

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC7597

Date ISDS Prepared/Updated: 04-Jun-2014

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I. BASIC INFORMATION

A. Basic Project Data

Country:	Indonesia	Project ID:	P148620
Project Name:	Large Enterprises Energy Efficiency Proj (P148620)		
Task Team Leader:	Dhruva Sahai		
Estimated Appraisal Date:	01-Oct-2014	Estimated Board Date:	16-Dec-2014
Managing Unit:	EASIS	Lending Instrument:	Investment Project Financing
GEF Focal Area:	Climate change		
Sector(s):	General energy sector (100%)		
Theme(s):	Climate change (100%)		
Financing (In USD Million)			
Total Project Cost:	7.98	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			2.50
Global Environment Facility (GEF)			5.48
Total			7.98
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

B. Project Objectives

The development objective of this activity is to strengthen the enabling environment for the development of energy efficiency investments in large industrial enterprises in Indonesia.

The strengthening of the enabling environment, supported by the GEF grant, is expected to incentivize local banks to undertake EE financing in the large enterprises sector resulting in significant energy savings.

C. Project Description

Component 1: Project development. Total cost: US\$ 5.25 million of which GEF US\$ 4 million, MoI US\$ 1.25 million as follows:

A. Project development, project appraisal and monitoring. [GEF US\$ 2 million] Under this sub-component, a pipeline of EE investment projects will be prepared to be financed from existing credit lines and, potentially through co-financing by IFC. A specific target under this project will be to develop the energy efficiency lending activities of two or three participating banks. The participating banks will be selected according to the following eligibility criteria: (i) portfolio of industrial clients; (ii) ability to work with existing or planned IFI credit lines; and (iii) meeting Bank criteria for FIs. Focus will be on 10-15 very creditworthy large industries, both state owned and private. Focusing on very creditworthy industries would increase the prospects of coming to financial close. This would then yield valuable case studies for the dissemination part.

Activities to be undertaken are expected to include:

- (i) pipeline development support for project developers/industries and financiers – including the selection of and building institutional capacity in a strong technical/financial advisory services entity responsible for generating a pipeline of bankable EE projects;
- (ii) the development of special EE financing products or schemes;
- (iii) developing enhanced systems for monitoring energy savings after the projects have been financed and implemented; and
- (iv) training.

B. Transaction advisory services. [Total cost: US\$3.25 million, of which GEF US\$2 million; MoI US\$1.25 million] Under this sub-component, the project will support:

- (i) preparation of a Project Operations Manual for participating banks that would include sub-project selection criteria, a list of eligible sectors, project types and sizes, energy savings requirements, safeguards risk assessment and management guidelines and requirements, and monitoring and reporting requirements; and
- (ii) provide transaction advisory services from subproject identification through financial close - experiences gained under this sub-component will allow the participating banks to continue financing EE projects after the IFI loan funds are fully disbursed.

Component 2: Awareness and Capacity Building. Total cost: US\$2.47 million; of which GEF US\$1.22 million, MoI US\$1.25 million as follows:

A. Awareness Building and Knowledge Exchange. [Total cost: US\$1.75 million, of which GEF US\$0.75 million, MoI US\$1.0 million] This sub-component will support:

- (i) awareness building, training, and information dissemination to key market players on the opportunities for EE and successful implementation schemes through existing IFI credit lines which would be shared and disseminated widely to demonstrate the viability of EE lending;
- (ii) market studies, assessments and options papers for future investment programs beyond the state-owned enterprise market; and
- (iii) participation in stakeholder dialogue during roundtables and other fora to discuss various policy and market issues to develop recommendations to scale-up investments in the sector.

B. Capacity Building within MoI and MEMR. [Total cost: US\$0.72 million, GEF US\$0.47

million, MoI US\$0.25 million] This sub-component will support:

- (i) dialogue with donor partners conducting review of ongoing EE primary and supplemental policies to identify deficiencies and discuss options for their resolution with a focus on the large enterprises sector;
- (ii) review of incentive programs recommended by donor partners, and offered by the Government to improve utilization and impacts for EE market development;
- (iii) design and launch of an energy/EE indicator function and database within MoI and MEMR covering all sectors;
- (iv) identification and assessment of other potential policies with high impact potential, such as government green/EE procurement, minimum energy performance standards, green award, tax exemptions, etc. and develop program plans; and
- (v) staff training.

Component 3: Project Management: Total cost: GEF US\$ 0.26 million

This component will finance consultants to support project implementation including procurement, project monitoring, evaluation, and reporting activities.

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

Nationwide.

The project will be a stand-alone GEF project that will prepare a pipeline of EE investment projects to be financed from existing credit lines at commercial banks to support the establishment of viable financing and implementation models for large industrial enterprises in various sectors.

There are no physical works and no physical characteristics directly relevant to the safeguards issues arising from this project. There are, however, potential physical safeguard implications relating to future investments in EE projects that will arise from activities supported by this project. Furthermore, the advisory services and capacity building activities will also need to integrate safeguards in accordance with the Interim Guidelines on the Application of Safeguard Policies to Technical Assistance issued by the Bank.

Potential EE investments would include manufacturing process modifications in industries. These modifications for EE improvement are made within the existing physical boundaries of industrial plants (inside the plant fence), and do not require plant expansion. Therefore, it is not expected that the foreseen future EE investments that arise due to project intervention will lead to any adverse impacts to IPs or involve IPs in any manner nor will they involve any involuntary resettlement or need for compensation for loss of assets or loss of access to assets or resources.

E. Borrowers Institutional Capacity for Safeguard Policies

The Ministry of Industry will be the project implementing agency working in close collaboration with the Ministry of Energy and Mineral Resources (MEMR). The main stakeholders of this project are MoI, MEMR, participating banks and industrial owners. Additional stakeholders are equipment suppliers, construction and engineering companies, technical/financial advisors and relevant government ministries (e.g., Finance, Environment, and Research and Technology).

The project will prepare a pipeline of EE investment projects of very creditworthy large industries,

both state owned and private, and establish intermediary financing facilities in two or three banks to be selected under the project.

An Environmental and Social Management Framework (ESMF) for the subprojects will be prepared to ensure that the project has identified all potential environmental and social impacts that may be arise due to the nature, scope, and scale of each of the sub projects and to provide adequate risk screening, impact assessment, and appropriate mitigation measures to address the identified risks and impacts.

Under Component 1, when selecting the participating banks and industries, the bank's capacity to manage environmental and social safeguards according to the guidelines in the ESMF will be evaluated as part of the selection process (OP 8.30). The screening criteria will be included in the Project Operations Manual.

As MoI and MEMR do not have sufficient experience with the implementation of Bank projects and Bank safeguards measures, Component 2 will include a safeguards awareness and capacity building set of activities for MOI and MEMR. Specific training on how to implement the ESMF and the Project Operations Manual (POM) will be conducted by a consultant hired by MoI. The ESMF will be included in the POM. Instructions on how to articulate safeguards requirements into legal covenants between the financing partners and the sub-borrowers would be provided to MoI, MEMR and the partners. The Bank's safeguards specialists will provide support in developing the ToR for the consultants who will implement the training program.

Through implementation of this project, MoI, MEMR, and the financing partners will build their capacity to design and finance more sub-projects beyond this project. They will need to ensure that implementation of safeguards measures by sub-borrowers (industrial owners) is also well managed. Therefore, the ESMF needs to be well understood, implemented, and strengthened and can be readily used for the proposed financing partners. The financing partners will then prepare their own Environment and Social Safeguards Management System during full operations in line with the requirements and guidance in the Bank-approved ESMF.

The ESMF and Project Operations Manual of this GEF grant project will be required to be fully disclosed and consulted on with all relevant stakeholders prior to Appraisal. MoI or MEMR and the partners will work with the project design consultant to conduct public consultations on the project and project ESMF.

F. Environmental and Social Safeguards Specialists on the Team

Ninin K. Dewi (EASIS)

Qing Wang (EASER)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	The project is to develop a pipeline of Energy Efficiency subprojects and to establish financing intermediary facilities in two or three selected local banks. The project will also provide awareness and capacity building activities for

	<p>project stakeholders including MOI, MEMR, participating banks and selected industrial enterprises.</p> <p>The Team shall also determine whether OP 4.03 World Bank Performance Standards will be triggered. OP 4.03 may apply instead of OP 4.01 to Component 1 of the Project if the Bank determines that the private banks have good and recognized capacity to identify, assess and manage the environmental and social risks associated with the EE investments to be financed.</p> <p>EE physical investments resulting from sub-project development and capacity building activities will not be financed by the project. Rather, they will use other sources of funds from existing IFI credit line facilities.</p> <p>Some of the known potential sub-project impacts are related to construction aspects associated with the movement of older and inefficient machinery and materials (dust, noise, disposal of packaging wastes). There is also the possibility of hazardous materials management in certain EE sub-projects such as replacement of asbestos insulation, removal and disposal of fluorescent light bulbs, etc. If old industrial refrigeration equipment will need to be replaced by new and efficient ones, this may result in possible leakage of ozone depleting substances which are also GHG with high GWP used as the refrigerant in the equipment.</p> <p>The nature of the project and the potential physical impacts of all foreseen EE investments are not known at this time, but most are expected to be site specific at existing industrial plants (within the physical boundaries of each plant) and, of the ones known now, these are expected to generate minor to moderate local environmental impacts with no adverse, large, sensitive or irreversible environmental impacts generated as a result of the project or any future subprojects.</p>
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	<p>An Environmental and Social Management Framework will be prepared to ensure that the project has identified all potential environmental and social impacts that may arise due to the nature, scope and scale of each of the sub projects and other project financed activities to provide adequate risk screening, impact assessment and appropriate mitigation measures to address the identified risks and impacts.</p> <p>The screening process detailed in the ESMF, in particular, will screen the investments for the full range of environment and social impacts, safeguard policies triggered and provide advice on the types of safeguard instruments to be prepared for each of the identified investments financed during implementation of the GEF project.</p> <p>There will be three outputs from the screening exercise: (1) the EE initiatives that would only require an ECoP: environmental code of practice, for example an SOP to handle the disposal of used equipment; (2) initiatives that would require UKL UPL or ESMP to manage minor impact of the projects (e.g. install new unit or minor change in onsite production process and process control). (3) Initiative that would require the revision of AMDAL because it will change the production process and output that is significantly different with the current AMDAL the project has in place.</p> <p>The ESMF will specifically include screening, assessment and management guidelines to address hazardous materials as an issue of special concern. In addition, the ESMF will specify that the advisory services and capacity building activities of the project will need to integrate safeguards in accordance with the Interim Guidelines on the Application of Safeguard Policies to Technical Assistance issued by the Bank.</p> <p>Finally, the ESMF will also provide guidance on the instruments to be prepared in the event that other impacts are identified as outlined</p>
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		<p>above. Further, since most, if not all of the EE investments will be within existing projects and project sites, the ESMF will have provisions for conducting due diligence of existing projects to thoroughly assess all environmental and social compliance, legacy issues and performance of existing operations. The due diligence procedures and guidelines will be integral to the ESMF.</p> <p>The ESMF will be an integral part of the Project Operations Manual.</p>
Natural Habitats OP/BP 4.04	No	This policy is not triggered as the project will not undertake any physical EE interventions or construction in natural habitats areas, or in protected or sensitive areas. All future investments are expected to be located at existing industrial plant sites in already converted areas.
Forests OP/BP 4.36	No	The project will not lead to investments that are located in or near forests or that affect forests as all EE investments are expected to be at existing industrial plant sites.
Pest Management OP 4.09	No	This policy is not triggered as the project will not purchase or use pesticides and none of the activities are expected to increase the use of or involve pesticides.
Physical Cultural Resources OP/ BP 4.11	No	The project will not lead to investments that will have impacts on PCRs, during construction and operation as all interventions are expected to be at existing industrial plant sites.
Indigenous Peoples OP/BP 4.10	No	The policy is not triggered as all works are expected to occur within the physical boundaries of existing industrial sites (within the plant fence) where there is no presence of IPs.
Involuntary Resettlement OP/BP 4.12	No	The policy is not triggered as there is no activity that leads to involuntary resettlement and land acquisition. The foreseen investments will not lead to plant expansion rather it will involve simple equipment retrofits and modernization, which are expected to be in the existing physical boundaries of industrial plants.
Safety of Dams OP/BP 4.37	No	The project does not involve a plan to build a dam nor does it depend on an existing dam.

Projects on International Waterways OP/BP 7.50	No	The Project does not involve investments in international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The Project does not involve investments in disputed areas.

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 27-Oct-2014

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:

The ESMF will be prepared, cleared and disclosed prior to project appraisal expected October 1, 2014.

IV. APPROVALS

Task Team Leader:	Name: Dhruva Sahai	
<i>Approved By:</i>		
Regional Safeguards Coordinator:	Name: Peter Leonard (RSA)	Date: 12-Jun-2014
Sector Manager:	Name: Nathan M. Belete (SM)	Date: 20-Jun-2014

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.