Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 03/15/2023 | Report No: ESRSC03418

BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Chile	LATIN AMERICA AND CARIBBEAN	P179746	

Project Name	Chile Partnership for Market Implementation

Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Energy & Extractives	Investment Project Financing		6/1/2023

Borrower(s)	Implementing Agency(ies)		
The Republic of Chile	AGCID, Ministry of Energy, Ministry of Environment		

Proposed Development Objective

The proposed PDO is to provide technical assistance to the Government of Chile for the design and implementation of domestic carbon pricing instruments and support the development of policy frameworks and infrastructure systems to enable and foster the country's participation in international carbon markets.

Financing (in USD Million)	Amount
Total Project Cost	5.0(

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The Partnership for Market Implementation (PMI) project seeks to support the Government of Chile (GoCh) to continue and expand the work initiated under the Partnership for Market Readiness (PMR) to achieve its ambitious Nationally Determined Contribution (NDC) objectives. The project will provide technical assistance to support the design and implementation of carbon pricing instruments and the development of policy frameworks and infrastructure systems to enable and foster participation in international carbon markets. The PMI activities will be structured along the following components:

Component 1. Implementation and sophistication of the carbon pricing instrument (CPI) mix. Building on the existing carbon tax, the project will support the implementation of more sophisticated CPIs, including an offsetting system, a GHG emission standard and emission reductions certification system, and the implementation of a roadmap for future CPI developments to accelerate decarbonization. This entails moving conceptual infrastructure developments into production, as well as strengthening activities such as the development of MRV methodologies, processes & procedures, and the governance of the offsetting system.

Component 2. Communication strategy and stakeholder engagement. This component will support cross-cutting capacity building (including at sub-national level), stakeholder engagement, communication and knowledge sharing activities to build consensus and disseminate progress under each of the instruments.

Component 3. Chile in international carbon markets. Under this component, the project will support the GoCh implementing a National Policy for the use of Art. 6 of the Paris Agreement, by developing the guidelines to define its structure, contents, and governance, and supporting the development of a registry for NDCs. Furthermore, it will provide support to strengthen Chile's role in South-South Cooperation, by sharing experiences and knowledge with other jurisdictions, and supporting the development of other national and regional initiatives.

Component 4. Articulation of Just Transition with carbon pricing instruments. Under this component the project will support the definition of vulnerable groups impacted by CPIs, and the development of new sectoral/technology strategies for a Just Transition.

Component 5. Program Management. This component will fund the key staff to be hired for the Project Implementing Unit (PIU).

PMI governance arrangements include the International Cooperation Agency (Agencia de Cooperación Internacional, AGCID) as lead implementing agency to manage the procurement and financial management aspects of the project, and the Ministry of Energy as focal point which, together with the Ministry of Environment (MMA), will be leading the technical activities.

The Project is aligned with the Country Partnership Framework for FY24-FY27, contributing to its High-Level Outcome (HLO) 2 that supports improved environmental outcomes and climate change resilience through an ambitious climate change adaptation and mitigation agenda. Likewise, the Project is aligned with the Green, Resilient, and Inclusive Development (GRID) framework, the World Bank Group Roadmap for Climate Action in Latin America and the Caribbean, and the Paris Agreement. Together with other ongoing (Chile REDD+ Emissions Reductions Program (P160277)) and under preparation (Chile Green Hydrogen Facility to Support a Green, Resilient and Inclusive Economic Development (P177533)) World Bank operations in the country, the project will contribute to achieving the country's updated NDC and its commitment to reach carbon neutrality by 2050.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

Location. The geographic scope of the project is nationwide.

Sectoral and country context. Chile has committed to reaching carbon neutrality by 2050 and its latest Nationally Determined Contribution (NDC) aims up to a 45% reduction in emissions by 2030. To achieve this neutrality, Chile has proposed several measures to reduce CO2 emissions and increase its carbon capture, placing a special focus on its energy sector. The country has achieved significant milestones in terms of climate policy, including the approval of the National Framework Law on Climate Change (LMCC) on 03/10/22. Also, the Ministry of Energy (MoE) has developed a wide range of national plans and strategies in relevant sectors aligned with Chile's carbon neutrality and NDC objectives. These include, inter alia: i) the 2050 National Energy Policy (March 2022); ii) the National Plan for Energy Efficiency (February 2022); iii) the National Strategy for Electromobility (January 2022); and iv) the National Strategy for Just Transition in the Energy Sector (December 2021).

Chile has shown a strong commitment to the use of carbon pricing instruments (CPIs) and was a pioneer in establishing a carbon tax in the region. The Long-Term Climate Strategy (LTCS) presented by Chile at COP26, specifically mentions the development and use of CPIs to achieve its climate goals. To support a decarbonization path, the LTCS proposes to "design and promote the use of economic instruments, incorporating improvements to existing ones, to accelerate the energy transition in line with climate objectives and science mandates." The Strategy also describes a clear roadmap for decarbonization of specific sectors.

Socio-environmental context. Chile stands out as one of the most developed economies in Latin America, as demonstrated through strong institutions and an investor-friendly environment. Over the last 40 years, market-oriented reforms, together with the implementation of social welfare policies, have spurred economic growth while significantly reducing poverty. The country is at a historical crossroads wherein its people seek to address central questions around its social contract and economic model, while facing ongoing social unrest and the residual effects of the COVID-19 pandemic. Despite sustained economic progress and poverty reduction over the last decades, the existing policy framework has been insufficient to foster productivity growth and economic diversification, improve labor market outcomes, and further tackle deep-rooted inequality. The 2019-20 social unrest exposed a number of vulnerabilities in the socioeconomic system.

Currently in Chile there is a heavy dependency on imported fossil fuels, which account for 65% of total primary energy supply and 77% of GHG emissions. Electricity generation still relies heavily on coal and gas, which amount to 55% of generation, and with the prolonged drought affecting the country, the availability of hydroelectricity is continuously at risk. The main drivers of this trend are the burning of fossil fuels and land use change. The main source of GHG gases is, by far, the energy sector, accounting for 77% of the national total. The country is strongly exposed to the impacts of climate change. In total, Chile demonstrates seven of the nine vulnerability criteria listed by the UNFCCC, including its low coastline; the snow and glacier regime of its rivers; its forests, which the GoCh is trying to protect and restock; and its ocean waters, which supply the fishing industry, a key resource for the country. The national territory has already been affected by an increase in droughts and fires. The Government has committed to protect the environment to ensure the long-term sustainability of its economic growth. In line with this objective, the country has set forth a number of commitments and objectives included in different laws and initiatives.

D. 2. Borrower's Institutional Capacity

Implementation of this small RETF operation will follow similar governance arrangements to those under the Chile PMR Project (P130378). The International Cooperation Agency (Agencia de Cooperación Internacional, AGCID) will be the lead implementing agency to manage the procurement and financial management aspects of the project. The Ministry of Energy (MoE), together with the Ministry of Environment (MMA), will be leading the technical programs.

As defined in the NDC, for activities related to Article 6, the MoE will be the leading agency, in coordination with the MMA. For activities related to the carbon tax, offsets and baseline and crediting mechanisms, the MMA team will lead in close coordination with the Superintendency of the Environment (Superintendencia de Medio Ambiente, SMA), the Ministry of Finance (MoF) and the MoE.

The MoE is the national focal point entity for the PMI and, as such, it will be responsible for the implementation of project activities, including compliance with the Environmental and Social Framework (ESF)–related requirements. Nevertheless, during preparation, the project will identify and develop any mechanisms that might be needed to support coordination among the different agencies vis-à-vis environmental and social management.

The lead on environmental and social (E&S) management within the MoE will be taken specifically by the Climate Change Unit of the Division for Energy and Environmental Policies and Studies. While this particular Division does not have experience with the ESF per se, it was responsible for application of the World Bank safeguard policies under the PMR. Also, AGCID has experience with the Bank's safeguards through the implementation of previous projects, including for example the GEF-supported Sustainable Land Management Project (P085621).

To meet the Bank's E&S requirements, which are relatively limited in this case, the MoE will designate one socio-environmental specialist to support project preparation and implementation, and manage stakeholder engagement/ communications activities associated with the project, to build trust and commitment among citizens and stakeholders around the project's objectives and activities, as appropriate. The MoE will ensure that this specialist, who will be funded by the PMI grant, has sufficient time allocated to these tasks to carry them out in a satisfactory manner.

Borrower capacity for social and environmental risk management will be further assessed during preparation and, if necessary, capacity building measures will be included in the project's ESCP. The ESCP will include details on the types of training to be delivered, the resources available for delivery, and the timeline for trainings, in particular for trainings that should be delivered early in project implementation. Capacity building activities during project implementation will be aimed not only at the PIU but will also target other agencies involved in the project through joint training opportunities.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC) — Low

Environmental Risk Rating — Low

The proposed environmental risk classification for the Project is Low under the ESF. The project will finance technical assistance (TA), and does not include any physical interventions or actions with the potential of generating adverse impacts and/or risks on the biophysical environment, human health and safety, and/or valued environmental components. With the information available at this stage, no downstream environmental effects are expected from studies to be financed under components 2, 3 and 4. Component 2 finances mainly stakeholder engagement, dissemination and capacity building activities. Component 3 aims at implementing a National Policy for the use of Art. 6 under the Paris Agreement, and Component 4 supports the implementation of a Just Transition Strategy (refer to Section C for further details). Component 5 deals with project management and will finance the PIU. Regarding

Component 1, it will build on the existing Chilean carbon tax to implement more sophisticated carbon pricing instruments. Since the carbon tax has been under implementation in Chile since 2014, impacts from its implementation on differentiated consumer groups, and on the environment, are not relevant for this project. Regarding each of the instruments to be implemented under this component: (i) Carbon tax offsetting system: not expected to have a significant effect in terms of carbon leakage, as the carbon tax in Chile is still low by international standards, having a limited impact on the different sectors. (ii) GHG emission standard mechanism: even though the definition and implementation of GHG emission standard limits has a potential for carbon leakage, the consideration of targeted mitigation policies will be included as part of the corresponding analysis. These include, for example, support programs to accelerate transition towards cleaner technologies, the exclusion of vulnerable sectors/activities from the mechanism, or the definition of border adjustment taxes. (iii) The cap and trade (C&T) pilot under the energy sector: will take into consideration measures to minimize potential (low) carbon leakages to other sectors/countries, as well as potential impacts on vulnerable groups. The C&T pilot to be implemented under the PMI will support testing and modelling of different designs to inform the carbon pricing mix. On one hand, the GoCh is putting forward a policy to reduce its dependency on fossil fuels and increase the use of Green Hydrogen. On the other, as defined in the LMCC, it will not be possible for Chilean entities to compensate for project emissions with international transfer mitigation outcomes (ITMOs), which has the effect of forcing the entities to generate mitigation nationally, thereby discouraging leakages to other countries. Instruments, policies and strategies that promote the decarbonization of a country and the transition to low-emission technologies may overall have a negative downstream environmental effect, depending on the selection of the source of renewable energy that industries and business may pursue in the future. However, project studies and outputs, especially those of C1, are oriented towards enhancing already existing decarbonization mechanisms, rather than introducing new ones which may significantly shift energy use in the country. Also, Chile is committed to developing a “Strategy for Just Transition” for all relevant sectors with the aim of protecting the rights of both vulnerable citizens in decarbonizing the energy matrix and the environment. Finally, Chile’s Environmental Assessment System (SEA) is very robust and stringent when evaluating and granting licenses for investment projects, including those of the energy sector. This is important in regard to the adequate management of potential impacts to the landscapes in which facilities are constructed and operated.

Social Risk Rating Low

The proposed social risk classification for the Project is Low under the ESF. The project will finance technical assistance activities, and does not include any physical interventions or actions with the potential to generate adverse impacts on and/or risks to specific social groups, human health and safety, and/or cultural values. The bulk of project activities are focused on enhancing existing carbon pricing instruments and improving their use (such as by promoting a more efficient mix of CPIs), deploying policy and fiscal incentives so as to achieve net gains for the climate. Besides promoting alignment with the Paris Agreement, such actions are expected to promote broad, longer-term sustainable development objectives, many of which would be socially oriented, such as the generation of social co-benefits for local populations, or the creation and maintenance of SMEs. Given the nature of the TA-oriented activities to be supported by the grant, some negative downstream social effects are possible, such as higher energy prices on certain population segments. In response, the project has already incorporated measures and mechanisms to evaluate and/or counteract these effects. Project-supported studies will look into possible impacts on vulnerable social groups, analyzing the feasibility, benefits, and costs of the enhancement of different carbon pricing instruments, and recommending measures to account for the distributional impacts of certain economic shifts, including in labor markets. For example, studies supported by PMI that help prioritize sectors/technologies for the implementation of the GHG emissions mechanism, including the adoption of specific standards and limits, will include modeling of the possible impacts on vulnerable social groups. And where possible studies will identify, measure, and promote the co-benefits of low-carbon policies, such as the adoption of emission reductions certificates targeted for vulnerable populations/sectors (e.g. implementation of energy efficiency improvement measures as a priority among vulnerable customers). In addition, any negative consequences of the improved deployment of CPIs will be addressed via “just transition” activities that are also in line with the Paris Agreement and the subsequent agreements issuing from it. This is part of Chile’s commitment to developing a “Strategy for Just Transition” for all relevant sectors to protect the rights of the most vulnerable when decarbonizing the energy matrix. The first such strategy, for the energy sector, was delivered in 2021, with an initial focus on the populations impacted by the early retirement of coal-fired power plants. Although initial definitions of vulnerability were limited to this population, for future strategies the most vulnerable populations in each region will be identified following a bottom-up approach. With this in mind, each strategy will develop targeted actions, such as capacity building activities to promote employment. The possibility of revenue recycling as a means of financing just transition strategies and actions will also be explored.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

This standard is relevant.

(i) Chile’s strategies and plans to prevent adverse environmental downstream effects as a consequence of transitioning to renewable energy:
Chile is committed to developing a “Strategy for Just Transition” for all relevant sectors to protect the rights of the most vulnerable in decarbonizing the energy matrix, as well as the environment. The strategy to be delivered, for the Energy Sector, is based on four pillars, including one on “environmental development and territorial approach”, which focuses on promoting positive environmental and social impacts through the process of closing coal-fired power plants, through actions consistent with the vision of local and territorial development. The MoE is already working on specific strategies linked to other initiatives, such as the Strategy for Electromobility and the Strategy for Green Hydrogen. Similar strategies are currently under development under the Ministries of Environment, Economy and Labor, following a similar approach through their respective Just Transition teams.

On the other hand, Chile’s SEA is very robust and stringent when evaluating and granting licenses for the development of projects, including those of the renewable energy sector (e.g., solar energy, wind power farms, etc.).This, especially in regards to the adequate management of potential impacts to the landscapes in which facilities are constructed and operated (i.e., land use change and associated biodiversity loss). Commitments for ensuring an adequate management and mitigation of potential project environmental impacts are reflected in “Resoluciones de Calificacion Ambiental”, and monitored throughout project implementation by Chile’s SMA.

(ii) Project TA aligned with Bank’s ESSs:
Based on the information available at this stage, no downstream E&S adverse effects are expected from the outputs and deliverables of components 2, 3 and 4. Regarding C1, no significant downstream adverse environmental effects are expected from its activities, and potential minor ones will be addressed and mitigated as part of the analyses to be conducted. The same is true of any potential social effects. However, all ToRs, work plans, or other documents

defining the scope and outputs of the proposed activities, whether of C1 or of the other components, will have to be consistent with the relevant ESSs, and will be reviewed and approved by the Bank. This, to ensure potential downstream effects are duly considered in the development of project outputs. The Bank's ToR and final product review, together with its no-objection processes, will be described in the project's Operational Manual and reflected in the project's ESCP.

The client will prepare and disclose the ESCP, in English, prior to the Appraisal/Decision step, which will detail those actions to be taken during implementation to ensure compliance with the relevant Environmental and Social Standards, including monitoring and reporting requirements.

Areas where "Use of Borrower Framework" is being considered:

None.

ESS10 Stakeholder Engagement and Information Disclosure

This standard is relevant.

Under the previous PMR project, a number of stakeholder outreach/ communications activities were conducted with the goal of explaining the scope of CPIs in general and the Chilean carbon tax in particular. A broad range of stakeholders were engaged in discussions about the contribution of CPIs to sustainable development, issues and challenges related to the insertion of countries like Chile into international carbon markets, and opportunities for accelerating Chile's decarbonization. The PMR project also maintained a project website that became a repository for all relevant information relating to the implementation of activities under that grant.

Chile's experience with the PMR furthermore showed that progress on the CPI agenda required a detailed mapping of stakeholders, as well as constant dialogue between ministries and state agencies to: i) understand the political and technical feasibility of the instruments in the Chilean context; ii) understand which agencies would be impacted by these instruments; iii) define systems and processes required for the instruments' implementation; iv) understand the short- and long-term impacts of these instruments; v) provide recommendations for implementation. This dialogue and positive feedback loop were possible thanks to the institutional arrangements envisaged at project design, which included a Steering Committee, a Consultative Group of Experts, and regular interactions with the Council of Ministers for Sustainability and Climate Change.

For the current PMI project, these activities and arrangements will be replicated and built upon, as appropriate. In fact, the project includes a component (C2) wholly dedicated to stakeholder engagement, communications, knowledge sharing and capacity building activities, to build consensus around, and disseminate information on, progress on each of the instruments. The PMI team plans to design a national-level communications strategy providing for outreach events and campaigns for the general public to disseminate knowledge, create support for pricing carbon, and communicate progress. This strategy will also include activities on social media and community-level engagements.

The plans under sub-components 2.1 and 2.3 for stakeholder engagement, communications and knowledge exchange activities will be summarized in a simple Stakeholder Engagement Plan (SEP) to be prepared and disclosed as a stand-alone document by the Appraisal/Decision step for the project. The Plan should set forth actions and methods for improving the participation of stakeholders, including disadvantaged or vulnerable ones, in the design, implementation, and evaluation of the climate policy instruments promoted by the project. A draft of the simple SEP will need to be consulted on with key stakeholders prior to its finalization and disclosure. In this sense, the SEP will demonstrate that the project's stakeholder engagement process will begin during project preparation and continue into implementation, during which time the instrument can be updated, if necessary, in response to changing circumstances. The SEP will also describe a project-level Grievance Redress Mechanism (GRM) to be established and, during implementation, managed and/or monitored by the project's socio-environmental specialist. Both the preparation, consultation, and finalization of the SEP and the establishment of the GRM will be ESCP commitments.

It is worth noting that the carbon tax and the offset mechanisms already in place in Chile enjoy broad political support. Since they first became incorporated into the national legal framework in 2014, there has been no push from stakeholders to revert them; rather, the impulse has been to improve these CPIs and expand their scope to other sectors. Their role in climate policy in Chile has been backed by Congress over two different presidential periods, highlighting overall approval for the continued use of CPI instruments to mitigate GHG emissions and promote green investments. The stakeholder engagement activities outlined in the SEP for the PMI project will seek to leverage this broad base of support, while never taking it for granted.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

This standard is relevant.

The project will support technical assistance, and will not include physical interventions of any kind. Project workers will mainly consist of direct workers in a PIU spanning the Climate Change Unit of the Division for Energy and Environmental Policies and Studies in the MoE (one Project Coordinator), AGCID (two fiduciary specialists), and MMA (one technical specialist), all of who will be working on a full-time basis. The project will also involve government civil servants in MoE and MMA working in complementary roles, who will remain subject to the terms and conditions of their existing public-sector employment agreements. Finally, the project will involve contracted workers, in the form of individual consultants and firms responsible for undertaking the various TA-oriented activities.

Requirements related to labor management and working conditions, including worker well-being and health and safety, as well as internal MoE, AGCID and MMA policies and/or codes of conduct to mitigate the risk of sexual exploitation and abuse (SEA)/sexual harassment (SH) or misconduct in the workplace or in relation to the work of consultants, will be incorporated into the project's Operational Manual and reflected in the ESCP, in accordance with ESS2. The ESCP will provide for the enforcement of national labor laws in relation to public sector employment and the application of relevant human resource policies concerning recruitment, discipline, evaluations, and dismissals. The measures to be included in the ESCP in relation to ESS2 will include, inter alia: (i) ensure that project workers are employed based on the principles of equal opportunity, fair treatment, no harassment, and freedom of association; (ii) ensure that all project workers are provided with information and documentation that is clear and understandable regarding their terms and conditions of employment and their rights under national labor laws; and (iii) ensure that appropriate occupational health and safety measures are adopted.

Risks of forced or child labor are not foreseen for this project. A Grievance Redress Mechanism for all workers employed or contracted under the project will be established and maintained throughout its lifecycle. Details will be set forth in the Operational Manual and reflected in the ESCP, and channels to access this mechanism will be made available online.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is relevant.

Project activities will not finance any civil works or other activities which would generate pollution to air, water, and land, or consume finite resources that may threaten people, ecosystem services or the environment at the local, regional, and global levels. Yet, the envisaged improvement of existing carbon pricing instruments (CPIs) would eventually facilitate GHG and local pollutant emission reductions, with net benefits for the climate, and could lead to improvement in resource efficiency.

Regarding the carbon tax offsetting system, it is not expected to have a significant effect in terms of carbon leakage, as the carbon tax in Chile is still low by international standards, having a limited impact on the different sectors. The implementation of offset projects is expected to have a net positive effect, promoting mitigation activities in a cost-effective manner.

On the other hand, even though the definition and implementation of GHG emission standard limits has a potential for carbon leakage, the consideration of targeted mitigation policies will be included as part of the corresponding analysis. These include, for example, support programs to accelerate transition towards cleaner technologies, the exclusion of vulnerable sectors/activities from the mechanism, or the definition of border adjustment taxes.

Similarly, the design of a cap and trade pilot under the energy sector will take into consideration measures to minimize potential carbon leakages to other sectors and/or countries.

Ultimately, even though no significant downstream adverse environmental effects are expected from C1 activities, potential minor ones will be addressed and mitigated as part of the analyses to be conducted. All ToRs, work plans, or other documents defining the scope and outputs of the proposed activities, whether of C1 or of the other components, will have to be consistent with the requirements of this ESS, and will be reviewed and approved by the Bank. This, to ensure potential downstream effects are duly considered in the development of project outputs. The Bank’s ToR and final product review, together with its no-objection processes, will be described in the project’s Operational Manual and reflected in the project’s ESCP.

ESS4 Community Health and Safety

This standard is not relevant. No community health and safety issues are expected as a result of project activities, nor will these activities affect ecosystem services.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is not relevant. The project does not support civil works and will not otherwise involve any land acquisition resulting in physical and/or economic displacement.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not relevant. The project will not impact biodiversity or living natural resources.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is not relevant. While the scope of the project is nationwide, and indigenous peoples are physically present within the Chilean national territory, the TA-oriented nature of project activities will be focused on the development of policy and fiscal instruments. No significant downstream adverse social effects are expected from these activities, and potential minor ones will be addressed and mitigated as part of the analyses to be conducted. Where benefits are generated, they will accrue to the national (and, indeed, global) population generally, and should the CPIs to be developed and promoted create the possibility of any adverse impacts, indigenous peoples will be considered as one among many vulnerable social groups in the analysis or modeling of distributional impacts. In other words, considerations of vulnerability in the project will be driven by attention to the “disadvantaged or vulnerable” as expressed in ESS1. In this sense, the Bank’s review of all ToRs, work plans, or other documents defining the scope and outputs of the proposed activities, regardless of the component, to ensure their consistency with the relevant ESSs will necessarily include indigenous peoples, together with other vulnerable groups, and the wide-ranging nature of the stakeholder outreach and consultations to be outlined in the SEP for the project will also include them, as relevant.

ESS8 Cultural Heritage

This standard is not relevant. The project will not have any impact on tangible or intangible cultural resources.

ESS9 Financial Intermediaries

This standard is not relevant. The project will not include any financial intermediaries.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
OP 7.60 Projects in Disputed Areas	No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?

No

Financing Partners

Not applicable

B. Proposed Measures, Actions and Timing (Borrower's commitments)

Actions to be completed prior to Bank Board Approval:

- Develop and disclose the ESCP, in English, prior to Appraisal/Decision step.
- Develop, consult on and disclose the final SEP prior to Appraisal/Decision step.
- Include labor standards in the ESCP and in the project's Operational Manual prior to Appraisal/Decision step.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

- Budget, staffing, and operational arrangements for ESF implementation requirements.
- Terms of References (ToRs) for project-financed activities to be reviewed by the Bank to ensure that the requirements of the ESF are effectively integrated.

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: The Republic of Chile

Implementing Agency(ies)

Implementing Agency: AGCID

Implementing Agency: Ministry of Energy

Implementing Agency: Ministry of Environment

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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