

**PROJECT INFORMATION DOCUMENT / INTEGRATED SAFEGUARDS DATA SHEET
(PID/ISDS)
CONCEPT STAGE**

Report No.: 105291

Date Prepared/Updated: 11-March-2016/updated 15-April-2016

I. BASIC INFORMATION**A. Basic Project Data**

Country:	Afghanistan	Project ID:	P157827
		Parent Project ID	n.a.
Project Name:	Mazar-e-Sharif Gas-To-Power Project (P157827)		
Region	SOUTH ASIA		
Estimated Appraisal Date:	15-Feb-2017	Estimated Board Date:	17-Jul-2017
Practice Area (Lead):	Energy & Extractives	Lending Instrument:	IDA Guarantee
Sector(s):	Power (100%)		
Theme(s):	Infrastructure services for private sector development (100%)		
Borrower(s)	Government of the Islamic Republic of Afghanistan		
Implementing Agency	Project Company		
Financing (in USD Million)			
Financing Source			Amount
Equity			22.00-26.50
<ul style="list-style-type: none"> • Ghazanfar: 16.00 • Technical Partner (TBD): 3.00-4.50 • IFC: 3.00-6.00 			
Debt			48.50
<ul style="list-style-type: none"> • IFC: 44.00 • Other Debt (TBD): 4.50 			
Total			70.50-75.00
Plus IDA Guarantee			30.00
Environmental Category	B-Partial Assessment		
Concept Review Decision	17-March-2016		
Is this a Repeater project?	No		
Is this a Transferred project? (Will not be disclosed)	No		
Other Decision (as needed)			

B. Introduction and Context

Country Context

1. Afghanistan is a low-income country of approximately 32.5 million people that remains one of the least-developed countries in the world. Following the countries' transition to a democracy, the period between 2007 and 2013 was marked by high growth rates averaging close to 7 percent of GDP annually, stimulated primarily by international aid. Afghanistan's Human Development Indicator (HDI) increased also markedly during this time, although Afghanistan still only ranks at 175 (out of 184 countries).

2. After the election in 2014, Afghanistan's growth has declined. While the election marked the first time in Afghanistan's history for power to be democratically transferred, it also introduced significant uncertainties with a near evenly split vote. Domestic revenues fell to 8.4 percent in 2014 (from 11.6 percent of GDP in 2011), a level inadequate to finance its current level of spending (around 36 percent of GDP). The little economic growth Afghanistan saw in 2014 was mainly driven by expansion in industries (2.4 percent) and services (2.2 percent). Private investment activities showed strong signs of slowdown in 2014, evidenced by a drop of nearly 50 percent in new firm registrations since 2012. As a result, Afghanistan will continue to rely on international donors, who have committed to continued financial assistance.

3. Against the background of political uncertainty, growth for 2015 was projected only at 1.9 percent. Investor and consumer confidence show no signs of picking up, with the number of new firm registrations in the first six months of 2015 (a proxy for investor confidence), remaining at the same level as in the first half of 2014. The fiscal space of the Government is increasingly constrained, particularly in respect of addressing the deficit in infrastructure needs such as roads, hydropower and irrigation dams, power networks, mines, airports, and urban development. Growing security costs are also projected to lead to increased recurrent expenditures.

4. At the December 2014 London Conference the Government laid out in its economic strategy, which focused among others on bolstering private sector confidence, and (energy) infrastructure development. In accordance with the Government's 2012 paper on self-reliance, the Government aims to strengthen three pillars, namely – (1) infrastructure development, (2) private sector development, and (3) agriculture and rural development. As such, infrastructure investments, particularly in the energy sector, play a critical role in contributing to economic growth and stabilization.

5. As is true in any country, access to reliable electricity is a key factor for fostering economic growth, equitable development and security, and will help enable the Government meet its development objectives by stimulating job growth and production and improving quality of life. Nonetheless, Afghanistan only ranks in position 141 of 189 countries worldwide for access to electricity. In this context and with resources from the international community growing increasingly scarce, demonstrating the feasibility of financially viable investments becomes crucial to ensure that donor funding can actually be supplemented from private resources.

Sectoral and Institutional Context

6. **Sector Context.** Access to electricity is low, but has steadily increased since 2005. As of June 2015, Afghanistan's access to electricity rate was estimated at approximately 25–30 percent. Access to electricity is focused in urban areas and along transmission corridors that are connected to imported energy. Afghanistan's per capita electricity consumption averages 497 kWh per person per year, significantly less than the South Asian average of 667 kWh per person and the average electricity usage of 3,100 kWh per person worldwide (based on 2012 data). Nevertheless electricity access is expanding, increasing from a level of only about 6 percent in 2005. Since the transmission interconnections with Uzbekistan and Tajikistan have been completed, Afghans in urban centers enjoy continuous power supply.

7. Gains in electricity access are fragile. Afghanistan's grid structure, which is operated as four separate grid islands, creates a vast difference between rural and urban access. While over 75 percent of the population in large urban areas like Kabul, Kandahar, Herat, and Mazar-e-Sharif have electricity, less than

10 percent of the rural population has access to grid-connected power. The failure of the transmission lines between Uzbekistan, Tajikistan, and Afghanistan in February 2016, which are expected to provide 81 percent of Afghanistan's electricity in 2015-16, illustrates the fragility of the system and the need for diversifying power supply. Load shedding and outages even in urban areas are common so that many homes and businesses continue to rely on private generators. Enhanced self-reliance in the area of electricity in the sense of the overall Afghan policy program is thus desirable and means greater security of supply.

8. The electricity mix is dominated by electricity imports that are complemented by domestic hydropower. Afghanistan has limited indigenous sources of electricity, with only approximately 522 MW of installed capacity. The installed capacity is a mix of hydro (49 percent), thermal (39 percent), and diesel (12 percent). Hydropower provides 95 percent of domestically generated electricity as it is least cost (with construction costs sunk) and not subject to fuel availability. In light of the aforementioned, Afghanistan mostly relies on an estimated 1,200 MW of imported electricity from neighboring countries, in particular the Islamic Republic of Iran, Tajikistan, Turkmenistan, and Uzbekistan.

9. Plans for generation expansion see a dual role for expanding domestic supplies and enhancing electricity imports. The 2013 Power Sector Master Plan prepared by the Ministry of Energy and Water (MEW) presented a 20-year electricity demand forecast requiring a base case peak load of 3,502 MW and gross demand of 18,409 GWh by 2032. To meet this demand, the Power Sector Master Plan identified a combination of imports as well as increasing domestic energy generation by means of thermal and hydropower plants. In this context, the development of the mining and gas sectors offers opportunities for domestic energy generation.

10. Natural gas in the north of Afghanistan could provide commercial quantities for large-scale generation. The U.S. Geological Survey and the Ministry of Mines and Industry estimated 444 billion m³ of undiscovered, technically recoverable natural gas in addition to the identified reserves located in the vicinity of Sheberghan. These reserves have the potential to fuel the proposed Project. In addition, in 2013 the Government signed an agreement for the development of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project through which Afghanistan would both purchase and transport natural gas from the Galkynysh gas field in Turkmenistan through Herat and Kandahar to the Pakistani border and on to India.

11. **Institutional Context.** The Ministry of Energy and Water (MEW) oversees the energy sector in Afghanistan, and is responsible for sector and investment planning. DABS was formerly a department of the MEW under the name of Da Afghanistan Breshna Moassassa. In 2008, DABS was established as an independent and autonomous company under the Corporations and Limited Liabilities Law, although its shares remain fully owned by the Government. DABS is a vertically integrated utility responsible for operating and managing electric power generation, import, transmission, and distribution of electricity throughout Afghanistan on a commercial basis. The Ministry of Mines and Petroleum (MoMP) is responsible for the effective governance of natural resources in Afghanistan, and its long-term goals include supporting economic growth and job creation through the exploration, exploitation, and development, of the minerals and hydrocarbons sectors, with a particular emphasis on encouraging private sector participation.

Relationship to CAS/CPS/CPF

12. A Country Systematic Diagnostic (SCD) was approved in 2016 and focused on reducing poverty and addressing fragility as parallel and mutually reinforcing development imperatives in Afghanistan. Service delivery, including electricity services, has been identified as a significant contributor to economic growth. By leveraging private sector financing, the project will also support fiscal sustainability, which has been identified by the SCD as another contributor to economic growth. Discussions on the new Country Policy Framework (CPF) have begun in February 2016.

C. Proposed Development Objective(s)

Development Objective(s) (From PCN)

13. The project development objective is to increase the amount of reliable indigenous electricity generated.

Key Results (From PCN)

14. Progress toward achieving the PDO Outcomes will be measured by the following Project Outcome Indicators:

- Amount of electricity generated by the gas-to-power plant in Mazar-e-Sharif (GWh/year); and
- Number of customers served by the gas-to-power plant in Mazar-e-Sharif, of which female (50%);

Concept Description

15. The proposed Project will entail the development of a 50MW green-field gas-to-power plant to be developed, constructed, operated and maintained under an Independent Power Producer (IPP) basis, through Afghanistan Power Plant Ltd (“Project Company”). The plant is currently envisaged to be located about 20-30 km west of the city of Mazar-e-Sharif (northwestern Afghanistan), supplying power to the Mazar-e-Sharif/Balkh region. Proposed World Bank support to the Project is through an IDA Guarantee of US\$30 million, which will backstop the payment obligations of DABS.

16. The sponsor group consists of the Ghazanfar Group (a large local conglomerate with diversified business interests), a technical partner, and the International Financial Corporation as equity investor. The total project costs are expected to be around US\$75 million, to be financed on the basis of a 70:30 debt-to-equity ratio.

II. SAFEGUARDS

A. Project Location and Salient Physical Characteristics Relevant to the Safeguard Analysis (if known)

17. The Mazar-e-Sharif 50MW gas-to-power plant will be a green-field development, currently envisaged to be located about 20-30 km west of the city of Mazar-e-Sharif in the comparatively stable northwestern part of Afghanistan. The precise location of the gas-to-power plant is yet to be determined, but it is envisioned to be located near the existing, state owned Northern Fertilizer and Power Plant (NFPP) in Mazar-e-Sherif. Six sites close to the NFPP are under investigation to serve as possible sites for the gas-to-power-plant, all of which are under private ownership.

18. The gas-to-power plant will be supplied with natural gas by the Afghan Gas Enterprise (AGE), the state owned gas facility operating under MoMP, and will supply power to the North East Power System (NEPS) 220kv transmission line due to its location close to Mazar-e-Sharif. The gas supply would come from a new gas pipeline that is under construction by the Government of Afghanistan, and which is being constructed in parallel to an existing pipeline. Due diligence will be carried out to assess this new pipeline’s viability and how timely it can be completed. The Mazar IPP is expected to consume about one-third of the gas supplied through this new pipeline.

19. The construction of the project is expected to be implemented under a turn-key Engineering, Procurement, and Construction (EPC) contract. The Project Company has started to engage with international reputable EPC contractors and equipment suppliers. The contractor selection process is expected to move in parallel with project document development and negotiations with the Government.

B. Borrowers Institutional Capacity for Safeguard Policies

20. Under the proposed project an IDA guarantee will be provided. The World Bank’s due diligence will include a review of the Environmental and Social Impact Assessment (ESIA). The Project Company does not have an existing Environmental and Social Management System (ESMS) for the proposed project in place yet. On completion of their ESIA and Environmental and Social Management Plan (ESMP), the Project Company will prepare the ESMS for the proposed project. In addition, the Project Company will prepare an Environmental and Social Action Plan (ESAP), which will contain the actions the Project Company will need to take to bring the ESMS for the proposed Project into compliance with the Performance Standards.

21. World Bank Group Performance Standards will be used for the project. The following Performance Standards are applicable: PS1 – Assessment and Management of Environmental and Social Risks and Impacts; PS2 – Labor and Working Conditions; PS3 – Resource Efficiency and Pollution Prevention; PS4 – Community Health, Safety, and Security, and PS6 – Biodiversity Conservation and Sustainable Natural Resources Management.

22. The Project Company will have to prepare and implement the ESIA, ESAP and ESMP on the basis of the World Bank Performance Standards. The institutional capacity of the Ghazanfar Group with regard to safety, health, environmental and social aspects will be fully assessed during project appraisal. Ghazanfar Group has stated that its subsidiaries, which are involved in the oil and gas as well as crude oil refinery industry, have substantial experience related to the above- mentioned aspects. It has also confirmed that it will assign qualified environmental and social experts particularly for the social and environmental risk management concerning the proposed Project.

C. Environmental and Social Safeguards Specialists on the Team

James Orehmie Monday, Senior Environmental Specialist (GENDR)
 Mohammad Yasin Noori, Senior Social Specialist (GSURR)

D. POLICIES THAT MIGHT APPLY

Performance Standards (please explain why)	Yes	No	TBD
PS 1: Assessment and Management of Environmental and Social Risks and Impacts	X		
<p>The proposed Project will be designed, constructed, operated, and owned by a private entity, Afghanistan Power Plant Ltd, who will also have the responsibility for identifying, assessing and managing the environmental and social risks of the proposed Project. The World Bank will review and assess the private entity’s capacity to carry out these tasks and will ensure the required technical assistance is provided to address any related gaps. For these reasons, the proposed Project meets the criteria in OP4.03 for application of the Performance Standards to the entire proposed Project.</p> <p>The potential environmental risks and impacts of the envisioned plant will occur at two stages: (i) construction stage – risks and impacts are expected to be associated with management of construction activities, equipment and staff, including inter alia, dust, noise and safety concerns for neighboring communities; and (ii) operations stage - risks and impacts are expected to be associated with air emissions from the plant, safety concerns around gas leaks both in terms of air quality and risks of explosions/fire.</p> <p>Given that the size of the plant is expected to be only 50MW and that its potential site is expected to be of low to moderate environmental and social sensitivity, the overall project has been categorized as category B, as the risks described above are expected to be limited to the foot print of the plant, of mostly temporary nature and may be readily managed through tangible mitigation measures.</p> <p>The Project Company will develop its own Environmental and Social Management System which will build on the results and findings of the full ESIA and corresponding environmental and social management plans, health and safety plans, and emergency response plans for the gas-to-power plant. The</p>			

World Bank will review the ESIA, ESMP's and ESMS and the respective due diligence reports for consistency with the World Bank Performance Standards, prior to appraisal of the proposed Project. The World Bank will then prepare the Environmental and Social Review Summary (ESRS) which will be disclosed afterwards.			
The envisioned plant will be supplied with gas by a pipeline currently under construction, which, however, is not being built for the purposes of the proposed Project. Also, the plant will use an existing transmission line to evacuate the generated power to DABS as the offtaker. In this context, the proposed Project will neither support the design, construction, operation and maintenance of the pipeline nor the operation and maintenance of the transmission line. Consistent with the definitions and requirements of PS1, this infrastructure (currently constructed gas pipeline and transmission line) are therefore not considered associated facilities. Nonetheless, the World Bank will require the Project Company to conduct an environmental and social due diligence in respect of both to ensure identification and resolving of any issues concerning these facilities.			
PS 2: Labor and Working Conditions	X		
The ESIA will include a review of relevant Afghan workplace and labor legislation/policies as well as a review of the Project Company's human resources management policies and procedures. The ESMP will include appropriate recommendations for incorporation into the ESMS, consistent with Afghan standards and World Bank performance standards. The ESMP will also include a grievance redress mechanism for workers to raise workplace concerns. The private sector will inform the workers of the grievance mechanism at the time of recruitment and make it easily acceptable to them.			
PS 3: Resource Efficiency and Pollution Prevention	X		
Pollution prevention and response to accidents involving pollutant releases during project construction will be central concerns in the ESIA.			
PS 4: Community Health, Safety, and Security	X		
Emergency Response Plans will need to be prepared and the potentially affected communities will need to be made aware of them, including the risks associated with and power plant and transmission line operations.			
PS 5: Land Acquisition and Involuntary Resettlement		X	
The exact project site has not yet been finalized, but it is currently envisaged to be in a relatively isolated area close to the NFPP in Mazar-e Sharif. The gas-to-power plant will be constructed on land purchased from a private owner, for which the land will be bought outright (willing-buyer willing-seller arrangements). No land acquisition, displacement of people or adverse impacts on livelihoods are expected.			
PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	X		
The ESIA will include a review of the potential impact of the project on biodiversity and living natural resources, and will provide appropriate recommendations on management/mitigation of any impacts.			
PS 7: Indigenous Peoples		X	
No groups that meet the definition in PS7 have been identified in the project area.			
PS 8: Cultural Heritage		X	
No impact on cultural heritage has been identified in the project area.			
OP 7.50: Projects on International Waterways		X	
This does not apply.			
OP 7.60: Projects in Disputed Areas		X	

There are no disputed areas in the project area.

E SAFEGUARD PREPARATION PLAN

1. Tentative target date for preparing the Appraisal Stage ISDS:

04/30/2017

- 2. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal-stage ISDS.** The Project Company will prepare the ESIA, which will be subject to review by Transaction Advisors to be hired under the Gas For Energy Access and Development Project, to ensure compliance with all applicable and relevant social, environmental, public health and safety national laws and requirements, and World Bank Group Performance Standards.

III. Contact point

World Bank

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V. Approval

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¹ Reminder: The World 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.