

**INTEGRATED SAFEGUARDS DATA SHEET
ADDITIONAL FINANCING**

Report No.: ISDSA17439

Date ISDS Prepared/Updated: 18-Apr-2016

Date ISDS Approved/Disclosed: 18-Apr-2016

I. BASIC INFORMATION

1. Basic Project Data

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| Country: | Kenya | Project ID: | P153179 |
| | | Parent Project ID: | P103037 |
| Project Name: | Additional Financing: Kenya Electricity Expansion Project (P153179) | | |
| Parent Project Name: | Electricity Expansion (P103037) | | |
| Task Team Leader(s): | Sudeshna Ghosh Banerjee, Laurencia Karimi Njagi | | |
| Estimated Appraisal Date: | 11-Apr-2016 | Estimated Board Date: | 15-Jun-2016 |
| Managing Unit: | GEE01 | Lending Instrument: | Investment Project Financing |
| Sector(s): | Transmission and Distribution of Electricity (10%), Other Renewable Energy (90%) | | |
| Theme(s): | Other rural development (90%), Other urban development (10%) | | |
| 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: | 71.00 | Total Bank Financing: | 68.00 |
| Financing Gap: | 0.00 | | |
| Financing Source | | | Amount |
| BORROWER/RECIPIENT | | | 0.00 |
| International Development Association (IDA) | | | 68.00 |
| Global Partnership on Output-based Aid | | | 3.00 |
| Total | | | 71.00 |
| Environmental Category: | A - Full Assessment | | |
| Is this a Repeater project? | No | | |

2. Project Development Objective(s)

A. Original Project Development Objectives – Parent

The project has two development objectives:

- (a) increase the capacity, efficiency, and quality of electricity supply; and
- (b) expand access to electricity in urban, peri-urban, and rural areas

B. Proposed Project Development Objectives – Additional Financing (AF)

3. Project Description

The proposed Additional Financing (AF) would enhance and maximize the development impact of KEEP by supporting: (1) cost overruns related to the expansion of low-cost base load geothermal resources in Kenya's energy mix; (2) scale-up of slum electrification across the country; and (3) technical assistance and capacity building for sector entities.

The project has three components and majority of resources will be allocated to component A. The components are aligned with KEEP.

Component A - Geothermal Generation - Support the cost increase in the contract for Olkaria I and IV steam gathering and distribution system works. The contract is between the implementing agency, KenGen, and the contractor "Sinopec International Petroleum Service Corporation" (SINOPEC) of Beijing China.

Component C – Distribution (Slum Electrification). Support the financing, through an output-based mechanism, the connection of an additional 54,000 low-income households in Kenya's slums; and

Component D - Sector Institutional Development and Operational Support. This component includes four major activities: i) Capacity building on environmental and social safeguards; ii) Capacity building on health and safety; (iii) monitoring and evaluation for slum electrification; and iv) Feasibility Study for Olkaria VII geothermal project

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

Component A: The AF is not financing any new exploration or investments. The existing geothermal generation investments (Olkaria I and Olkaria IV Domes) for which the additional funds are sought are located in and adjacent to the Hell's Gate National Park in the greater Rift Valley about 120 km from Nairobi, and mitigation measures are addressed in the EIAs prepared for the Parent Project in January 2010. Quarterly environmental progress reports are prepared by the Borrower, as well as monthly supervision reports prepared by the consulting engineer.

Component C: The Slum electrification component will target counties throughout Kenya. KPLC will apply the Environmental and Social Management Framework (ESMF) prepared for the ongoing Kenya Electricity Modernization Project (KEMP) Peri-Urban Electrification component, given that the nature of the investment works is similar, the only significant difference being that the slum electrification takes place in informal settlements, and the method of metering employed is different.

5. Environmental and Social Safeguards Specialists

Gibwa A. Kajubi (GSU07)

| 6. Safeguard Policies | Triggered? | Explanation (Optional) |
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| Environmental Assessment OP/BP 4.01 | Yes | <p>The Parent Project was classified as a Category A: Full Assessment, largely due to the location of the geothermal facilities: The Olkaria I extension is situated in Hell's Gate National Park whereas Olkaria IV is located just outside the borders of the Park. Secondly, both Olkaria I and IV relied on water from Lake Naivasha for the drilling of wells, although drilling of wells will wind down by 2019. Finally, accidental discharges of brine were anticipated to be a concern, and accidental discharges did occur. EIAs were prepared in January 2010, and regular monitoring reports are provided to the Bank.</p> <p>The feasibility study for Olkaria VII will include a full ESIA.</p> <p>The feasibility study for Olkaria VII will include a full ESIA.</p> |
| Natural Habitats OP/BP 4.04 | Yes | <p>The protection of biodiversity and wildlife corridors is essential to comply with Vision 2030, with Bank requirements and to address stakeholder concerns. Although the Olkaria area does not contain any wildlife in the IUCN Red List of Threatened Species, it is associated with a number of important wildlife corridors. The two key biodiversity corridors / dispersion areas identified in the area around Olkaria are north to south to the west of Lake Naivasha and east to west to the south of Olkaria. Hell's Gate National Park connects to the east with Mount Longonot, and the corridor continues to the South connecting with the mentioned east-west corridor.</p> |
| Forests OP/BP 4.36 | No | |
| Pest Management OP 4.09 | No | |
| Physical Cultural Resources OP/BP 4.11 | Yes | <p>This policy is triggered as a precaution for the slum electrification component, although the sub-projects are not expected to traverse areas of cultural or historical importance. The ESMF provides chance find procedures to be included in contracts and EMPs.</p> |
| Indigenous Peoples OP/BP 4.10 | No | <p>The original project triggered this policy for hunter-gatherers, but it has since been determined that they are not in the project area, nor are they in the area financed by the AF.</p> |
| Involuntary Resettlement | Yes | <p>The AF is not expected to involve land acquisition leading</p> |

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| OP/BP 4.12 | | to economic or physical displacement of PAPs. There is ongoing resettlement in the project, and should the AF financed activities require a RAP, they will be guided by the RPF for the original project. The ESMF includes measures for compensating for lost trees (where there is no land acquisition). |
| 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 | |

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

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| <p>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</p> <p>There are no additional potential large scale environmental and social impacts anticipated for the activities funded through the AF. The infrastructure to be funded by Component A (geothermal development) is already built and commissioned and new assets to be funded by Component C (distribution – slum electrification) have limited social and environmental impacts.</p> <p>The electricity infrastructure works are of similar nature to those prepared under the Parent project. A review of EIAs prepared by KPLC was undertaken as part of the Kenya Electricity Modernization Project (KEMP). These EIAs were prepared as per Kenyan environmental regulations and the Bank Operational Policies, which were used as a guideline in assessing environmental compliance and screening of sub-projects. The EIAs were generally of good quality. KPLC will need to ensure, as a standard practice, that timely and informed consultation with stakeholders during implementation to seek citizen feedback at regular intervals. The consultations should be adequately documented and KPLC responses should be publicly available. Any grievances from stakeholders should be recorded and responded to in a timely manner. The Environment and Social Management Framework (ESMF) associated with slum electrification and prepared for the KEMP project has been re-disclosed in Kenya and in the Info-shop and will guide the mitigation measures, in case there are any adverse impacts on the environment or the population. There is ongoing resettlement in the project, and should the AF financed activities require a RAP, they will be guided by the RPF for the original project.</p> |
| <p>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</p> <p>The horticultural greenhouses, agricultural areas, residential areas and tourism lodges developed south of Lake Naivasha are significant barriers to wildlife movements, and the existing geothermal developments (up to Olkaria IV) also limit wildlife movements.</p> <p>An SEA was prepared for the Olkaria Geothermal Field as one of the conditions for the approval of the Environmental and Social Impact Assessment (ESIA) for drilling additional geothermal steam production wells in Olkaria (per a letter from NEMA dated 24th of July 2012). This SEA, completed in 2014, recommended that the high use non concession area, the closed area and the</p> |

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| <p>low use area of Hell's Gate National Park and the Gorge south of the National Park should be protected. The aim is to prevent any further impacts on the scenery or the wildlife by future geothermal developments, thereby complying with the Memorandum of Understanding between KenGen and Kenya Wildlife Service.</p> |
| <p>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</p> |
| <p>Not applicable</p> |
| <p>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.</p> |
| <p>Given the scale-up of energy sector investments in Kenya, the sector entities need to manage safeguard issues in an appropriate and timely manner.</p> <p>First, the recent inspection panel case in KEEP (http://ewebapps.worldbank.org/apps/ip/Pages/ViewCase.aspx?CaseId=102) highlighted the resettlement challenges in geothermal fields. The Inspection Panel report and Management Response were discussed by the World Bank Board on October 21, 2015. The Management Report and Recommendation identifies proposed actions to address the Panel's findings around four specific themes: identification of project affected people; consultation, participation, and grievance redress; adequacy of resettlement site, infrastructure, and amenities; and livelihood restoration. The European Investment Bank (EIB), a co-financier of the project, received a similar complaint to its Complaints Mechanism as the World Bank's Inspection Panel. As a result, EIB is leading a mediation process with the Requesters and KenGen, and the World Bank has joined the process as co-facilitator. The mediation process is expected to shape the remedial actions in a more specific manner, and to result in the Requesters' endorsement of the proposed actions. The next session of the mediation is expected by May 2016, when the Action Plan will be presented by KenGen to the community. If the mediation outcomes are acceptable to KenGen and the Requesters, the process can move to implementation of the Action Plan. The implementing agency KenGen therefore has to satisfactorily implement the action plan to emerge from the mediation process.</p> <p>Second, the Indigenous Peoples policy (OP 4.10) was triggered under the KEEP because of the possible presence of hunter-gather groups, such as the Sengwer, Ogiek, Waata, and Boni. These groups are not in the project area, including the area financed by the AF. There are Maasai in the project area, but not in the area where the AF will be providing support. At the time the parent project was prepared, OP 4.10 was not triggered for the Maasai due to then-prevailing interpretations of the scope of OP 4.10 to hunter-gatherer groups only. Management maintains that the parent project design and implementation have been guided throughout by key principles that are embedded in OP 4.10, including informed and culturally-appropriate consultation; culturally-appropriate design of resettlement; and, security of community land rights. Since early 2013, OP 4.10 is being triggered for the Maasai in Kenya, but would only be applied retroactively in projects financing new activities in areas outside the boundaries of the original project. This is not the case with the AF.</p> <p>Third, another issue that has been important is occupational health and safety in the management of geothermal fields. KenGen has a highly experienced and well qualified Environmental and Safety Team, both at Nairobi headquarters and at Olkaria. Senior environmental staff hold advanced environmental engineering or science degrees from top universities in the developed world. Nevertheless, capacity is strained and opportunities for refresher courses are limited. The area has witnessed increased activities of drilling from a low activity phase and increased</p> |

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| <p>construction of power stations which has resulted in an increased work population of about 3000 people.</p> <p>The AF, therefore, will provide extensive capacity building support to sector entities. They would benefit from an opportunity to enhance their skills and gain in-depth training at other utilities and specialized courses related to environmental and social safeguards as well as for health and safety. The entities—KETRACO, KenGen, KPLC, and REA— will be provided with an opportunity to enhance their skills and gain in-depth training at utilities with good environmental, and social risk management practices, and would have access to specialized courses related to safeguards, occupational health, and safety.</p> |
| <p>5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.</p> |
| <p>In Component C (Distribution – Slum Electrification), KPLC will need to ensure, as a standard practice, that timely and informed consultation with stakeholders during implementation to seek citizen feedback at regular intervals. The consultations should be adequately documented and KPLC responses should be publicly available. Any grievances from stakeholders should be recorded and responded to in a timely manner. The Environment and Social Management Framework (ESMF) associated with slum electrification and prepared for the KEMP project will be re-disclosed in Kenya and in the Info-shop is disclosed in Nairobi and will guide the mitigation measures, in case there are any adverse impacts on the environment or the population. In Component D (Technical Assistance), the feasibility studies for Olkaria VII will conduct extensive consultations and engage with the directly and indirectly affected communities. The consultation reports will be included in the ESIA and disclosed when available locally and at the InfoShop.</p> |

B. Disclosure Requirements

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| Environmental Assessment/Audit/Management Plan/Other | |
| Date of receipt by the Bank | 08-Apr-2016 |
| Date of submission to InfoShop | 18-Apr-2016 |
| For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors | |
| "In country" Disclosure | |
| Kenya | 18-Apr-2016 |
| <i>Comments:</i> The ESMF has been updated to include slum electrification. | |
| Resettlement Action Plan/Framework/Policy Process | |
| Date of receipt by the Bank | 04-Dec-2009 |
| Date of submission to InfoShop | 25-Jan-2010 |
| "In country" Disclosure | |
| Kenya | 06-Jan-2010 |
| <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: | |
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C. Compliance Monitoring Indicators at the Corporate Level

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| OP/BP/GP 4.01 - Environment Assessment | |
| Does the project require a stand-alone EA (including EMP) report? | Yes [] No [×] NA [] |
| OP/BP 4.04 - Natural Habitats | |
| Would the project result in any significant conversion or degradation of critical natural habitats? | Yes [] No [×] NA [] |
| If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank? | Yes [] No [] NA [] |
| OP/BP 4.11 - Physical Cultural Resources | |
| Does the EA include adequate measures related to cultural property? | Yes [] No [×] NA [] |
| Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property? | Yes [] No [×] NA [] |
| OP/BP 4.12 - Involuntary Resettlement | |
| Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared? | Yes [×] No [] NA [] |
| If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan? | Yes [×] No [] NA [] |
| Is physical displacement/relocation expected? Provided estimated number of people to be affected | Yes [] No [×] TBD [] |
| Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods) Provided estimated number of people to be affected | Yes [] No [×] TBD [] |
| The World Bank Policy on Disclosure of Information | |
| Have relevant safeguard policies documents been sent to the World Bank's Infoshop? | Yes [×] No [] NA [] |
| 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 [×] No [] NA [] |
| All Safeguard Policies | |
| Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? | Yes [×] No [] NA [] |
| Have costs related to safeguard policy measures been included in the project cost? | Yes [×] No [] NA [] |
| Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? | Yes [×] No [] NA [] |

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| 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"/>] |
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III. APPROVALS

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| Task Team Leader(s): | Name: Sudeshna Ghosh Banerjee, Laurencia Karimi Njagi | |
| <i>Approved By</i> | | |
| Safeguards Advisor: | Name: Johanna van Tilburg (SA) | Date: 18-Apr-2016 |
| Practice Manager/ Manager: | Name: Lucio Monari (PMGR) | Date: 18-Apr-2016 |