the screening of all investment to exclude any with significant adverse impacts related to this standard; and (ii) Guidelines for Pollution Prevention, to be developed as part of the site-specific ESMPs. These guidelines will include measures to mitigate any pollution-related adverse impact due to Component 1 interventions in compliance with national regulation, the applicable provisions of this ESS, and WBG General EHS Guidelines for the potential handling of hazardous material.

Pesticide use. Works requiring clearing and later re-installation of vegetation may require the use of pesticides. The ESMF will include guidelines to give preference to integrated pest management approaches and will not use any pesticide products that contain active ingredients that are restricted under applicable international conventions or their protocols or that are listed in, or meeting, the criteria of their annexes. A list of prohibited pesticides in the local regulation will be attached to the ESMF, and its use will be required.

During Project preparation, relevant domestic regulations, conventions, and their enforcement will be reviewed against the requirements of ESS3 and the World Bank's applicable Environmental, Health, and Safety Guidelines.



### ESS4 Community Health and Safety

This standard is relevant.

Key risks and impacts related to community security, health, and safety are linked to (i) construction, and assembly works, (ii) traffic safety during transportation of equipment, (iii) potential spills of hazardous materials, and (iv) security, health and safety of users of the rural electrification systems during operation:

(i) Community health and safety during construction and assembly works: works will be within fenced areas of substations, with access controlled by the contractor's personnel. Ambient noise and dust will be monitored in Projects to ensure no unintended impacts are in place.

(ii) Traffic safety during transportation of equipment: transport of equipment, such as transformers, will involve the use of trucks along the road. Although no traffic impact is expected, it is important to put in place measures to prevent accidents to communities from these activities.

(iii) Potential of spill(s) of hazardous materials: the Project will be discarding parts potentially contaminated with PCBs. The Project should have a contingency plan in place to ensure that remediation actions, communication procedures, and cleaning of sites are undertaken in an adequate and timely manner if these events were to occur.

(iv) Security, health, and safety of users of the rural electrification systems during operation: users of existing microgrids should be trained to make sure that potential risks from handling the systems and batteries are known.

The Project is not expected to require a significant workforce influx since it is expected that the workforce will be locally sourced. Nonetheless, risk level related to sexual exploitation and abuse (SEA) and sexual harassment (SH) will be evaluated through the application of the SEA/SH risk assessment tool to each specific Project to be financed. Moreover, workers' code of conduct to be prepared by the Borrower, and complemented as needed by Contractors, will specifically address issues of SEA/SH and gender-based violence (GBV). Adherence to the code of conduct will be a condition of employment and mandatory for all Project's workforce (from managers to workers).

It is not known at the moment if the Project will require the use of security personnel, but it is possible that some substations may require this personnel during project construction or assembly (Component 1). This will be further assessed during project preparation, and ESF requirements will be considered.

Relevance of this ESS will be further assessed as part of the Bank's due diligence, as more information becomes available about the scope and location of interventions to be financed.



**ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

This standard is not currently relevant.

Prioritized investments under Component 1 will be screened so that interventions to be financed will be carried out only within already existing fenced off substations, and no additional land will be required to accommodate transformers replacements and /or expand transformers potency. The replacement of transformers with larger/more powerful units, which would require an expansion of the right of way or additional land procurement, will be excluded and not financed by the Project. No new substation or transmission line will be financed by the Project. However, due to the limited information currently available regarding sustainable electrification pilot in the Amazon region (Component 2), particularly any necessary area to install equipment and ownership of these plots (public land or communal land), the relevancy of this standard will be revalidated with Technical Task Team and Borrower as part of Bank's due diligence. ESMF will include guidelines to screen investments for Component 2 to address issues related to ESS5 and the need to prepare management instruments, such as RPF or RAP.

**ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

This standard is not relevant.

Interventions under Component 1 will be located in intervened areas, and although these areas may be within natural habitats, it is not expected that the activities will generate significant impacts in natural habitats or natural resources. This conclusion, taking note of the available information, is based on (i) construction of new significant

infrastructure in areas that are not already heavily modified is not envisioned; (ii) works are expected to be site-specific, of small scale, and limited scope; (iii) interventions with a significant environmental risk, and/or which pose potential significant adverse impacts over natural habitats will be screened out through the ESMF.

Based on the available information, and to mitigate any potential low-scale impacts from the expected small scale civil works, the ESMF will include guidelines to manage impacts in natural habitats and on natural resources (eg, area of native vegetation patches) to be developed as part of the ESMPs, and required for interventions under this component as necessary.

On the other hand, pilots under Component 2 will consist of solar panels linked to batteries and/or small wind turbines mounted to poles to the ground with minimal soil disturbance and with no heavy equipment required for installation.

Relevance of ESS6 will be further reviewed during Project preparation when exact Project sites and footprints will be identified and finalized and will be assessed through the ESMF.

**ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

This standard is relevant.

Although substation locations are currently unknown, some of the activities may be carried out in areas where there is presence of indigenous peoples. However, considering that the electric systems to be addressed (substations and transmission lines under Component 1) are preexisting and that the Project will not finance Projects that would require land acquisition (refer to ESS 5), it is expected that these will not affect indigenous land or limit access to natural resources, nor will it cause the relocation of population. On the contrary, proposed Project actions would benefit isolated and underserved populations to improve service delivery access, quality, and stability, offering opportunities for local development, facilitating production and income generation, and improving the social welfare of electricity Borrowers residing in these areas. For example, the pilot in Component 2 for the Amazon proposes to convert existing microgrids fueled from diesel to renewable energy sources (solar/wind) with the bonus of cleaner, less costly energy production. The pilot proposed for the highlands is focused on individual household minimal installation, small concrete base, pole, and one solar panel, near the house. Given the above, FPIC is not relevant in the context of this Project; the ESMF will feature exclusion criteria specifying that any activities that would require FPIC will not be considered for project financing. Thus indigenous peoples will be engaged through the stakeholder engagement plan paying particular attention to their needs (refer to ESS 10), including, for example, addressing their concerns in a culturally appropriate manner, including dissemination of information in their native language, using visual support and culturally adapted explanations to present Project information and scope, manage expectations and collect their active feedback.

**ESS8 Cultural Heritage**

This standard is relevant.

Activities under Component 2 will potentially require some minor excavations. This or other potential impacts on cultural heritage will be identified during Project screening and due diligence review. The ESMF will include due diligence procedures in line with ESS 8 to screen for risks and impacts on cultural heritage in its E&S Screening process and will include a chance finds procedures according to the local law and the Bank's ESS 8 to apply the relevant requirements of ESS 8 where interventions are found to have significant risks and impacts on cultural heritage. Relevance of ESS 8 will be further reviewed during Project preparation.

**ESS9 Financial Intermediaries**

This standard is not relevant.

## C. Legal Operational Policies that Apply

| | |
|---|---|
| **OP 7.50 Projects on International Waterways** | No |
| **OP 7.60 Projects in Disputed Areas** | No |



## III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

### A. Is a common approach being considered? No

**Financing Partners**

NA

### B. Proposed Measures, Actions and Timing (Borrower's commitments)

**Actions to be completed prior to Bank Board Approval:**

Actions to be completed by Appraisal:

1. Prepare and disclose a draft Environmental and Social Management Framework (ESMF) of the Project in line with the ESF requirements and relevant ESSs.

2. Prepare and disclose a draft Environmental and Social Commitment Plan (ESCP)

3. Prepare draft Labor Management Procedures prior to appraisal

4. Prepare a draft Stakeholder Engagement Plan prior to appraisal

**Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):**

- Setting up the implementation of the PIU including Environmental and Social specialists to manage the E&S aspects of the Project

- Management of E&S performance

- The preparation of a draft of the following instruments: an Environmental and Social Management Framework (ESMF) that will include a focused social and gender analysis of micro and small businesses led by representatives of disadvantaged groups (women, indigenous peoples, afrodescendants, etc.) to help boost social inclusion in the Project; a draft Stakeholder Engagement Plan (SEP) that will incorporate a culturally appropriate GRM; and Labor Management Procedures (LMPs) that will include Code of Conduct and a GRM. The draft ESMF will be finalized and disclosed within 30 days after Project effectiveness

- Updated SEP after disclosure (including the GRM)

- Finalized LMPs

### C. Timing

**Tentative target date for preparing the Appraisal Stage ESRS** 28-Dec-2020

## IV. CONTACT POINTS

**World Bank**

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**Borrower/Client/Recipient**

**Implementing Agency(ies)**

Implementing Agency: Ministry of Energy and Mines

## V. FOR MORE INFORMATION CONTACT

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## VI. APPROVAL

| | |
|---|---|
| Task Team Leader(s): | Janina Andrea Franco Salazar, Laura Wendell Berman |
| Practice Manager (ENR/Social) | Valerie Hickey Recommended on 17-Sep-2020 at 11:42:25 EDT |
| Safeguards Advisor ESSA | Marco Antonio Zambrano Chavez (SAESSA) Cleared on 17-Sep-2020 at 15:15:37 EDT |