

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC1460

Date ISDS Prepared/Updated: 26-Nov-2012

Date ISDS Approved/Disclosed: 23-Jan-2013

I. BASIC INFORMATION

A. Basic Project Data

Country:	Moldova	Project ID:	P132443
Project Name:	District Heating Efficiency Improvement Project (P132443)		
Task Team Leader:	Shinya Nishimura		
Estimated Appraisal Date:	00-undefined-0000	Estimated Board Date:	25-Mar-2014
Managing Unit:	ECSEG	Lending Instrument:	Specific Investment Loan
Sector:	Energy efficiency in Heat and Power (40%), Public administration- Energy and mining (40%), Thermal Power Generation (20%)		
Theme:	Urban services and housing for the poor (40%), Debt management and fiscal sustainability (30%), Corporate governance (30%)		
Financing (In USD Million)			
Financing Source			Amount
BORROWER/RECIPIENT			150.00
International Development Association (IDA)			20.00
IDA Guarantee			40.00
Foreign Private Commercial Sources (unidentified)			160.00
Total			370.00
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

B. Project Objectives

The objective of the proposed project is to improve the operational efficiency and financial viability of the district heating (DH) sector in Chisinau.

C. Project Description

The Project, proposed to be financed by an IDA Credit of US \$ 30 million, will comprise three components:

Component 1: Priority investments in the DH system to improve energy efficiency, quality and affordability of heat supply (IDA credit: US \$ 19 million). This component will support priority investments aimed at optimizing and modernizing the heat distribution network, with the objective to achieve reduced heat losses, improved service quality and more efficient supply of heat and hot water to end-user consumers. The DH network operated by Termocom is old, worn-out, and with large heat and water losses, and requires urgent rehabilitation and modernization. The low quality of service and lack of ability by the consumer to control their heat has resulted in significant disconnections from the DH system, mainly among the wealthy population who can afford to invest in individual boilers. As a result, the vulnerable population of Chisinau will stand to be disproportionately affected should there be interruptions in the DH services. Therefore, the investments proposed under the Project will focus on ensuring the operational sustainability of Termocom, as well as efficiency. Specifically, financing would be provided for: (i) modernization of selected pumping capacities to reduce internal energy consumption and provide for automated flow of heat agent; (ii) rehabilitate selected segments of the distribution network to ensure continued service and reduce losses of heat and hot water; (iii) retrofit Central Heating Substations (CHS) to Individual Heating Substations (IHS) for more efficient and affordable heat supply to end-users and better control of heat consumption.

Component 2: Debt restructuring and financing of debt repayment (US \$ 40 million Partial Credit Guarantee, covered with IDA credit of US\$ 10 million). This component will support the GoM in preparing a debt restructuring plan and provide a guarantee for credit enhancement on Moldova Sovereign or Newco borrowing. Such credit enhancement would be essential to raising commercial financing on terms that would allow repayment of the proposed debt restructuring on a sustainable, long-term basis with a more attractive interest rate to limit the financial burden of the restructuring on Chisinau residents and the GoM. For a new entity such as Newco, a structured Partial Credit Guarantee (PCG) from the Bank would also help it start establishing credit on the loan and capital markets. Using an IDA PCG is expected to leverage Moldova's IDA capital envelope. The partial nature of the PCG provides for risk sharing with the market while offering comprehensive risk cover for a specified component of the financing. It can be structured flexibly to optimize market response to the desired financing terms with a more attractive amount, tenor and pricing than would be possible on a stand-alone basis. Depending on market conditions, a PCG cover of 30-50% of debt service cash flows (principal + interest) may be sufficient to considerably improve the available financing terms. This means that a \$10 million tranche of IDA country allocation used as a \$40m Bank PCG could help raise \$80-120 million of financing from commercial sources. Component 2 also aims to pave the ground for additional financing for the DH sector targeted at the Newco as well as energy efficiency improvements on the end-use. Several development and financial partners have already expressed such interest, once the urgent investments problem is resolved, and the debt restructuring is worked out and under implementation.

Component 3: Project Management (US 1 million). This component will provide technical and financial support for project management. The implementation agency for the proposed project will be the Ministry of Economy (MoE). The Moldovan Energy Projects Implementation Unit (MEPIU), which is directly subordinated to MoE, has more than 10 years of experience in implementing World Bank projects and will serve as a fiduciary agent for the implementing agency. This component will finance activities such as: (i) MEPIU staff and operations, including Monitoring and Evaluation activities; (ii) public awareness campaigns for dissemination of the benefits of energy efficiency improvements and efficiently operating DH systems; and (iii) training programs. The MEPIU will

also monitor a gender indicator, specifically the number of female beneficiaries of the improved DH sector.

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

The project will be implemented in Chisinau city, the capital of the Republic of Moldova.

E. Borrowers Institutional Capacity for Safeguard Policies

The Ministry of Economy has good experience in successfully implementing World Bank projects (e. g., Energy II project, closed on April 30, 2012; the on-going Energy Sector Reform and Efficiency Improvement Project (ESREI); other TAs including Competitiveness Enhancement Project, etc.) MEPIU will lead day to day project implementation in accordance with the Operations Manual (OM). It has over 10 years of experience in implementing World Bank and other donors' projects and is staffed with highly qualified and experienced professionals, both in technical and fiduciary aspects. MEPIU also will ensure that the EMP provisions are fully integrated into project implementation, including monitoring and reporting required by the World Bank.

F. Environmental and Social Safeguards Specialists on the Team

Arcadii Capcelea (ECSSEN)

Kosuke Anan (ECSSO)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	This OP is triggered as the installation of new equipment and technologies might generate some environmental impacts such as: dust, noise, soil removal and destruction, occupational hazards, traffic disruption, construction wastes, etc. To address these issues the borrower will prepare an Environmental Management Plan (EMP), which will be based on WB and national EA rules and procedures. The EMP will be disclosed and publicly consulted in the city with participation of all involved stakeholders and local population. For each individual heating substation to be installed in the buildings the client will prepare a Checklist EMP. These EMPs will be used for project implementation.
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	TBD	During the design stage the client will decide if any buildings which are specified in the list of national physical cultural resources will be

		included in the project. In the case such buildings will be included or the project activities will be located in the vicinity of physical cultural resources (monuments, churches, etc.) the EMP would include a special section on avoiding and mitigating of potential impacts on those resources.
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	TBD	The rehabilitation and upgrading work planned under Component 1 is expected to take place on existing infrastructure, and land acquisition, physical displacement, loss of land/assets, or disruption of livelihoods is unlikely; however, exact locations and the scale of physical work is yet to be clarified, and OP4.12 could be triggered if possibilities remain.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 15-Nov-2013

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:

Feasibility study, which should include safeguard-related studies, would be required and completed before appraisal.

IV. APPROVALS

Task Team Leader:	Name: Shinya Nishimura	
Approved By:		
Regional Safeguards Coordinator:	Name: Agnes I. Kiss (RSA)	Date: 22-Jan-2013
Sector Manager:	Name: Ranjit J. Lamech (SM)	Date: 23-Jan-2013

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.