

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSC1407

Date ISDS Prepared/Updated: 04-Nov-2014

I. BASIC INFORMATION

1. Basic Project Data

Country:	India	Project ID:	P132620
Project Name:	Partial Risk Sharing Facility in Energy Efficiency (P132620)		
Task Team Leader:	Ashok Sarkar		
Estimated Appraisal Date:	06-Oct-2014	Estimated Board Date:	13-Jan-2015
Managing Unit:	GEEDR	Lending Instrument:	Investment Project Financing
GEF Focal Area:	Climate change		
Sector(s):	Energy efficiency in Heat and Power (100%)		
Theme(s):	Infrastructure services for private sector development (20%), Climate change (80%)		
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:	43.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
International Bank for Reconstruction and Development			0.00
Global Environment Facility (GEF)			18.00
Climate Investment Funds			25.00
Total			43.00
Environmental Category:	F - Financial Intermediary Assessment		
Is this a Repeater project?	No		

2. Project Development Objective(s) / Global Environmental Objective(s)

A. Project Development Objective(s)

The project development objective is to assist India in achieving energy savings with mobilization of commercial finance and participation of Energy Service Companies (ESCOs).

B. Global Environmental Objective(s)

The project development objective is to assist India in achieving energy savings with mobilization of commercial finance and participation of Energy Service Companies (ESCOs).

3. Project Description

The project will achieve PDO by (1) leveraging project funds to encourage private sector investment in energy efficiency projects, and (2) providing complementary technical assistance and capacity building to stakeholders in India's energy efficiency market

The PRSF project will consist of the following components:

Component 1: A risk sharing facility for energy efficiency, managed by Small Industries Development Bank of India (SIDBI), of US\$37 million, funded from a GEF contribution of US\$12 million and backstopped by a CTF Guarantee, in the form of contingent finance, of US\$25 million, and

Component 2: A technical assistance and capacity building component of US\$6 million, funded by GEF, US\$4 million managed by SIDBI and US\$2 million managed by Energy Efficiency Services Limited (EESL).

Component 1: Risk Sharing Facility for Energy Efficiency (US\$37 million)

This component will be executed by SIDBI, the proposed Project Execution Agency (PEA), to establish a Risk Sharing Facility for Energy Efficiency. This facility would provide partial credit guarantees to cover a share of the default risk that financial institutions face in extending loans to eligible EE sub-projects. Initially the partial credit guarantee from PRSF will be limited to 50 percent of the EE loan.

The Partial Risk Sharing Facility will be available to supporting EE loans made by SIDBI and by participating financial institutions (PFIs) that will be empanelled and sign a memorandum of understanding (MoU) with the PEA as part of this project. A sub-guarantee fee, at a pre-determined rate, will be charged for each EE sub-project supported under PRSF. While the guarantee window for SIDBI loans, to be maintained as a sub-account, will have an initial corpus of US\$6 million of GEF grant for risk coverage, the window for guarantee calls from other PFIs, in the second sub-account, will also have an initial corpus of US\$6 million GEF grant for risk coverage and will be backstopped by additional risk coverage through CTF guarantee of US\$25 million (contingent finance).

All the Facility fees and expenses covered from interest and sub-guarantee fee income which will increase over time, will be maintained under the third sub-account of PRSF. This window will be used to pay front-end fees and guarantee fees to CTF, fixed and variable management fees for SIDBI as a PEA, and other operating expenses of the Facility (such as M&V expenses). The Facility will have the flexibility to move funds to and from any of the three sub-accounts. In case funds from the PFI sub-account have to be moved out, consent from IBRD/CTF/GEF will be required.

To be eligible for credit guarantees from PRSF, PFI loans will have to be for EE projects that are implemented by ESCOs. For projects to be eligible, the implementing ESCO will have to have an energy savings performance contract (ESPC) with the beneficiary host entity. Further, SIDBI and the

PFI's will have to appraise the projects using the standardized appraisal documents and using the PRSF Operations Manual (OM) and template agreements which form part of the OM.

Component 2: Technical Assistance and Capacity Building (US\$6 million)

This component will fund technical assistance and capacity building to ensure that Component 1 is successful and to address other aspects of the energy efficiency ecosystem needed to sustain a strong EE market transformation. It will develop the capacity of PRSF Facility; standardize transaction and appraisal documents for ESCO projects; provide for monitoring and evaluation of the project; provide marketing and awareness for the project; and develop a pipeline of sub-projects to utilize the PRSF.

Component 2 will have two TA implementing agencies: SIDBI will manage US\$4 million and EESL will manage the remaining US\$2 million. EESL has a GoI mandate to function as a market aggregator for EE projects in India. SIDBI has a successful track record of running EE projects and guarantee operations, including under World Bank-funded projects. As a part of SIDBI's broader strategic vision, it intends to develop and provide end-to-end solutions for delivering EE services in India.

SIDBI will provide upfront project preparation support and market development and facilitation support to help the implementation of the risk-sharing facility itself. In addition, it will provide assistance to the PFI's, ESCOs and host entities by bringing them together and facilitating match-making and disseminating information about the PRSF. The SIDBI team operating PRSF will make consultants, standardized tools and templates available to PFI's, ESCOs and beneficiary sectors directly involved in PRSF or working in EE market. It will also provide capacity building and training.

EESL will deliver technical support to address broader EE market barriers in India. Its support will be on a broader scale and reach out to a larger set of EE market stakeholders than SIDBI's. BEE works closely with EESL in the latter's role as a financial and implementing agency to facilitate the enabling environment for scaling up EE investments in India, particularly through ESCOs.

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

The project beneficiaries will be across India.

5. Environmental and Social Safeguards Specialists

Mridula Singh (GSURR)

Sita Ramakrishna Addepalli (GENDR)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	The project facility will support brown field entities leading to energy efficiency benefits, as well as environmental co-benefits. However, the environmental impacts of proposed technology upgradation in target sectors cannot be ruled out, though the proposed EE interventions are relatively small in nature do not lead to any

		significant environmental impacts. Also, the current status of target sectors (except sub-projects relating to Street Lighting) vis-à-vis environmental compliance would be of importance from the regulatory and reputational risks point of view. The safeguard issues related to the project are proposed to be addressed through a risk based environmental due diligence and management approach. In line with this approach, an Environmental Risk Management Frame work (ERMF) has been integrated in to the project design and implementation arrangements.
Natural Habitats OP/BP 4.04	No	The project interventions will in the existing units which are located in the designated land uses such as industrial estates. None of the entities benefiting from the project will be located and or would impact the Natural Habitats. Also the project activities do not impact Natural Habitats
Forests OP/BP 4.36	No	Not applicable as the project activities and/or entities benefiting from the project do not impact forests.
Pest Management OP 4.09	No	Not applicable as the project activities do not involve use of pesticides and/or require pest management.
Physical Cultural Resources OP/ BP 4.11	No	The project activities relate to improving the energy efficiency at existing industries, commercial buildings and street lighting. The interventions relate to improving already existing facilities, no impacts are envisaged on Physical Cultural Resources. Hence OP/BP 4.11 is not triggered.
Indigenous Peoples OP/BP 4.10	No	Not applicable as the interventions are retrofits in nature within the existing facilities and do not affect any indigenous people or relate to indigenous peoples.
Involuntary Resettlement OP/BP 4.12	No	Not applicable as the project activities do not lead to any involuntary resettlement
Safety of Dams OP/BP 4.37	No	Not applicable as the activities do not relate to provisions under OP/BP 4.37
Projects on International Waterways OP/BP 7.50	No	Not applicable as the activities do not relate to provisions under OP/BP 7.50
Projects in Disputed Areas OP/BP 7.60	No	Entities (SME units, buildings, etc..) benefiting from the project are not located in disputed areas.

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

<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>The risk sharing facility will be used for energy efficiency (EE) achievement through technology upgradation in existing target sectors – limited large industries, MSMEs, Commercial buildings, and street lighting. Thus, the project facility will support brown field entities leading to EE benefits, as well environmental co-benefits. However, the current status of target sectors (except sub-projects relating to Street Lighting) vis-à-vis environmental compliance would be of importance from the regulatory and reputational risks point of view. In addition, the environmental impacts of proposed technology upgradation in target sectors also cannot be ruled out, though the proposed EE interventions are relatively small investments and do not lead to any significant environmental impacts.</p> <p>Considering the target sectors under the project, the environmental issues/risks could vary from low to moderate intensity. These are not amenable for upfront identification for designing a particular or set of environmental mitigation measures. Also, there could be practical limitations (in some sectors) in retrofitting the environmental performance complying with the EHS guidelines of the World Bank Group, especially in case of industrial sector investments as: (a) the project facility supports marginal investments, in the context of overall size and turnover of industrial units and hence limited leverage; (b) the industrial units expected to be covered under the project are brown-field in nature and any environmental retrofits, in case if required, could be time consuming and need not necessarily be part of the expected EE measures. In view of this, a risk based approach with necessary Environmental Risk Management Framework is proposed for addressing the safeguard issues.</p>
<p>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</p>
<p>None</p>
<p>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</p>
<p>The project alternatives are specific to each of the sub-investments under the project. Such alternatives will be ascertained as part of detailed energy audits which also will include environmental due diligence</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>The safeguard issues related to the project are proposed to be addressed through a risk based environmental due diligence and management approach. In line with this approach, an Environmental Risk Management Frame work (ERMF) has been prepared. The ERMF defines the roles and responsibilities of all stakeholders under PRSF to screen the issues such as compliance of the host entities with the environmental regulations relating, environmental legacy issues, ongoing environmental litigations, location of beneficiary units in critically polluted and/or ecologically sensitive areas. In addition, under the provisions of ERMF, it would be mandatory to address potential environmental impacts resulting from technology upgrades relating to EE measures, if any. The ERMF also define the environmental safeguard due diligence requirements to be followed during the preparation of EE projects as well as during the appraisal process and identify environmental risk profile of each transaction to ensure safeguard risk mitigated disbursement mechanisms. Third party checks on appraisal procedures to ensure the fiduciary and</p>

environmental safeguard management framework are also included under ERMF.

SIDBI, the project execution agency (PEA) over the past 8 years under the Bank financed “SME Finance and Development Project” has developed necessary institutional capacity for safeguards management for MSME investments. As part of corporate policies, SIDBI has mainstreamed environmental risk management in to their corporate credit risk management systems. With the current capacity as well as through TA component under the project, SIDBI will facilitate supervision, capacity building of PFIs to streamline environmental risk management in to PRSF transactions.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The key stakeholders include: SIDBI – Project Execution Agency; EESL – Technical Support Agency; PFIs; host entities/beneficiaries; and ESCOs. As part of the project preparation, series of focus group discussions, and two consultation work shops were held to conceive the project components, implementation structure, and environmental risk management among other aspects of project design (the consultations details and outcomes are presented as part of the ERMF). While the project would not affect people, there could be low to moderate risk and such risks are proposed to be addressed through a well-structured environmental risk management mechanism. The drafts ERMF is disclosed during February, 2014 to facilitate follow up on consultations and the final ERMF is also disclosed before end of April, 2014.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	15-Apr-2014
Date of submission to InfoShop	01-May-2014
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
<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:	

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment	
Does the project require a stand-alone EA (including EMP) report?	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>] NA [<input type="checkbox"/>]
The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]

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 [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
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"/>]

III. APPROVALS

Task Team Leader:	Name: Ashok Sarkar	
Approved By		
Regional Safeguards Advisor:	Name:	Date:
Practice Manager/ Manager:	Name:	Date: