

**INTEGRATED SAFEGUARDS DATASHEET
APPRAISAL STAGE**

I. Basic Information

Date prepared/updated: 13-April-2016

1. Basic Project Data

Country: Philippines	Project ID: P147646	
Project Name: Philippines Renewable Energy Development		
Task Team Leader: Alan Townsend		
Estimated Appraisal Date: Ongoing	Estimated Board Date: May 16, 2016	
Managing Unit: GEE02	Lending Instrument: Guarantee	
Sector: Other Renewable Energy (60%), Energy efficiency in Heat and Power (40%)		
Theme: Rural services and infrastructure (50%), Infrastructure services for private sector development (50%)		
Borrower/Recipient (existing capital in GOP guarantee fund) Amount (US\$m.):	16	
CTF (as guarantee) Amount (US\$m.):	44	
Other (Private debt and equity) Amount (US\$m.):	500	
Environmental Category: Guarantee		
Simplified Processing	Simple <input checked="" type="checkbox"/>	Repeater <input type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

2. Project Objectives

The project development objective is to catalyze private investment in renewable energy and electrification.

3. Project Description

The project is designed as a stand-alone Clean Technology Fund (CTF)-financed guarantee in the amount of \$44 million. The guarantee will be provided to the LGU Guarantee Corporation (LGUGC), a private entity that operates the Electric Cooperative Partial Credit Guarantee (ECPCG) program for the benefit of the Republic of the Philippines, which owns ECPCG. The CTF Guarantee will be contingent finance that is callable cash, and as such, counts as Tier 1 capital. It can therefore be leveraged in the same manner as the cash which is today sitting in ECPCG-owned accounts, which are managed by an escrow agent (the Development Bank of the Philippines provides escrow services).¹ In terms of financial risk, the guarantee only covers 80% of regular principle and interest payments and there is no option for accelerated payment, both of which provide incentives to keep the lender in the deal. ECPCG cash will be first loss; the CTF Guarantee will be second loss, and will only be drawn upon in the event that ECPCG's cash in escrow is insufficient to pay a call. There have been no defaults to date in the ECPCG program, through more than five years of exposure.

The proposed project will greatly expand the capacity of the ECPCG program. As stated above, ECPCG has approximately \$16 million in Tier 1 capital. This capital can be leveraged five times, meaning that \$80 million in lending can be covered. ECPCG covers 80% of the underlying loans to Electric Cooperatives

¹ DOE and DOF have been the joint owners of ECPCG since its inception; "ownership" in this case has two meanings: (i) ECPCG as a part of the policy program is the concern of two Departments; and (ii) DOE and DOF are joint account holders of the ECPCG escrow account and "own" the program capital.

(ECs), so the program leverages another \$20 million in uncovered debt, and leverages additionally the 10% equity required from the borrowing EC. \$44 million from the CTF will increase ECPCG capital to \$60 million. At five times leverage, over \$440 million in total investment could be supported and with reflows a total of \$500 million should be achievable. The default rate of ECPCG will be closely monitored and, if the defaults remain low, higher levels of leverage can be allowed.

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

The project will support the development and rehabilitation of renewable energy facilities and equipment and related support services in the entire Philippines.

5. Environmental and Social Safeguards Specialists

Gerardo F. Parco (GENDR)

Marivi Amor Jucotan Ladia (GSURR)

6. Safeguard Policies Triggered	Triggered?	Explanation (Optional)
Environmental Assessment (OP/BP 4.01)	Yes	<p>The project has an environmental category of Financial Intermediary (FI). Depending on the type of technology, scale and project location, the subprojects will fall under the World Bank's Environmental Assessment Categories A, B or C and under the Philippine EIS System Project Categories II and III. The LGUGC, assisted by NEA, will conduct the screening and scoping of the individual subprojects to determine the appropriate environmental categorization and lead the review and clearance process for the safeguards compliance to the ESSF. The potential adverse direct impacts of the subprojects are related to: (i) localized environmental and social impacts and potential site-specific damages due to construction activities (water, noise, safety, air pollution); (ii) management of environmental flow and habitat alterations in the case of mini hydropower projects, (iii) change in land use or disturbance in protected areas (iv) management of the health and safety of workers during construction and operation; and (v) interaction of workers with the local community. The ESSF provides guidance for the preparation of the applicable Environmental and Social Assessment instruments, Environmental Management Plans (EMP) and Environmental Codes of practice (ECOPs) and appropriate social safeguards instruments for subprojects. This also contains a Grievance Redress Mechanism. The ESSF presents screening and scoping checklists and describes detailed plans for mitigation, monitoring and reporting of all identified impacts. It also lays out institutional responsibilities of the Borrower and sub-project proponents as well as the relevant policy and legal framework, financing, monitoring and reporting. The EMPs and ECOPs will be included in the bidding documents and the technical specifications in the design and construction contract of the subprojects, the details of which will be incorporated in the PhRED Project Operations Manual. Capacity building activities such as Regular project trainings on safeguards requirements and the ESSF to be led by LGUGC for project clients and participating agencies to include lessons learned and previous implementation experiences.</p>

6. Safeguard Policies Triggered	Triggered?	Explanation (Optional)
Natural Habitats (OP/BP 4.04)	Yes	The project will not fund any subproject proposed to be located in critical natural habitat or will cause to convert or degrade such. This policy is triggered because by the nature of the proposed subprojects, it is most likely that a number of them are located in places considered as natural habitats. All subproject proposals will be screened for potential adverse impacts on natural habitats and protected areas and necessary mitigation measures will be prepared as part of the subproject specific EA and EMP. Adequate natural habitats conservation/protection measures will be spelled out in the EMP and the ECOPs. For small hydropower projects, the EMP will include monitoring of potential changes in flow regulation that may be brought about by water retention structures that may have consequent downstream impacts.
Forests (OP/BP 4.36)	No	This policy is not triggered as harvesting of trees or forest products will not be consumed or used in the subprojects.
Pest Management (OP 4.09)	Yes	The policy is triggered when the procurement and use of pesticides will be involved in plantations for providing source materials or feedstock for biomass plants and in the control of vegetation cover along transmission lines, power plants and ancillary facilities.
Physical Cultural Resources (OP/BP 4.11)	Yes	For this project, it is required that all construction activities will include mechanisms to address chance finds to avoid or mitigate adverse impacts on PCRs. The environmental assessments will confirm whether PCRs are affected and when present, the policy is triggered. It will assess possible cause of disturbance to historical areas such as architectural land marks and other cultural property. During construction, the landscape of the sites may also be affected and structural damage to old structures may result due to vibrations and excavation of adjacent areas. The EMP will provide for the mitigating measures needed to address such disturbances or the handling of chance finds. Ways to address chance finds are elaborated more in the ESSF Annex5, Cultural Property and Protection Measures. These chance finds procedures shall form part of the EMP and the Safeguard Procedures for Inclusion in the Technical specifications for Contractors.
Indigenous Peoples (OP/BP 4.10)	Yes	It is estimated that 17% of the Philippine population belongs to one of the 110 indigenous tribes of the country. The probability exists that IPs living within or outside their ancestral domain may be affected (adversely or positively) by some of the subprojects that are guaranteed by the PHRED. For this reason, an IP Policy Framework (IPPF) annexed to the ESSF has been developed during preparation to ensure that adverse effects are mitigated and benefits to them are enhanced.

6. Safeguard Policies Triggered	Triggered?	Explanation (Optional)
Involuntary Resettlement (OP/BP 4.12)	Yes	Construction of new energy facilities such as substations may require temporary and permanent land acquisition from commercial, residential and agriculture land. Rehabilitation of existing structures may require small pieces of land for some expansion. Run-of-the-river mini-hydro power plants will not have huge water storage but may still inundate some agricultural lands and affect some crops and access to livelihoods. Involuntary resettlement impacts will be avoided by considering alternative subproject sites, using existing road paths for distribution lines, and engaging in a willing-buyer willing-seller mode of land acquisition. For unavoidable impacts, the Land Acquisition and Resettlement and Rehabilitation Policy Framework (LARRPF), an integral part of the ESSF, was developed and disclosed.
Safety of Dams (OP/BP 4.37)	Yes	While the project is expected to finance only small dams, those lower than 15 meters in height, in relation with 1 to 10 MW, run-of-river mini-hydropower plants, OP 4.37 policy is triggered as it is expected that several subprojects involves the construction, rehabilitation or of a dam. For dams considered to pose significant risk, regardless of height, a dam safety framework will be required that will specify the process to be followed for screening the hazardous nature of the dams to be financed and determination of the dam safety instruments required under the Policy (Panel of Experts (PoE)) for high hazard dams, generic dam safety measures designed by qualified engineers for other types of dams etc.). The framework will also include the proposed institutional arrangements for preparation, implementation, monitoring and reporting requirements for the dam safety instruments.
Projects on International Waterways (OP/BP 7.50)	No	There will be no subprojects in international waterways.
Projects in Disputed Areas (OP/BP 7.60)	No	There will be no subprojects in disputed areas.

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:

The LGUGC will follow the project's Environmental and Social Safeguard Framework (ESSF). The procedures outlined in the framework indicate how their potential clients will carry out the assessment of environmental and social safeguard issues and the process by which the documents prepared would be reviewed by LGUGC and the World Bank to ensure that Bank policies are being followed. There are no large-scale, significant or irreversible impacts anticipated since the targeted projects under the EC-PCG are small-scale renewable energy projects. It is expected that the significant adverse direct impacts of the

sub-projects will be related to: (i) localized environmental and social impacts and potential site-specific damages due to clearing of the area that will lead to small-scale vegetation loss and construction activities (noise, safety, air pollution); (ii) management of environmental flow and habitat alterations in the case of mini hydropower projects, (iii) change in land use or disturbance in protected areas (iv) management of the health and safety of workers during construction and operation; and (v) interaction of workers with the local community. However, to ensure that the appropriate environmental and social assessment and mitigating measures are incorporated in the planning and design of each investment, each sub-project will undergo the ESSF process which begins with the screening and scoping to determine its environmental category and assessment of the scope and coverage of significant impacts. The potential impacts are those typically associated with the construction and operation of small hydropower plants, installation or upgrading of power distribution lines and construction of substations. Positive environmental and social impacts will result from increased power supply from renewable energy, improved efficiency of power distribution, improved reliability of power supply, and increased access to electricity through intensification in and expansion of service areas.

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

Overall, the project will benefit the environment with the promotion of renewable energy sources to meet the long-term, clean energy requirements of the country. The long term impact of the project is the provision of electricity in a sustainable manner shifting power generation to renewable sources particularly in off grid areas supporting the country social inclusion objectives. Any indirect or long term negative environmental impact is expected to be minor in the project area since each sub-project will implement and monitor the implementation of a comprehensive Environmental Management Plan.

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

The use of renewable energy sources is the best means of producing clean, sustainable energy for the masses. Introducing wholesale financing into the market that could potentially crowd out private commercial finance, was considered as a component of the project but the success of EC-PCG in leveraging private lending for the EC sector suggests that renewable energy as well could be more effectively supported with guarantees rather than IBRD or CTF lending.

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.

The PHRED ESSF was developed by the borrower to establish the objectives and procedures and implementation arrangements for identifying, managing and monitoring potential environment and social impacts of project activities. This contains a separate IP Policy Framework and a Land Acquisition, Resettlement and Rehabilitation Policy Framework in its Annexes. Technical guidance on appropriate construction designs and practices will be provided by NEA to complement the EMP and the Environmental Code of Practice that the contractors should follow. LGUGC will also be supported by an Inter-agency Project Monitoring Board to ensure the success of the EC-PCG program. The same set of staff of LGUGC and its units will be involved in safeguards supervision. Moreover, additional staff such as environmental and social development consultants will be hired to augment the current work force. LGUGC will be organizing regular workshops and symposia with its potential clients – ECs, financial institutions, renewable energy developers and independent power providers – to regularly update them as part of their marketing strategy, on the EC-PC process requirements, including the safeguards requirements described in the ESSF. It is the responsibility of the sub-project proponent to prepare and carry out the necessary safeguards instruments required by the ESSF, and to obtain the environmental clearances for each sub-project before starting the construction. The sub-project proponents are

responsible for the quality and accuracy of the information in the EA document, as well as the transmission of the EA documents to DENR.

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 of the projects are the electric cooperatives, participating private banks, Department of Energy (DOE), the LGUGC, NEA, NCIP and the consumers of the electricity that will be generated/distributed which would also include project affected persons. Public consultations with representatives from the identified key stakeholders was conducted and several meetings with potential proponents of sub-projects and the oversight agencies to discuss the details of the project including the safeguards requirements. In addition several workshops and joint site visits were also done by the task team of the WB and staff of the LGUGC, NEA and DOE to hold discussions with both the EC Officers and local citizens. For the future sites, the public consultation process outlined in the ESSF will be followed. The dates below refer to the disclosure of the ESSF.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	4/7/2016
Date of submission to InfoShop	4/7/2016
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Philippines	4/13/2016
<i>Comments:</i>	
Resettlement Action Plan/Framework/Policy Process	
Date of receipt by the Bank	4/7/2016
Date of submission to InfoShop	4/7/2016
"In country" Disclosure	
Philippines	4/13/2016
<i>Comments:</i>	
Indigenous Peoples Development Plan/Framework	

Date of receipt by the Bank	4/7/2016
Date of submission to InfoShop	4/7/2016
"In country" Disclosure	
Philippines	4/13/2016
<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:	

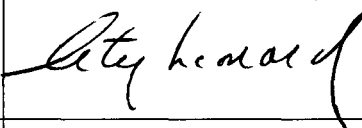
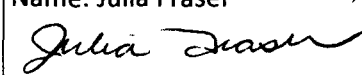
C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment	
Does the project require a stand-alone EA (including EMP) report?	Yes [] No [x] NA []
OP/BP 4.04 - Natural Habitats	
Would the project result in any significant conversion or degradation of critical natural habitats?	Yes [x] 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 [x] NA []
OP/BP 4.11 - Physical Cultural Resources	
Does the EA include adequate measures related to cultural property?	Yes [x] No [] NA []
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes [x] No [] NA []
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 <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
OP/BP 4.12 - Involuntary Resettlement	
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
OP/BP 4.36 – Pest Management	
Does the EA adequately address the pest management issues?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Is a separate PMP required?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> NA <input type="checkbox"/>
OP/BP 4.37 - Safety of Dams	
Have dam safety plans been prepared?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Have the TORs as well as composition for the independent Panel of Experts (POE) been reviewed and approved by the Bank?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Has an Emergency Preparedness Plan (EPP) been prepared and arrangements been made for public awareness and training?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" 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"/>

D. Approvals

Task Team Leader:	Name: Alan F. Townsend	
<i>Approved By:</i>		
Regional Safeguards Advisor:	Name: Peter Leonard (SA) 	Date: 04/14/2016
Sector Manager:	Name: Julia Fraser 	Date: 04/14/2016