

3. Project Description

The proposed GEF Grant for additional financing to the REP II will support activities that (a) will generate global environment benefits; (b) are a natural continuation of the GEF-supported activities under the Rural Electrification Phase I Project (REP I); and (c) are critical for the achievement of the global environmental objectives and PDOs of the REP II. The grant supports four components closely linked to the selected activities of the REP II.

The project comprises four components: (1) EdL System Loss Reduction; (2) Demand-side Management (DSM) and Energy Efficiency (EE); (3) Renewable Energy (RE) Development; and (4) Project Management.

For Component 1: EdL System Loss Reduction, the additional financing will support technical assistance in distribution system analysis and preparation of investment projects for technical loss reduction and capacity building at EdL, especially its branch offices in the 17 provinces for preparation and implementation of loss reduction activities.

For Component 2: DSM and EE, the additional financing will support EdL in the implementation of pilot projects identified for energy saving at central government agencies, hiring of 10 local energy coordinators to review energy saving potentials at both the central and provincial government buildings, and public awareness campaigns to increase awareness of EE and adoption of EE technologies and practices among targeted consumers.

For Component 3: the additional financing will finance the design, supply, installation, and supervision of four pilot biogas generation projects in a total capacity of 120 kW, of which pre-feasibility studies were completed under REP I. The GEF additional financing will also finance identification, preparation, and installation of two pilot biomass generation projects to achieve a total installed bio-energy generation capacity of 300 kW as a base case during the implementation period of REP II, in addition to replication of the pilot experience for future scale up. In addition, GEF additional financing will support hiring of RE experts to help the development of Rural Electrification Fund pipeline projects.

For Component 4: the additional financing will provide financing resources to support incremental operating costs of the implementing agencies to endure smooth implementation of the GEF REP II project.

4. Project Location and salient physical characteristics relevant to the safeguard analysis

The GEF additional financing will support reduction of losses of EdL's distribution system covering the entire country, implementation of DSM and EE projects in Vientiane City, and implementation of four pilot biogas generation in four locations in Vientiane, Khammouane, Suvannakhet provinces as identified during REP I and 2 pilot biomass projects in Xaignabury province.

5. Environmental and Social Safeguards Specialists

Ms Manida Unkulvasapaul (EASIN)

Mr James Orehmie Monday (EASTS)

Mr Jun Zeng (EASCS)

| 6. Safeguard Policies Triggered | 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 |

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: For Renewable Energy Development.

This GEF additional financing project will not create any potential large scale, significant, and/or irreversible impacts. The safeguard issues/impacts will be limited only to those related to the implementation of pilot biogas and biomass subprojects of which the issues and proposed mitigation measures would be similar to those described for the REP II and the one related to this project are summarized below:

Environment: The supply and installation of very small scale renewable energy development at various sites (such as household biogas, village hydro, and village biomass) are not anticipated to have any major adverse impacts. Given that the subproject locations and scale have not been identified, the off-grid ESSF, which includes a RPF and EGDF, has been prepared to ensure that a diligent process will be followed for project screening to identify adverse impacts, if any, and that the identified impacts will be adequately addressed.

Indigenous Peoples: The project is not expected to generate adverse impacts on ethnic peoples. However, some renewable energy development subprojects may be located in areas inhabited by ethnic minority groups, but community-specific negative impacts on ethnic groups' culture or traditional means of livelihood are not likely to occur. Indeed, ethnic group communities generally expect to benefit significantly from improved access to electrification. To make sure that the ethnic groups are aware of, and have access to the potential benefits from the project, a revised Ethnic Group Development Framework (EGDF) has been prepared (as part of ESSF). The EGDF describes the screening

requirements, the principles and procedures for consultation, and reporting and monitoring activities to be followed, includes guidelines for conducting free, prior and informed consultations with ethnic communities. This is to ensure that (a) any concerns they may have are identified and (b) opportunities to provide culturally appropriate benefits are considered. The consultation process will be applied during the identification and preparation of the subprojects.

Resettlement and land acquisition: The project is not expected to cause significant land acquisition nor resettlement. However, renewable energy projects may involve minor land acquisition or restrictions (temporary or permanent) on land use. A Resettlement Policy Framework (RPF) has been prepared (as part of the ESSF) and will be applied to these renewable energy subprojects.

For DSM and EE

The Project will also support implementation of DSM and EE projects in government office buildings and selected hospitals and shopping markets by EdL. The activities will be mainly installation of energy efficient lighting equipment, and change of switches and controllers to make more efficient electricity consumptions. Little environmental and social impacts are expected. However, the ESSF for EdL Component of REP II is updated for the GEF REP II to ensure a proper process will be followed for identification and mitigation of possible impacts.

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

No potential indirect and/or long term impacts are anticipated.

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

Not applicable.

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. EdL will be the implementing agency for technical assistance on loss reduction and DSM and EE components while the Department of Electricity under the Ministry of Energy and Mines (DOE/MEM) will be the implementing agency for the renewable energy development component.

Safeguard measures described for REP II applies. The two Environmental and Social Safeguard Frameworks (ESSFs): one for the grid-extension by EdL and one for the off-grid subprojects by DOE, which include a Resettlement Policy Framework and Ethnic Group Development Framework will be applied for the activities proposed for the GEF additional financing. The same safeguard management for REP II, including monitoring and reporting, will be applied for the GEF REP II. The two ESSFs for the on-grid and off-grid components updated for both REP II and GEF REP II have been disclosed in country as well as in the Bank InfShop. The ESSFs were also publically disclosed locally in Lao PDR on Jan 19, 2011.

Safeguard capacity building: Most of the safeguard training will be carried out through IDA-funded REP II. For implementation of pilot renewable energy project by DOE, International or regional consultant will be hired to assist DOE/MEM for supervision of the project implementation under the Component 3. This would also contribute to capacity building of DOE/MEM and address any safeguards issues that may arise with the supply and installations of the pilot renewable energy subprojects to be funded by GEF Additional Financing.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. Extensive consultation with local communities and local authorities will be one factor for site selection and this will be part of the planning process.

If land acquisition or restrictions (temporary or permanent) on land use are involved, consultation with the affected people will follow the guidelines provided in the RPF/ESSFs applicable for REP II and GEF REP II. If the subprojects are located in the area involved ethnic minority groups, the consultation will follow the guidelines provided in the EGDF/ESSFs. The ESSFs, including the RPFs and EGDFs, were disclosed in Lao language in Vientiane on Jan 19, 2011 for EdL and January 20, 2011 for DoE, and would be distributed to the local authorities and communities to be affected by the project.

B. Disclosure Requirements Date

Environmental Assessment/Audit/Management Plan/Other:

| | |
|--|------------|
| Was the document disclosed prior to appraisal? | Yes |
| Date of receipt by the Bank | 01/19/2011 |
| Date of "in-country" disclosure | 01/20/2011 |
| Date of submission to InfoShop | 01/19/2011 |
| For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors | |

Resettlement Action Plan/Framework/Policy Process:

| | |
|---|------------|
| Was the document disclosed prior to appraisal? | Yes |
| Date of receipt by the Bank | 01/19/2011 |
| Date of "in-country" disclosure | 01/20/2011 |
| Date of submission to InfoShop | 01/19/2011 |

Indigenous Peoples Plan/Planning Framework:

| | |
|---|------------|
| Was the document disclosed prior to appraisal? | Yes |
| Date of receipt by the Bank | 03/25/2009 |
| Date of "in-country" disclosure | 01/20/2011 |
| Date of submission to InfoShop | 01/19/2011 |

Pest Management Plan:

| | |
|---|--|
| Was the document disclosed prior to appraisal? | |
| Date of receipt by the Bank | |
| Date of "in-country" disclosure | |
| Date of submission to InfoShop | |

*** If the project triggers the Pest Management and/or Physical Cultural Resources, 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 (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

| | |
|---|-----|
| Does the project require a stand-alone EA (including EMP) report? | Yes |
| If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report? | Yes |
| Are the cost and the accountabilities for the EMP incorporated in the credit/loan? | Yes |

OP/BP 4.10 - Indigenous Peoples

| | |
|--|-----|
| Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples? | Yes |
| If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan? | Yes |
| If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Sector Manager? | Yes |

OP/BP 4.12 - Involuntary Resettlement

| | |
|---|-----|
| Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared? | Yes |
| If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan? | Yes |

The World Bank Policy on Disclosure of Information

| | |
|--|-----|
| Have relevant safeguard policies documents been sent to the World Bank's Infoshop? | Yes |
| 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 |

All Safeguard Policies

| | |
|---|-----|
| Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? | Yes |
| Have costs related to safeguard policy measures been included in the project cost? | Yes |
| Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? | Yes |
| Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? | Yes |

D. Approvals

| <i>Signed and submitted by:</i> | <i>Name</i> | <i>Date</i> |
|--|---------------------------------|--------------------|
| Task Team Leader: | Mr Jie Tang | 01/19/2011 |
| Environmental Specialist: | Mr James Orehmie Monday | 01/21/2011 |
| Social Development Specialist | Mr Jun Zeng | 01/20/2011 |
| Additional Environmental and/or Social Development Specialist(s): | Ms Manida Unkulvasapaul | 01/21/2011 |
| <i>Approved by:</i> | | |
| Sector Manager: | Ms Jeeva A. Perumalpillai-Essex | 01/21/2011 |
| Comments: | | |