

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA26703

Project Name	National Electrification Project (P152936)
Region	EAST ASIA AND PACIFIC
Country	Myanmar
Sector(s)	Transmission and Distribution of Electricity (100%)
Theme(s)	Rural services and infrastructure (100%)
Lending Instrument	Investment Project Financing
Project ID	P152936
Borrower(s)	Republic of the Union of Myanmar
Implementing Agency	Ministry of Electric Power, Ministry of Livestock, Fisheries and Rural Development
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	05-Jun-2015
Date PID Approved/Disclosed	07-Jun-2015
Estimated Date of Appraisal Completion	01-Jun-2015
Estimated Date of Board Approval	15-Sep-2015
Appraisal Review Decision (from Decision Note)	The Decision Review Chair authorized the team to appraise the project subject to the approval of safeguards documents by Regional Safeguard Advisor and disclosure of the Integrated Safeguards Data Sheet, and decisions outlined in the decision note of the decision meeting before appraisal.

I. Project Context

Country Context

Myanmar is one of the least developed countries in Southeast Asia due to a long period of conflict, isolation, and ineffective economic and social policies. With a population of 51.4 million, the country has an estimated per capita GDP of US\$1,105. The poverty rate in 2010 was estimated at between 25.6 and 37.5 percent, with the lower rate reflecting the Government's methodology—which showed a 20 percent decline since 2005—and the higher rate reflecting a more broad based methodology used by the World Bank. At least 70 percent of Myanmar's poor live in rural areas where decades of underinvestment has severely limited access to essential infrastructure and services. Beginning in 2011, Myanmar launched major political and economic reforms. The past years have seen a significant improvement of political and civil liberties, and a marked reduction in armed conflict, although conflict continues in Kachin and northern Shan States. Myanmar has also begun an economic reform process by removing constraints on commerce, trade, and private enterprise that long held back the economy, driving increased economic growth of 8.3 percent in

2013 (up from an average of 5.1 percent between 2005 and 2010). Government has also significantly increased social expenditures, with education spending having risen three-fold between 2011 and 2014 and health spending having risen four-fold over the same period.

Sectoral and institutional Context

Energy consumption per capita in Myanmar is among the lowest in the world. About 70% of the population, and 84% of rural households, have no access to grid electricity. Also, access to modern fuels for cooking (such as liquefied petroleum gas) is limited to urban areas. Consequently, traditional biomass (wood and animal dung) is widely used and accounts for about two-thirds of primary energy consumption.

Electricity consumption is growing fast. During the last five years, the electricity supplied by the national grid grew on average about 15% per year and reached 9.6 terawatt-hours (TWh) in 2013. The total installed capacity reached 4,255 MW with about 70% in hydropower and 27% in gas-fired power plants. Small off-grid diesel and mini-hydropower units dispersed across the country have an estimated total installed capacity of about 120 MW.

Electricity shortages and supply disruptions are a major concern. Due to heavy reliance on extremely seasonal hydropower with low firm capacity, the existing power generation system cannot meet the peak demand which occurs in the dry season. Despite a significant recent increase in gas-fired generation load shedding, blackouts and generally low reliability of power supply remain prevalent. Therefore, the main challenge facing the power sector is to scale-up access to electricity in reliable, efficient, affordable and sustainable manner and achieve the Government's objective of universal access to electricity by 2030.

The Government is pursuing strategic development and reforms in the power sector. The National Energy Policy is based on guiding principles in the 2012 National Framework of Economic and Social Reforms. These include: energy mix diversification; greater energy productivity through energy conservation and efficiency measures; and energy pricing policies that reflect economic costs for both suppliers and users in the domestic energy market. The 2014 Electricity Law provides for an independent energy regulatory agency that, once established, should catalyze further sector reforms and private sector participation.

The Government's National Electrification Plan aims to electrify 7.2 million households to achieve universal access to electricity by 2030. The Plan calls for investments of \$5.8 billion over the next 15 years to extend the distribution grid and off-grid electrification.

The World Bank Group (WBG) Joint Implementation Program (JIP) in Myanmar supports public and private efforts to increase electricity access and alleviate acute electricity shortages. The National Electrification Project is a cornerstone of the WBG JIP which is expected to provide sustained support for investments and institutional capacity building to help achieve universal access to electricity by 2030, in collaboration with public and private investors and all development partners.

II. Proposed Development Objectives

19. The project development objective is to help increase access to electricity in Myanmar.

III. Project Description

Component Name

Grid extension (IDA \$300 million)

Comments (optional)

This component is expected to extend the power distribution network and connect the closest communities and households in line with the Government's National Electrification Plan. IDA finance is expected to support expansion of distribution substations and the procurement and supply of goods for targets of: (a) around 12,900 miles of power distribution lines and transformers in more than 6,300 locations; and (b) connections and meters for around 750,000 households, 11,600 health clinics, schools and other community buildings, and 132,000 public street lights. The Government and communities are expected to co-fund the cost of installation and related services.

Component Name

Off-grid electrification (IDA \$80 million)

Comments (optional)

This component targets remote communities unlikely to receive grid access in the next 10 or more years. IDA finance is expected to cover partial costs for: (i) solar photovoltaic devices or systems for a target of 456,500 households; (ii) mini-grids to serve some 35,500 households; and (iii) electricity connections for 11,400 health clinics, schools and other community buildings, and 19,000 public street lights.

The IDA support is designed to complement and coordinate with IFC's proposed Lighting Myanmar Program of advisory services to help develop the commercial market for solar photovoltaic devices and kits in central Myanmar. The proposed IFC program would provide such services separately and in parallel to this project, both as part of the overall integrated WBG JIP.

Component Name

Technical assistance and project management (IDA \$20 million)

Comments (optional)

This component serves to: (a) strengthen institutional capacity to implement both grid and off-grid components of the National Electrification Plan at all levels of implementation; (b) improve related policy and regulation; (c) develop an integrated framework for electrification planning, results monitoring and impact evaluation with geographic information system; (d) secure technical advice and consulting services on standards, technology assessment and technical design, economic and financial analysis, environmental and social impact management, procurement and financial management; and (e) manage the Project.

Component Name

Contingent emergency response (IDA \$0)

Comments (optional)

This component, with an initial allocation of zero, is part of the IDA Immediate Response Mechanism (IRM) in Myanmar. The IDA IRM allows reallocation of a portion of undisbursed balances of IDA-financed investment projects for recovery and reconstruction support following a formal request from Government in the event of an eligible emergency. Eligible uses of, and implementation arrangements and operational procedures for the IDA IRM are outlined in the Myanmar IDA IRM Contingent Emergency Response Implementation Plan (CERIP) being developed, which is expected to serve as the operational manual for this component.

IV. Financing (in USD Million)

Total Project Cost:	567.00	Total Bank Financing:	400.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			60.00
International Development Association (IDA)			400.00
Local Communities			107.00
Total			567.00

V. Implementation

The National Electrification Executive Committee (NEEC), established in 2014, provides strategic direction and guidance for the Project under the oversight of one of Myanmar's two Vice Presidents.

MOEP and MLFRD's Department for Rural Development (DRD) have each established a Project Management Office (PMO), for grid and off-grid electrification respectively. MOEP's PMO is expected to oversee Component 1 through Myanmar's distribution utilities, and grid-related TA activities under Component 3. DRD's PMO is expected to implement Component 2 and the off-grid TA activities under Component 3. Each PMO has a Manager and staff positions for planning, engineering, procurement, financial management, environmental and social management, as well as monitoring and evaluation (M&E). Both PMOs are expected to prepare, budget and implement annual work plans and manage project funds in line with eligibility guidelines. They would also operate the respective Designated Accounts, disburse project funds, reconcile bank accounts and apply for withdrawals, consolidate annual work plans, plan budgets, arrange annual audits, reports and conduct M&E.

At the sub-national level (State/Region, district and township levels), joint PMOs headed by staff from the distribution utilities and DRD are expected to coordinate and manage the Project at their jurisdiction. The sub-national PMOs are expected to work with the development committees for infrastructure projects composed of public, private sector and civil society representatives, staff of distribution utilities, and DRD. The State/Region governments, with the participation of sub-national PMOs and other development committee members, manage the procurement process of off-grid rural electrification services, as required for projects involving government budget allocations.

Many villages organize their own electricity access through committees. Village committees are currently responsible for most new grid connections in Myanmar. Committee responsibilities vary from village to village and can include: mobilizing finance from villagers and external sources for project design; capital investments; collecting villager contributions; hiring contractors for construction; and transferring works to distribution utilities. Village committees do not operate or maintain assets, which transfer to distribution utilities after electrification.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36		x

Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10	x	
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37	x	
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)**VII. Contact point****World Bank**

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