

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC14815

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I. BASIC INFORMATION

A. Basic Project Data

Country:	Solomon Islands	Project ID:	P151618
Project Name:	ELECTRICITY ACCESS EXPANSION PROJECT (P151618)		
Task Team Leader(s):	Tendai Gregan		
Estimated Appraisal Date:		Estimated Board Date:	30-Apr-2016
Managing Unit:	GEE02	Lending Instrument:	Investment Project Financing
Sector(s):	Transmission and Distribution of Electricity (50%), Other Renewable Energy (50%)		
Theme(s):	Rural services and infrastructure (40%), Other urban development (40%), Social Inclusion (20%)		
Financing (In USD Million)			
Total Project Cost:	19.10	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			5.00
Climate Investment Funds			6.40
Global Partnership on Output-based Aid			4.70
Foreign Private Commercial Sources (unidentified)			3.00
Total			19.10
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

B. Project Objectives

13. The project development objective is to increase access of low-income households to electricity services in peri-urban and rural areas of Solomon Islands.

C. Project Description

An Output Based Aid (OBA) subsidy will buy down the investment cost for grid and micro-grid pre-paid metered connections and basic wiring. The project will be managed by Ministry of Mines, Energy & Rural Electrification (MMERE) and the national power utility company, Solomon Islands Electricity Authority (SIEA). It will be implemented by SIEA for grid densification and Rural Energy Service Companies (RESCOs) and local communities for micro-grid densification/extension. The project will use self-selection targeting in peri-urban areas and geographic targeting in rural areas, whereby all rural beneficiaries will be eligible for subsidies under the project.

The proposed project design will have the following components:

Component 1 (Recipient executed subsidy) – Implementation of low cost electricity access expansion (US\$12.9 million), which has two sub-components:

a) Micro-grid densification/extension to increase access to low cost electricity (US\$ 6.9 million). Where grid extension is not economically justifiable due to high investment cost for low expected load, the OBA subsidy provides incentives to SIEA and local electricity service providers (RESCOs, NGOs, etc) to reach poor households in remote areas through micro-grid densification. The subsidy will cover pre-paid meter micro-grid connections. The expected target under this component is 17,784 low income households (117,368 beneficiaries). Grant financing from Trust Funds would comprise \$1.5 million from the GPOBA and \$5.4 million from the Scaling Up Renewable Energy Program in Low Income Countries (“SREP”) under the Strategic Climate Fund.

b) Grid extensions/densification to expand access to low cost electricity services (US\$ 3 million). The OBA subsidy provides incentives to SIEA or RESCOs to increase electricity access of 5,164 low income households (34,080 beneficiaries) located in peri-urban and rural areas. The OBA subsidy will cover new pre-paid meter connections.

The grid extensions are proposed in the context of improved technical and operational capacity of SIEA as reflected by power system reliability and efficiency. The improved financial performance of the SIEA is enabling it to both plan and seek financing for capital investments across the country, including in its largest market and cost center, the Honiara grid. Thus, after decades of underinvestment due to its hitherto poor financial position, a significant program of capital investment in generation, transmission and distribution infrastructure is planned for 2013-16 to improve generation, transmission and distribution quality, network efficiency and reach of services. In this sector context, the GPOBA grant aims at increasing access by enabling the national utility to provide electricity service to poor households in its project area.

For remote areas, where the extension of the grid is not economically justifiable, a number of local service providers (RESCOs, NGOs etc.) will be selected by Ministry of Mines, Energy and Rural Electrification (MMERE) to participate in the GPOBA program, based on clearly defined criteria. A quota of the GPOBA grant of US\$1.5 million and US\$5.4 million from the SREP grant will be allocated to the local service providers. The selection criteria developed by MMERE and the application process will be presented in the Project Operations Manual (POM) and will include the pre-financing capacity, technical and operational capacity of local service providers. There is some success in Solomon Islands over the last 20 years with local communities and RESCOs in developing micro-grids, and will complement activities planned under Scaling Up Renewable Energy Program in Low Income Countries (SREP). GPOBA will finance household connections.

Component 2 (Recipient executed activity) - Implementation support for SIEA (US\$ 200,000). This component covers the operating expenses incurred to SIEA for the management of the project. It includes consultancy and logistics cost to ensure supervision of the project, compliance with environmental and social safeguards, training of RESCOs, NGOs, local communities on technical connection standards, Bank's safeguards and fiduciary procedures as needed, communities' outreach on GPOBA grant requirements.

Component 3 (Recipient executed activity) – Renewable Energy Enabling Environment (US\$ 1 million). Strengthening both the SIEA's capacity in power system planning, and its ability to deliver capital projects across the Solomon Islands, would underpin efforts to scale up renewable energy and in meeting its statutory obligations under the Electricity Act to: (i) “promote and encourage the generation of electricity with a view to the economic development of Solomon Islands”; (ii) “to secure the cost of electricity at reasonable prices”; and (iii) “to establish, manage and operate electric power systems”. There is also a need to strengthen the capacity of MMERE to further develop the policies and regulations that govern the energy sector. The existing policy and regulatory environment limits development of renewable energy by inhibiting investment, including private investment in renewable generation. The expected outcome of Component 3 will consist of establishing an improved enabling environment for scaling-up renewable energy. The outputs of Component 3 will include (i) development of improved processes for land acquisition for distribution extensions and mini-grids, (ii) revised Electricity Act and Petroleum/Biofuels laws and regulations, (iii) capacity development within SIEA, and (iv) capacity development within MMERE.

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

The project will provide grid and micro-grid connections in peri-urban and rural areas of Solomon Islands. Under Component 1(b), the SIEA will extend the Honiara grid as well as selected outstation grids in the provinces, providing connections to peri-urban areas of towns and to some rural areas. Extensions to SIEA's distribution network are proposed in Honiara East, Honiara West, Auki, Tulagi, Malu'u, Munda, Gizo and Kira Kira among others and will be agreed upon during project preparation. Under Component 1(a), connections to micro-grids will be provided in remote rural areas.

Access of poor households to electricity is expected to yield economic, environmental and social benefits – better health, education, productivity, and overall improvement of the human development indicators in rural and peri-urban areas. Electricity access creates income generation opportunities, which is important for the country taking into consideration the youth unemployment. The impact analysis to be carried out under a Bank-executed activity will assess the impact of the project on these variables.

E. Borrowers Institutional Capacity for Safeguard Policies

The proposed activities are anticipated to have a relatively low environmental impact (grid extensions with urban settings and village mini-grids), however this will be assessed further during the project preparation. The operation of the Project should have overall beneficial effects on the environment through more efficient provision of electrical power from renewable resources and improved environmental management within MMERE and SIEA. All activities will comply with requirements of the Environment Act of 1998 and the Environment Regulations of 2008 which require development consent for prescribed activities to be obtained from the Ministry of Environment, Climate Change and Disaster Management (MECDM). A development consent

application must include an environmental assessment which complies with Environment Act and Environment Regulations requirements.

Bank safeguards will apply to the whole project, including those components and activities that will be financed by GPOBA, SREP-SCF, Government and SIEA. Preparation will be based on the “Environmental and Social Safeguard Instruments for the Pacific Islands (ESSIP)” which will guide which instruments will be applicable to the Project during preparation, Technical Assistance, and implementation.

An Environmental and Social Management Framework (ESMF) will be prepared to ensure compliance with both World Bank Safeguard policies and the environmental legislation of the Solomon Islands. This ESMF will contain mitigation measures, environmental monitoring, and capacity development requirements covering the pre-construction, construction and operational phases. The ESMF will be approved by the World Bank and will form part of the construction contract documents. Where year one subprojects are known, an Environmental and Social Management Plan (ESMP) will be prepared, consulted upon and disclosed prior to appraisal.

The components will be assessed for social safeguard impacts during project preparation, in accordance with World Bank safeguard policies. A Social Assessment will be undertaken during preparation, which will include: electricity access, selectivity and affordability of electricity to the target population, resettlement (including land acquisition requirements), and indigenous peoples. Components have specifically been selected to minimize land acquisition issues. No physical relocation or loss of income is expected from the implementation of the project (to be confirmed during project preparation) as the components will be constructed either along existing road corridors or within communal/community owned land. The project will provide capacity building support to strengthen MMERE and SIEA’s social safeguard capacity.

The assessment will include a plan of how the Project will address those issues. Land acquisition is a significant barrier to infrastructure development in the Solomon Islands. Component 3 includes development of a standardized approach to addressing land acquisition for peri-urban grid extensions and rural mini-grids. Based on the requirements set out in the Interim Guidelines on the Application of Safeguard Policies to Technical Assistance (TA) Activities in Bank-Financed Projects and Trust Funds Administered by the Bank, the preparation of these guidelines will be guided by World Bank safeguards requirements. To ensure this occurs, any Terms of References for consultants preparing these guidelines will be approved by the World Bank Safeguards team.

The knowledge and experience of the Implementing Agencies on Bank safeguards policies is limited; with the SIEA in 2013 preparing an ESMF for new investment activities under the Solomon Islands Sustainable Energy Project’s Additional Financing, approved by the Board on March 21, 2014, and which has a Category B safeguards rating. The knowledge and experience of RESCOs with Bank safeguards policies will be assessed during project preparation and any support/capacity building measures identified as being required will be designed into the project.

F. Environmental and Social Safeguards Specialists on the Team

Anil H. Somani (GSURR)

Ross James Butler (GSURR)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This safeguard policy is triggered. The project will involve line drop extensions from grids and micro-grids in peri-urban and rural households. The environmental impact of the grid-connections provided under Component 1(b) are expected to be limited and similar to the impacts enumerated in the environmental impact assessment conducted for the IDA Solomon Islands Sustainable Energy Project (SISEP). The micro-grid densification and extension activities proposed under Component 1(a) are expected to have slightly larger environmental impact due to their implementation in rural areas which may require some tree felling and brush clearing to install micro-grids; but these too are expected to be limited in scale. The risks are expected to be technically and institutionally manageable. An Environmental and Social Management Framework (ESMF) will be prepared to ensure compliance with both World Bank Safeguard policies and the environmental legislation of the Solomon Islands. This ESMF will contain mitigation measures, environmental monitoring, and capacity development requirements covering the pre-construction, construction and operational phases. The ESMF will be approved by the World Bank and will form part of the construction contract documents. Where year one subprojects are known, an ESMP will be prepared. The Project implementation manual(s) would include provisions as regards screening procedures, environmental assessment and mitigation measures.
Natural Habitats OP/BP 4.04	TBD	This safeguard may be triggered by the project and will be confirmed during preparation. The project's activities are not expected to affect natural habitats as the grid-extension sub-component is proposed within SEIA's concession area where human activity has essentially modified the area's primary ecological functions since the land has been largely converted for urban and/or agriculture/livelihood purposes.
Forests OP/BP 4.36	No	The micro-grid extension activities are not expected to result in deforestation and their environmental impact is not expected to compromise the integrity and health of forested areas. Some minor clearings of trees, shrubs and undergrowth may be necessary to extend the grids.

Pest Management OP 4.09	No	The Project will not involve use of pesticides or herbicides.
Physical Cultural Resources OP/BP 4.11	Yes	Component 1 (a) provides for extensions grids or development of micro-grids in rural areas, where physical cultural resources may be encountered in excavations during the construction phase. However, the excavation and construction is expected to be minor. A chance find protocol will be included in the Environmental and Social Management Framework (ESMF) to address chance find of physical cultural resources.
Indigenous Peoples OP/BP 4.10	Yes	This safeguard policy will be triggered by the project, as Component 1(a) provides for activities in rural areas, which on a national level, are inhabited primarily by indigenous peoples. On this basis and given that indigenous peoples are also the principal beneficiaries of Component 1(a), a separate Indigenous Peoples Development Plan is not proposed to be prepared. Instead, elements of an Indigenous Peoples Plan, such as informed consultations and stakeholder participation, will be incorporated into project design consistent with guidance provided in the ESSIP.
Involuntary Resettlement OP/ BP 4.12	TBD	Given the small physical footprints and the siting of facilities, consensual and community based participatory decision-making; land acquisition is anticipated to be done on a voluntary basis and not to cause physical or economic displacement. Extensions of the national grid will be implemented in peri-urban and rural areas that fall within SEIA's concession and it is not expected that land acquisition will be required to serve these ends. The extension of micro-grids under Component 1(a) will require small amounts of land on which to establish drop line connections. Although the land required for these connections will widely be held under customary title, it is foreseen that the land will be acquired through voluntary arrangements with communities. If Voluntary Land Donation is envisaged, it will follow the VLD protocol developed for the Pacific Islands as documented in the ESSIP and will be included in the ESMF. The applicability of the policy will also need to be assessed in line with the SREP supported activities on the development of the mini-grids. Local communities and RESCOs will implement these schemes, and as a

		result, a strong degree of local ownership of the project is expected. Furthermore, the project will target poor households that express a demand for the connection and will uniquely benefit from it, and it is therefore expected that they will voluntarily allocate the necessary land for the drop line. The preparation of the standardized approach and guidelines to addressing land acquisition for peri-urban grid extensions and rural mini-grids will be guided by World Bank safeguards requirements. To ensure this occurs, any Terms of References for consultants preparing these guidelines will be approved by the World Bank Safeguards team.
Safety of Dams OP/BP 4.37	No	No dams will be affected by the Project.
Projects on International Waterways OP/BP 7.50	No	No project activities will take place on international waterways.
Projects in Disputed Areas OP/BP 7.60	No	There are no known disputed areas in the project areas of influence.

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 01-Dec-2015

B. Time frame for launching and completing the safeguard-related studies that may be needed.

The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

Safeguards related studies are anticipated to be launched in last quarter of calendar 2014 and completed by December 2015.

IV. APPROVALS

Task Team Leader(s):	Name: Tendai Gregan	
<i>Approved By:</i>		
Safeguards Advisor:	Name: Peter Leonard (SA)	Date: 16-Sep-2015
Practice Manager/ Manager:	Name: Julia M. Fraser (PMGR)	Date: 21-Sep-2015

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