

# INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

**Report No.:** ISDSC8796

**Date ISDS Prepared/Updated:** 16-Oct-2014

**Date ISDS Approved/Disclosed:** 17-Oct-2014

## I. BASIC INFORMATION

### A. Basic Project Data

<b>Country:</b>	Dominican Republic	<b>Project ID:</b>	P147277
<b>Project Name:</b>	DO Distribution Networks Rehabilitation (P147277)		
<b>Task Team Leader:</b>	Sergio Augusto Gonzalez C		
<b>Estimated Appraisal Date:</b>	26-Feb-2015	<b>Estimated Board Date:</b>	22-May-2015
<b>Managing Unit:</b>	GEEDR	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	Transmission and Distribution of Electricity (100%)		
<b>Theme(s):</b>	Public expenditure, financial management and procurement (60%), Urban Economic Development (20%), City-wide Infrastructure and Service Delivery (20%)		
<b>Financing (In USD Million)</b>			
<b>Total Project Cost:</b>	232.00	<b>Total Bank Financing:</b>	120.00
<b>Financing Gap:</b>	12.00		
<b>Financing Source</b>			<b>Amount</b>
Borrower			0.00
International Bank for Reconstruction and Development			120.00
EC European Investment Bank			100.00
Total			220.00
<b>Environmental Category:</b>	B - Partial Assessment		
<b>Is this a Repeater project?</b>	No		

### B. Project Objectives

11. The proposed project development objective is to help the three distribution companies (EDEs) to improve their operational and commercial performance through: (i) reduction of energy losses in the distribution networks; (ii) the rehabilitation of selected circuits, (iii) the normalization of non-authorized users in rehabilitated circuits (iv) the deployment of remote metering and macro-

metering systems to pinpoint theft, (v) the increase of the availability of energy supplied, and (vi) the improvement of billing and cash collection.

### C. Project Description

14. Concept. The proposed project seeks to build on the significant successes under the Distribution Rehabilitation and Loss Reduction Project (as confirmed in the Implementation Results and Completion Report – ICR) while recognizing the limitations in regard to the impact that a single such project can have on ensuring the EDEs overall financial sustainability. In this regard, the proposed project takes into account the findings and lessons learned reflected in the ICR. The proposed project is part of the coordinated support (with the other IFIs) to the Government in its power distribution loss reduction program and as such would scale up the first project's notable achievements which included securing and exceeding the targets in regard to outcomes at the level of the circuits actually rehabilitated under the project. Furthermore, the project allows for coordination for an additional US\$100 million from the European Investment Bank. Although not proposed as an objective under the project (taking into account the ICR findings), the proposed project would help the EDEs move, through increased efficiency in technical and commercial operations, towards eventual financial sustainability. In continuity of the first project that closed on September 30, 2013, the proposed project's activities will continue to: (i) improve the quality of service by expanding the provision of 24-hour service; (ii) increase the number of regularized customers receiving electricity service; (iii) help the EDEs increase their revenue collection rates through improved quality of service and social contracts with the consumer communities; and (iv) help the EDEs strengthen their institutional capacity for commercial activities, including billing and collection.

15. The proposed US \$ 120million project consists of the following four components:

1.	Infrastructure Rehabilitation	(US \$ 103.7million)
1.1.	Remote Metering Systems	(US \$ 24.12million)
1.2.	Grid Rehabilitation and Modernization	(US \$ 74.7million)
1.3.	Grid metering and monitoring	(US \$ 4.87million)
2.	Commercial TA to the EDEs	(US \$ 3.60million)
3.	Social Management	(US \$ 4.56million)
3.1.	Social Management Plans	(US \$ 3million)
3.2.	Communication Campaigns	(US \$ 1.56million)
4.	Coordination Monitoring and Evaluation	(US \$ 8.24million)
4.1.	Institutional Strengthening and Integrating an IT platform for CDEEE and the EDEs, and Forecasting and demand analysis Software tool	(US \$ 5.24million)
4.2.	Coordination and Monitoring of the Distribution Rehabilitation Program	(US \$ 3million)

16. Component 1: Rehabilitation of power distribution grids and normalization of clients in targeted areas. (Indicative cost: US\$103.7 million). Based on rehabilitation action plans elaborated by the EDEs and CDEEE, this component will finance: (1.1) the supply and installation of a remote metering system and equipment for the large customers connected to the medium voltage networks and the small – residential and commercial – customers located in energy intensive networks; (1.2) rehabilitation of medium and low voltage circuits in the targeted areas (about 33 circuits for the three

EDEs); and (1.3) supply and installation of macro-metering equipment in mid-voltage branches and micro-metering in power transformers, to better track and monitor power flows and bottlenecks, and energy balance and commercial losses in the distribution grids.

17. Component 2: Technical assistance to the EDEs on customer relationship management and commercial culture diffusion. (Indicative cost: US\$ 3.6 million). This component will support design improvement and implementation of the commercial action plans elaborated by the EDEs and CDEEE.

18. Component 3: Social management. (Indicative cost: US\$ 4.56 million). This component will finance the design, implementation and impact evaluation of Social Management Plans (SMPs) whose objectives would be to contribute to: (i) re-establish transparency and trust between the EDEs and their customers; (ii) improve the bills recovery and response time to customers; (iii) conduct proactive communication campaigns on the impact of electricity theft and non-payment of bills; and (iv) raise awareness of targeted customers on the benefits of energy efficiency and basic actions regarding the use of electricity. For each of the areas of distribution circuits to be rehabilitated under the project, social teams within the EDEs designated staff will use participative methodology to conduct socioeconomic diagnosis and a deep analysis of the quality of electricity service and its impact on electricity theft. Technical assistance will be provided to the EDEs to strengthen the capacity of their staff. The component will also finance independent impact evaluation of the SMPs once implemented.

19. Component 4: Technical Assistance, Coordination, monitoring and evaluation of the Distribution Networks Modernization and Loss Reduction Program. (Indicative cost: US\$ 8.24million). This component will finance consulting services to: (i) assist CDEEE to design and execute a Loss Reduction and Commercial Recovery program, aiming at a yearly reduction of 4 percent of distribution losses over five years; (ii) assist the EDEs in the supervision and operational reception of the infrastructure investments under the project; (iii) monitor the evolution of the technical and commercial indicators for the circuits rehabilitated under the project; (iv) monitor the effective and perceived quality of service for the circuits rehabilitated under the project as well as for the entire program; and (v) strengthen the capacity of the project implementation entity; (iv) Support the institutional strengthening of CDEEE and the EDEs through the purchase of IT systems (hardware and software). This will facilitate the processing and handling of information for the commercial, billing and collection management systems in each of the EDEs.

20. The total cost for the four components is estimated at about US\$120 million to be financed by the World Bank as a SIL (terms to be determined).

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

The geographical scope of the project is nationwide. The CDEEE and its three companies (EDEs) cover the entire country's power distribution sector. The energy generation is mainly thermal (86%) and only 13% of hydroelectricity. The forest land covers about 40% of the island. The number of kilometers of power lines to be rehabilitated by Component 1 is not known yet but it will be identified during project preparation. The planned activities within the project do not include civil works or construction of new transmission or distribution electrical lines.

#### **E. Borrowers Institutional Capacity for Safeguard Policies**

The implementing agency is the Dominican Corporation of State Electrical Utilities (Corporación

Dominicana de Empresas Eléctricas Estatales, CDEEE) and its three companies: EDE-Norte, EDE-Sur and EDE-Este. The first two are 100% public owned and EDE-Este is only 50%. All EDE's are in charge of transmission, distribution and commercialization of the electricity.

The Bank has supported CDEEE and the three EDEs since 2007 through the Electricity Distribution Rehabilitation Project (P089866) which closed in September 2013 and overall and environmental safeguards rating were ranked as satisfactory. A Bank team is currently preparing an ICR.

CDEEE and the three EDEs will be responsible of overall project activities, including environmental management of the project. Thus the institutional arrangements, staffing and capacity to implement environmental management of the project activities is expected to be in place.

During project preparation an environmental assessment of previous project environmental management and supervision capacity will be assessed, including requirement of environmental permits, implementation of the Environmental guideline of CDEEE in work and by contractors, inclusion and implementation of the standard environmental provisions in the bidding documents for investments carried out under the Project.

CDEEE has an environmental guideline in place for distribution electrical works dated from 2007 which was accepted by the Bank in the previous project. This guideline or other environmental instruments in place of the implementing agencies will be reviewed or updated to be acceptable to the Bank and current project. An environmental specialist from the environmental unit of the CDEEE will be appointed to support the PIU on supervising the environmental management of the Project. Consequently, an action plan addressing capacity building and institutional strengthening will be incorporated in the Project design according to the results of the assessment. The Project Operations Manual will incorporated environmental management procedures as needed.

#### **F. Environmental and Social Safeguards Specialists on the Team**

Elena Correa (GEEDR)

Jose Vicente Zevallos (GSURR)

Ruth Tiffer-Sotomayor (GENDR)

## **II. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/ BP 4.01	Yes	The proposed works to be completed under the Project pertain to the rehabilitation of distribution medium (69kV;34.5kV; 15kV; 12.47kV; 7.2kV; y 4.16kV) and low voltage lines (120/208V o 240/415V) and the installation of metering systems. The works will not involve construction of new facilities, or electrical lines but the rehabilitation (replacement of existing power lines and related equipment) and installation of new meter systems. Based on the project characteristics, a category B is proposed. Most works will be performed in the right of ways of country roads.

	<p>Special attention will need to be taken in forested and urban areas to reduce impacts during construction.</p> <p>The project is expected to generate positive impact to the people due to increase electricity access due to the rehabilitation of the distribution electrical grid, home connections to beneficiaries and the reduction of electricity interruptions which is common issue in the country.</p> <p>Potential environmental impact of the project activities might be related to the rehabilitation works of distribution power lines (changes of poles (some of wood), transformers, insulators, power lines, lights, other related electrical equipment), management of hazardous electrical waste (old transformers), disconnection of power lines and interruption of service to local communities during works.</p> <p>A recent rehabilitation distribution project by EDENORTE in the Municipality of Villa González required the installation of 80.6 km of power cables of medium voltage, 65 km of low voltage cable, 1978 concrete power poles, 205 transformers and 1,704 street lights.</p> <p>To ensure that any environmental issues by the project activities are appropriately addressed by the selected implementing agencies, CDEEE will prepare an Environmental and Social Impact Assessment of the proposed project works following the OP 4.1 and will update the current CDEEE Environmental Guideline to meet World Bank safeguards policies and national applicable legislation. The accumulative effect of electrical solid waste will be a key element to supervise in order to apply best international best practice, including handling, transportation, and final disposition of materials contaminated by polychlorinated biphenyls (PCBs). ESIA documents will be consulted with relevant stakeholders and disclose at the World Bank and CDEEE web sites before appraisal.</p>
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		<p>The ESIA will include the valuation of impacts on natural resources (trees, birds, bats), community and workers health and safety (e.g. working at heights, electric shock, electromagnetic fields, etc), and the preparation of an Environmental Management Plan (EMP). ESIA will include programs to reduce impacts in the project areas and ensure communication, health and safety, grievance redress mechanisms, screening of voluntary land donations; among others programs. Also the ESIA will include tools for screening; monitoring and supervision of works and an estimated budget to ensure application of agree mitigation and prevention measures.</p> <p>Measures from PGA will be converted in explicit bidding clauses for the future bidding documents so contractors comply with environmental legislation and worker's occupational health and safety local labor regulations.</p> <p>The client has been informed of the WBG's Environmental, Health and Safety (EHS) Guidelines for Power Transmission projects in order to consult during EIA preparation and implementation of the project.</p>
Natural Habitats OP/BP 4.04	TBD	This is concept ISD. At the appraisal ISDS the team will inform if natural habitats could be affected and if this policy will need to be triggered.
Forests OP/BP 4.36	No	No project activities are involved with forest management. Thus the Forest safeguard policy is not triggered.
Pest Management OP 4.09	No	The Project does not involve the purchase or increased use of pesticides.. Thus the Pest Management s policy is not triggered.
Physical Cultural Resources OP/ BP 4.11	Yes	This policy is triggered as precautionary measure to avoid impacts to the country's diverse cultural and historical resources.
Indigenous Peoples OP/BP 4.10	No	This policy is not triggered as there are no Indigenous Peoples that meet the four criteria of OP/BP 4.10 within the project area that could potentially benefit or be adversely affected by the Project's investments.

Involuntary Resettlement OP/BP 4.12	No	The Project does not involve land acquisition or imposition of easements or rights of way. The planned works involve the rehabilitation of existing medium and low voltage power lines and the installation of metering systems. The works do not involve construction of new facilities or electrical lines. Most works will be performed in the right of ways of country roads and are not expected to cause physical or economic displacement.
Safety of Dams OP/BP 4.37	No	This policy is not triggered given that the project will not support the construction or rehabilitation of dams nor will support other investments which rely on the services of existing dams.
Projects on International Waterways OP/BP 7.50	No	No project activities are involved in international waterways as defined under OP/BP 7.50. Thus the International Waterways policy is not triggered.
Projects in Disputed Areas OP/BP 7.60	No	No project activities are involved in disputed areas as defined under OP/BP 7.60. Thus the Disputed Areas policy is not triggered.

### III. SAFEGUARD PREPARATION PLAN

**A. Tentative target date for preparing the PAD Stage ISDS:** 14-Nov-2014

**B. Time frame for launching and completing the safeguard-related studies that may be needed.**

**The specific studies and their timing<sup>1</sup> should be specified in the PAD-stage ISDS:**

Time frame for launching and completing the safeguard-related studies that may be needed. The Environmental and Social Impact Assessment should be finalized and disclosed before appraisal which is planned by Nov 1, 2014

### IV. APPROVALS

Task Team Leader:	Name: Sergio Augusto Gonzalez C	
<b>Approved By:</b>		
Regional Safeguards Coordinator:	Name: Glenn S. Morgan (RSA)	Date: 17-Oct-2014
Sector Manager:	Name: Malcolm Cosgrove-Davies (SM)	Date: 17-Oct-2014

<sup>1</sup> 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.