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INTEGRATED SAFEGUARDS DATA SHEET IDENTIFICATION / CONCEPT STAGE

Report No.: ISDSC12566

Date ISDS Prepared/Updated: 12-May-2015

I. BASIC INFORMATION

A. Basic Project Data

Country:	Ma	ldives	Project ID:	P1551	126	
Project Name:	Small Islands ASPIRE Supplement					
Team Leader(s):	Sar	ndeep Kohli,Surbhi Goyal				
Estimated Date	19-	Jul-16				
of Approval:						
Managing Unit:	GE	EE06	Lending	Lendi	ng Instrument	
			Instrument:			
Sector(s):	Other Renewable Energy (100%)					
Theme(s):	Climate change (60%), Other Private Sector Development (40%)					
Financing (in USD	M	illion)				
Total Project Cost:		1.00	Total Bank Fir	nancing:	0.00	
Financing Gap:	0.00					
Financing Source						Amount
Borrower						0.00
Energy Sector Management Assistance Program						1.00
Total						1.00
Environment	t B - Partial Assessment					
Category:						

B. Project Development Objective(s)

As the proposed Project will be using the ASPIRE framework, the project development objective is same as for ASPIRE project. The project development objective is "to increase PV generation in Maldives through private sector investment". The funding from the proposed Project will go towards the outer and remote islands and will not be funding the same islands as under ASPIRE project making the two projects complementary to each other.

C. Project Description

A. INVESTMENT FRAMEWORK FOR PROPOSED PROJECT:

Currently, Maldives has a cumulative installed PV based generation capacity of around 2 MW, spread across several islands and programs. Under ASPIRE project, IDA and SREP resources are being used to develop and implement an appropriate investment framework that will result in the deployment of PV systems through private sector investments. The investment framework has

already been developed and appraised taking into account government and institutional considerations and informed by feedback from potential private investors based on market sounding exercise. The ASPIRE Project has three main components through which the investment framework is operationalized: (1) Technical Assistance Support to GoM for institutional capacity building and preparation of prospective subprojects for offering to private investors, (2) Structuring and Delivery of Tariff Buy Down for subprojects, and (3) Security Package to cover payment shortfalls and termination payments. The components are targeted to make strategic use of the different funding sources (IDA Guarantee, grants, GoM, and private sector funding) to push for increasing private sector investments and risk taking in the PV sector. During appraisal of ASPIRE, it was acknowledged that investment framework will be supplemented with the other funding sources as the ASPIRE Project develops a pipeline and based on a track record.

The PV subprojects in remote islands under the proposed Project will receive support from the provision of tariff buy down funded through SIDSDOCK grant and support from ASPIRE through a security package consisting of an IDA Guarantee and additional payment security funded through SREP grant. The proposed Project will not only look at the new solar projects for investments but also look at the existing solar projects where the utilization of the already installed capacity could be used efficiently, may be by adding storage.

As mentioned above, the proposed Project will use ASPIRE's investment framework as per which it is expected that the key parameters of the subprojects supported by SIDSDOCK including technology, economic and financial outcomes and environmental and social aspects will be materially similar to ASPIRE subprojects. Use of ASPIRE's investment framework also implies that the proposed Project will have similar design, contractual arrangements, and institutional arrangement. Further to that, there is a necessity to create awareness and build technical capacity within the utility/operator to efficiently use solar wherever available. For instance, in case of Thinadhoo Island, the operators are backing down solar instead of diesel when the load is less. For this, the proposed Project will benefit from technical assistance to GoM that will allow the continued development of a pipeline of PV subprojects.

The design and structure of each subproject under the investment framework will be materially similar, given the underlying and relatively simple roof or ground mounted solar PV generation. Moreover, the proposed Project will benefit from lessons from the initial ASPIRE subprojects and technical assistance provided through ASPIRE. As of now, the first subproject under ASPIRE project is in process to be bid out.

Based on ASPIRE project, the proposed Project will fund tariff buy down with allocated funding (of US\$ 1 million) for subprojects in remote islands. The subprojects will be identified and prepared for bidding by MEE and will be under the FENAKA. The subprojects will be bid out to the private sector developers, who will be investing in and operating PV generations. The tariff buy down mechanism in ASPIRE project has been provisioned to provide capital subsidy per installed MW to the developer (and through him, to the utility) so that the Power Purchase Agreement (PPA) price offered by the developer is in the range desired by the off-taking utility. Please note that the end-user tariff is not being affected since that is determined independently, and is currently heavily subsidized. The tariff buy down will go directly towards reduction in cost of power being purchased by the utilities (STELCO/FENAKA). The actual tariff buy down level may be different, including complete elimination of tariff buy down - based on market assessment for different subprojects. Tariff buy down for larger island subprojects under ASPIRE was estimated to need a maximum of \$300,000/MW; but for the smaller islands where higher solar penetration may be targeted (than larger islands)

cost of storage has to be factored in, so a higher tariff buy down may be needed. We estimate that the US\$1 million SIDSDOCK grant will support about 1 MW of capacity. Depending on project details, and where the bids come in, the funding could stretch to more or less capacity additions. As mentioned previously, the available funds under the proposed Project may also be used for promoting efficient utilization of the already installed solar energy capacity (say by adding storage). Disbursements under the Project could be linked to implementation milestones achieved by the developer, such as, upon achieving financial closure, upon commissioning, upon first year of successful operation, etc. This will be developed further based on the lessons learned from experience of first set of sub-projects under ASPIRE.

The proposed Project will be administered by the Project Management Unit (PMU), within the MEE, that has been created and already operating for ASPIRE project. The tariff buy down is expected to be delivered in 1-3 installments either upon commissioning, or towards the end of the construction of a particular subproject (i.e. after the rest of the investment has been completed). The lessons from the initial subproject under ASPIRE will be built into the design of the subprojects under the proposed Project.

Apart from the tariff buy down funded by SIDSDOCK and enhancing the existing installed solar energy capacity, the proposed Project will also depend heavily on the security package as well as capacity building assistance under ASPIRE as explained below. Further, it should be noted that the funding from the proposed Project will go towards the outer and remote islands and will not be funding the same islands as under ASPIRE project, implying that the two projects will be complementary to each other and not competing with each other.

B. BUILDING ON ASPIRE PROJECT:

The security package under ASPIRE targets to develop 20 MW given the corpus of funds available under the security package. The same security package under ASPIRE will be made available for about 1 MW of installations under the proposed Project, as appropriate to mobilize private sector investment.

The security package under ASPIRE mobilizes US\$3.9 million of SREP resources alongside US\$16 million of IDA Guarantee exposure to provide a total of US\$19.9 million in security cover. It will function as a combination of a funded escrow account and an IDA Guarantee to (i) backstop short term payment delays by STELCO/FENAKA under Power Purchase Agreements (PPA), as well as (ii) termination events caused by defaults for which either STELCO/FENAKA or GoM are responsible. A US\$3.9 million escrow amount is expected to cover up to 6 months of payments for 20 MW of installations and US\$16 million of the IDA Guarantee will partially cover termination payments for around 8 MW. In reality, it is expected that the level of support needed will taper down over time; hence more MWs may be covered including the 1 MW installation under the proposed Project.

The proposed Project will also build on the technical assistance component that is part of ASPIRE project under which US\$1.75 million is available to GoM for the following activities:

a. TA for Enabling Private Investing in PV: This includes activities are creating an appropriate environment for private investments and reducing preliminary subproject development costs. This includes working with agencies such as MEE and the Maldives Energy Authority (MEA) on follow-up work to implement the private sector policy and regulatory framework for RE subprojects, as well as developing arrangements to guide both off-taker utilities and private sector investors. Such

guidance will help the subproject stakeholders negotiate partnerships, agree on and comply with standard contracts such as PPAs and rooftop leasing contracts, and reduce possibilities of conflict, thus enabling the smooth execution of transactions in this energy sub-sector. Standard contracts developed with ASPIRE support will also be used in the proposed Project.

- b. Institutional Capacity Building and Knowledge Sharing: This support is building local institutional capacity for planning, implementing, operating, and monitoring power systems that are able to absorb increasing amounts of renewable energy. In addition, Maldives is witnessing a sharp increase in demand, and this initiative will address the need to provide necessary information, training and knowledge sharing in the area of renewables and energy efficiency, so that electricity production and use can be optimized. Since the stakeholders are same across the two projects the proposed Project and ASPIRE project this component will directly benefit this Project.
- c. Development of Pipeline: An ongoing exercise to identify and prepare pipeline of subprojects also covers potential subprojects in remote islands. Such islands are focus regions for the proposed Project.

Identification of appropriate subproject sites, resource assessment, pre-feasibility work, as well as aggregation of opportunities into saleable subproject bundles, which can be offered to private sector through competitive bidding, is being supported.

d. Project Management and Implementation Support: Provision of operational support for project management, supervision, and monitoring will help in implementing the proposed Project.

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

Locations are not known as of now but will be implemented in the outer islands. Exact location will be decided based on the readiness of the islands

E. Borrower's Institutional Capacity for Safeguard Policies

With ASPIRE already under implementation, such institutional capacity with regard to safeguard management is being build

F. Environmental and Social Safeguards Specialists on the Team

Parthapriya Ghosh (GSURR)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	The Project is category "B" and is not expected to have significant environmental impacts. The proposed Project will be subjected to World Bank's Performance Standards. As per OP 4.03, the Project activities will be required to comply with Performances Standards (PS) where private developers will be investing on solar PV installation and operation on selected rooftops in other islands, including ground mounted PV. The applicable PSs for the overall Project include: i. PS 1: Assessment and management of environmental and social risks and impacts,

		ii. PS 2: Labor and working conditions,
		iii. PS 3: Resource efficiency and pollution
		prevention,
		iv. PS 4: Community health, safety, and
		security,
		v. PS 5: Land acquisition and involuntary
		resettlement,
		vi. PS 6: Biodiversity conservation and
		sustainable management of living natural
		resources, and
		vii. PS 8: Cultural heritage.
		All investments under this Project will need to be in compliance with PS 1, PS 2, PS 3 and PS 4. Based on the environmental conditions of specific buildings selected for the installation of solar PVs and the impact area, the applicability of PS 6 and PS 8 will be decided. Since the impact of the proposed Project is going to be similar to that under ASPIRE, the Project is being retained as environmental assessment category B. The developers will be assessed on their environmental and social management systems. Project will carry out social and environmental screening to identify any adverse impacts of subprojects. Environmental Assessments will be carried out, standard contracts for EMPs will be developed and the implementations of the mitigation measures will be monitored. Implementation risks of such
Natural Habitats OP/BP 4.04	No	interventions are considered to be low. The Project is category "B" and is not expected to have significant environmental impacts. The proposed Project will be subjected to World Bank's Performance Standards. As per OP 4.03, the Project activities will be required to comply with Performances Standards (PS) where private developers will be investing on solar PV installation and operation on selected rooftops in other islands, including ground mounted PV. The applicable PSs for the overall Project include: i. PS 1: Assessment and management of environmental and social risks and impacts,
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		prevention,
		iv. PS 4: Community health, safety, and
		security,
		v. PS 5: Land acquisition and involuntary
		resettlement,
		vi. PS 6: Biodiversity conservation and
		sustainable management of living natural
		resources, and
		vii. PS 8: Cultural heritage.
		vii. 13 8. Cuiturai iicittage.
		All investments under this Project will need to
		be in compliance with PS 1, PS 2, PS 3 and PS
		4. Based on the environmental conditions of
		specific buildings selected for the installation of
		solar PVs and the impact area, the applicability
		of PS 6 and PS 8 will be decided. Since the
		impact of the proposed Project is going to be
		similar to that under ASPIRE, the Project is
		being retained as environmental assessment
		category B. The developers will be assessed on
		their environmental and social management
		systems. Project will carry out social and
		environmental screening to identify any adverse
		impacts of subprojects. Environmental
		Assessments will be carried out, standard
		contracts for EMPs will be developed and the
		implementations of the mitigation measures will
		be monitored. Implementation risks of such
		interventions are considered to be low.
Forests OP/BP 4.36	No	The Project is category "B" and is not expected
		to have significant environmental impacts. The
		proposed Project will be subjected to World
		Bank's Performance Standards. As per OP 4.03,
		the Project activities will be required to comply
		with Performances Standards (PS) where private
		developers will be investing on solar PV
		installation and operation on selected rooftops
		in other islands, including ground mounted PV.
		The applicable PSs for the overall Project
		include:
		i. PS 1: Assessment and management of
		environmental and social risks and impacts,
		ii. PS 2: Labor and working conditions,
		iii. PS 3: Resource efficiency and pollution
		prevention,
		iv. PS 4: Community health, safety, and

	security.
	security, v. PS 5: Land acquisition and involuntary resettlement, vi. PS 6: Biodiversity conservation and sustainable management of living natural resources, and vii. PS 8: Cultural heritage. All investments under this Project will need to be in compliance with PS 1, PS 2, PS 3 and PS 4. Based on the environmental conditions of specific buildings selected for the installation of solar PVs and the impact area, the applicability of PS 6 and PS 8 will be decided. Since the impact of the proposed Project is going to be similar to that under ASPIRE, the Project is being retained as environmental assessment category B. The developers will be assessed on their environmental and social management systems. Project will carry out social and environmental screening to identify any adverse impacts of subprojects. Environmental Assessments will be carried out, standard contracts for EMPs will be developed and the
	implementations of the mitigation measures will be monitored. Implementation risks of such interventions are considered to be low.
No	The Project is category "B" and is not expected to have significant environmental impacts. The proposed Project will be subjected to World Bank's Performance Standards. As per OP 4.03, the Project activities will be required to comply with Performances Standards (PS) where private developers will be investing on solar PV installation and operation on selected rooftops in other islands, including ground mounted PV. The applicable PSs for the overall Project include:
	 i. PS 1: Assessment and management of environmental and social risks and impacts, ii. PS 2: Labor and working conditions, iii. PS 3: Resource efficiency and pollution prevention, iv. PS 4: Community health, safety, and security, v. PS 5: Land acquisition and involuntary
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		resettlement, vi. PS 6: Biodiversity conservation and
		¥
		sustainable management of living natural
		resources, and
		vii. PS 8: Cultural heritage.
		All investments under this Project will need to be in compliance with PS 1, PS 2, PS 3 and PS
		4. Based on the environmental conditions of specific buildings selected for the installation of
		solar PVs and the impact area, the applicability of PS 6 and PS 8 will be decided. Since the
		impact of the proposed Project is going to be similar to that under ASPIRE, the Project is
		being retained as environmental assessment category B. The developers will be assessed on
		their environmental and social management systems. Project will carry out social and
		environmental screening to identify any adverse
		impacts of subprojects. Environmental
		Assessments will be carried out, standard
		contracts for EMPs will be developed and the
		implementations of the mitigation measures will
		be monitored. Implementation risks of such
		interventions are considered to be low.
Physical Cultural Resources OP/	No	The Project is category "B" and is not expected
BP 4.11		to have significant environmental impacts. The
		proposed Project will be subjected to World
		Bank's Performance Standards. As per OP 4.03,
		the Project activities will be required to comply
		with Performances Standards (PS) where private
		developers will be investing on solar PV
		installation and operation on selected rooftops
		in other islands, including ground mounted PV.
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		ii. PS 2: Labor and working conditions,
		iii. PS 3: Resource efficiency and pollution
		prevention,
		iv. PS 4: Community health, safety, and
	1	• .
		security,
		v. PS 5: Land acquisition and involuntary
		v. PS 5: Land acquisition and involuntary resettlement,
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	1	sustainable management of living natural
		resources, and vii. PS 8: Cultural heritage.
		vii. PS 8: Cultural heritage.
		All investments under this Project will need to
		be in compliance with PS 1, PS 2, PS 3 and PS
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		specific buildings selected for the installation of
		solar PVs and the impact area, the applicability
		of PS 6 and PS 8 will be decided. Since the
		impact of the proposed Project is going to be
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		systems. Project will carry out social and
		environmental screening to identify any adverse
		impacts of subprojects. Environmental
		Assessments will be carried out, standard
		contracts for EMPs will be developed and the
		implementations of the mitigation measures will
		be monitored. Implementation risks of such
		interventions are considered to be low.
Indigenous Peoples OP/BP 4.10	No	The Project is category "B" and is not expected
margenous reopies of /Br	110	to have significant environmental impacts. The
		proposed Project will be subjected to World
		Bank's Performance Standards. As per OP 4.03,
		the Project activities will be required to comply
		with Performances Standards (PS) where private
		developers will be investing on solar PV
		installation and operation on selected rooftops
		in other islands, including ground mounted PV.
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		ii. PS 2: Labor and working conditions,
		iii. PS 3: Resource efficiency and pollution
		prevention,
		iv. PS 4: Community health, safety, and
		security,
		v. PS 5: Land acquisition and involuntary resettlement,
		vi. PS 6: Biodiversity conservation and sustainable management of living natural
		resources, and
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	ı .	

		vii. PS 8: Cultural heritage.
		VII. PS 8. Cultural heritage.
		All investments under this Project will need to be in compliance with PS 1, PS 2, PS 3 and PS 4. Based on the environmental conditions of specific buildings selected for the installation of solar PVs and the impact area, the applicability of PS 6 and PS 8 will be decided. Since the impact of the proposed Project is going to be similar to that under ASPIRE, the Project is being retained as environmental assessment category B. The developers will be assessed on their environmental and social management systems. Project will carry out social and environmental screening to identify any adverse impacts of subprojects. Environmental Assessments will be carried out, standard contracts for EMPs will be developed and the implementations of the mitigation measures will be monitored. Implementation risks of such interventions are considered to be low.
Involuntary Pasattlement OP/PP	No	A STATE OF THE STA
Involuntary Resettlement OP/BP 4.12	No	The Project is category "B" and is not expected to have significant environmental impacts. The proposed Project will be subjected to World Bank's Performance Standards. As per OP 4.03, the Project activities will be required to comply with Performances Standards (PS) where private developers will be investing on solar PV installation and operation on selected rooftops in other islands, including ground mounted PV. The applicable PSs for the overall Project include: i. PS 1: Assessment and management of environmental and social risks and impacts, ii. PS 2: Labor and working conditions, iii. PS 3: Resource efficiency and pollution prevention, iv. PS 4: Community health, safety, and security, v. PS 5: Land acquisition and involuntary resettlement, vi. PS 6: Biodiversity conservation and sustainable management of living natural resources, and vii. PS 8: Cultural heritage.

		All investments under this Project will need to be in compliance with PS 1, PS 2, PS 3 and PS 4. Based on the environmental conditions of specific buildings selected for the installation of solar PVs and the impact area, the applicability of PS 6 and PS 8 will be decided. Since the impact of the proposed Project is going to be similar to that under ASPIRE, the Project is being retained as environmental assessment category B. The developers will be assessed on their environmental and social management systems. Project will carry out social and environmental screening to identify any adverse impacts of subprojects. Environmental Assessments will be carried out, standard contracts for EMPs will be developed and the implementations of the mitigation measures will be monitored. Implementation risks of such interventions are considered to be low.
Safety of Dams OP/BP 4.37	No	The Project is category "B" and is not expected to have significant environmental impacts. The proposed Project will be subjected to World Bank's Performance Standards. As per OP 4.03, the Project activities will be required to comply with Performances Standards (PS) where private developers will be investing on solar PV installation and operation on selected rooftops in other islands, including ground mounted PV. The applicable PSs for the overall Project include:
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Projects on International Waterways OP/BP 7.50	No	The Project is category "B" and is not expected to have significant environmental impacts. The proposed Project will be subjected to World Bank's Performance Standards. As per OP 4.03, the Project activities will be required to comply with Performances Standards (PS) where private developers will be investing on solar PV installation and operation on selected rooftops in other islands, including ground mounted PV. The applicable PSs for the overall Project include:
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		contracts for EMPs will be developed and the
		implementations of the mitigation measures will
		be monitored. Implementation risks of such interventions are considered to be low.
Projects in Disputed Areas OP/BP	No	The Project is category "B" and is not expected
7.60	110	to have significant environmental impacts. The
		proposed Project will be subjected to World
		Bank's Performance Standards. As per OP 4.03, the Project activities will be required to comply
		with Performances Standards (PS) where private
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		iv. PS 4: Community health, safety, and
		security,
		v. PS 5: Land acquisition and involuntary
		resettlement, vi. PS 6: Biodiversity conservation and
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		vii. PS 8: Cultural heritage.
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interventions are considered to be low.

III. SAFEGUARD PREPARATION PLAN

Appraisal stage ISDS required?: No

IV. APPROVALS

Team Leader(s):	Name: Sandeep Kohli, Surbhi Goyal	
Approved By:		
Safeguards Advisor:	Name: Maged Mahmoud Hamed (SA)	Date: 18-May-2015
Practice Manager/ Manager:	Name: Kwawu Mensan Gaba (PMGR)	Date: 19-May-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.