

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSA8351

Date ISDS Prepared/Updated: 02-May-2014

Date ISDS Approved/Disclosed: 13-May-2014

I. BASIC INFORMATION

1. Basic Project Data

Country:	Albania	Project ID:	P144029
Project Name:	Power Recovery Project (P144029)		
Task Team Leader:	Arturo S. Rivera		
Estimated Appraisal Date:	05-May-2014	Estimated Board Date:	29-May-2014
Managing Unit:	ECSEG	Lending Instrument:	Investment Project Financing
Sector(s):	General energy sector (100%)		
Theme(s):	Climate change (40%), Social risk mitigation (30%), Other economic management (30%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	150.00	Total Bank Financing:	150.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
International Bank for Reconstruction and Development			150.00
Total			150.00
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

2. Project Development Objective(s)

The project development objective is to improve reliability of supply and financial viability of the power sector.

3. Project Description

The proposed operation will support the implementation of the Government's Power Sector Recovery

Plan, which is centered around four main pillars: i) enhancing security of supply through diversification of generation sources and strengthening regional integration; ii) improving system efficiency in the distribution sector by reducing losses and improving cash collection; c) supporting improvements of the electricity market and d) introducing priority power reforms in the power sector to create a competitive market that will attract private investment while reducing fiscal risks for the government.

The project consists of four components: i) enhancing reliability of supply, ii) Improving distribution infrastructure, iii) Transmission meter/data center upgrade; and iv) Introduce priority power sector reforms and project implementation support. Details are provided below.

Component 1 –Securing short term power supply

Albania lacks firm generation capacity to manage weather volatility, furthermore, the Komani HPP on the Drin cascade—a peaking plant-- is under maintenance and has a capacity gap of about MW 150/yr over a 3 year period. The project will provide for up to US\$ 30 million for power imports to compensate for the loss of generation due to maintenance at Komani HPP, or due to the event of lower than expected rainfall during the life of the project.

Component 2 – Improving distribution infrastructure

This component will support GoA's and Distribution Company's plan to reduce losses, improve cash collection and reliability in the MV and LV level. The distribution company has finalized a study, conducted by international consultants, assessing the areas of high losses and low collections. The report also includes a proposed action plan to reduce losses over the next six years. The investments are estimated at about \$275 million over the next six years (2015-2020).

The investments will be focused on: i) upgrading the sub-transmission distribution system to improve reliability; ii) targeted investments in the medium voltage grid (6-20 kV); iii) metering system investment for the low voltage network; and iv) supporting of the distribution company management, billing and collection system.

Five proposed subcomponents will include:

- a) Upgrading of the sub-transmission distribution system: Investments in the sub-transmission level are required to upgrade system reliability in Tirana center by reinforcing two existing 35/MV to 110/MV SubStations.
- b) Targeted investments in the medium voltage grid (6-20kV): The proposed investment will include MV cable lines and MV/LV distribution cabins, as well as associated LV metering facilities at cabins.
- c) Metering system investments in the low voltage network: Recent CEZ Sh reports show that approximately 250,000 customers have damaged meters or have no meters at all. Under this subcomponent the project will provide financing for the purchase and installation of: (i) approximately 230,000 single and three-phase meters; (ii) low voltage concentric cables; (iii) ABC cables; and (iv) three-phase regular conductor cables.
- d) Upgrading billing and collection system.
- e) Management advisory services:

Component 3 –Transmission meter/data center upgrade

In 2011, GoA moved high voltage industrial customers to the deregulated market, this had the effect of reducing the GoA's obligation to provide, through KESH/WPS for hydro power under a regulated

tariff, and put Albania at the forefront of market reforms as per EU directives. The next step in the market reform is to open the market for medium voltage commercial customers, further reducing the public obligation to guarantee supply for regulated tariff customers. In order to facilitate this process, the project will support OST's to: (i) install meters for medium voltage customers and IPPs and the establishment of a data/meter center at OST, and (ii) facilitate the establishment of a market platform for future eligible suppliers and consumers, and IPPs.

Component 4 –Introduce priority power sector reforms and project implementation support
GoA recognizes that investments alone will not be sufficient to turn the sector around without critical power sector reforms that will address structural, institutional and operational issues of the sector. In addition to project implementation support, this component will finance technical assistance required to initiate priority reforms to enable the recovery of the power sector.

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

The project locations differ among the project components. the investments on distribution such as metering, cabling, rehabilitation of existing substations, etc. will be conducted in different parts of the country and site specific environmental assessment documents will provide information on the physical characteristics of the site locations. The investments related to transmission company, OST, will mainly consist of metering renovation within the buildings. There is no specific footprint relevant to safeguards. None of the components will affect HPPs or the Drin cascade.

5. Environmental and Social Safeguards Specialists

Bekim Imeri (ECSSO)

Esra Arikan (ECSEN)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	During the concept stage of the project, intake rehabilitation of the Vlore Thermal Power Plant has been considered under Component 1. During preparation, it has been decided that no works related to Vlore TPP will be included in this project, therefore the environmental impacts of the project is now only related to Component 2, which is improving the distribution system. Component 2 will consists of investments on distribution such as meters, cables and potential rehabilitation of selected existing substations. These will have temporary and limited environmental impacts and are expected to be Category B in nature.
Natural Habitats OP/BP 4.04	No	Improvement of the distribution system (rehabilitation and construction of substations) under Component 2 and/or transmission system (mainly renovating meters) under Component 3 will be conducted within the city and any sub-project which is planned on green land will not be financed by the project.

Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	Chance find procedures will be applied for all excavation related studies under the project scope. Any project which may have effects on protected sites and/or culturally important sites, will not be eligible for financing under this project.
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	Yes	The proposed project is most likely not expected to include neither land acquisition nor resettlement; Some activities are foreseen to improve cash collection in distribution and efficiency in distribution. Activities to improve the efficiency of distribution envisages also investments in rehabilitation of old sub-stations and distribution power transformers as well new ones for which locations are to be determined. Although the land needed would be small a RPF (Resettlement Policy Framework) is recommended to guide potential need for small land acquisition or potential right of way management.
Safety of Dams OP/BP 4.37	No	The project will not have any impacts on the flow scheme of the Drin basin. The sub-component for power supply imports would not involve any physical works or changes in the operating regimes of the dams, but only financing the import of electricity to meet seasonal gaps in power production.
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

In accordance with World Bank environmental policies and procedures (OP/BP/GP 4.01) the project has been assigned “Category B”, as the types of potential impacts are limited with the footprints of the investments and should be relatively easy to assess and mitigate through careful selection of sites and good construction practices. For the distribution network component of the

project, an environmental and social management framework (ESMF) has been prepared by CEZ Sh since the exact footprints of the sub-projects are not determined yet. The ESMF was designed to provide guidance for screening, assessing, conducting consultations, reporting and monitoring practices for the sub-project investments under the management of CEZ Sh. Environmental assessments of the sub-projects will be carried out in accordance with both Albanian National Legislation and World Bank environmental assessment (OP 4.01) requirements. As mentioned above, it is expected that the sub-projects will be 'Category B' on nature and partial EAs/ESMPs will be prepared accordingly. Sub-project partial EAs/EMP's will be submitted to WB for prior review and after getting no-objections these will be disclosed in client's websites and will be included in the corresponding bidding documents of the investment projects.

It is expected that all distribution investments will be conducted in the urban areas and since the Natural Habitats and Physical/Cultural Properties policies have not been triggered, the ESMF makes it clear that in case a project may have effects on protected sites and/or culturally important sites, it will not be eligible for financing under this project.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

This will be evaluated in individual sub-project environmental assessment documents as needed.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

Investments related to distribution network will be screened by CEZ Sh for avoiding any impact on natural habitats and physical/cultural sensitive sites, if no alternative is found for a project which may trigger OP 4.11 and 4.04, the project will not be eligible for financing.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The project will consist of separate PIUs under CEZ Sh, KESH and OST for the implementation works of the project components. There will be another PMU at the Ministry of Energy and Trade responsible for the implementation of the TA component and overall project implementation coordination and monitoring. WB environmental specialist will also include provide support and training according to the needs of the PIUs. CEZ Sh, as the implementing agency of Component 2, will share the sub-project ESMPs (environmental and social management plans) with the Bank for no-objection and will disclose the final versions in country and share it with the WB for Infoshop disclosure. OST, as the implementing agency of Component 3, will not be preparing Environmental Assessment (EA) documents assuming the investments will be Category C in nature. PIUs will also prepare and submit frequent monitoring reports to inform the WB about the status of the EA documents (if under preparation) and the compliance with the relevant EA documents during implementation.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

For the Category B sub-projects of the distribution component, public consultation and disclosure of ESMPs will be conducted in line with the ESMF. The ESMF prepared by CEZ SH, distribution company, has already been consulted with public and disclosed in country and in Infoshop on April 14 and 24, 2014 respectively.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	23-Apr-2014

Date of submission to InfoShop	24-Apr-2014
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Albania	23-Apr-2014
<i>Comments:</i>	
Resettlement Action Plan/Framework/Policy Process	
Date of receipt by the Bank	23-Apr-2014
Date of submission to InfoShop	24-Apr-2014
"In country" Disclosure	
Albania	23-Apr-2014
<i>Comments:</i>	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment	
Does the project require a stand-alone EA (including EMP) report?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
OP/BP 4.12 - Involuntary Resettlement	
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]

III. APPROVALS

Task Team Leader:	Name: Arturo S. Rivera	
<i>Approved By</i>		
Regional Safeguards Advisor:	Name: Agnes I. Kiss (RSA)	Date: 01-May-2014
Sector Manager:	Name: Ranjit J. Lamech (SM)	Date: 13-May-2014