# INTEGRATED SAFEGUARDS DATA SHEET
# CONCEPT STAGE

**Report No.**: ISDSC1169

**Date ISDS Prepared/Updated:** 28-Jul-2015

**Date ISDS Approved/Disclosed:** 30-Jul-2015

## I. BASIC INFORMATION

### A. Basic Project Data

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| **Country:** | Philippines | **Project ID:** | P153153 |
| **Project Name:** | PEACE Financing Facility (P153153) | | |
| **Task Team Leader(s):** | Harideep Singh,Nataliya Mylenko | | |
| **Estimated Appraisal Date:** | 01-Sep-2015 | **Estimated Board Date:** | 22-Dec-2015 |
| **Managing Unit:** | GFA02 | **Lending Instrument:** | Investment Project Financing |
| **Sector(s):** | General agriculture, fishing and forestry sector (50%), Agro-industry, marketing, and trade (50%) | | |
| **Theme(s):** | Rural services and infrastructure (80%), Rural non-farm income generation (20%) | | |

**Financing (In USD Million)**

| | | | |
|---|---|---|---|
| Total Project Cost: | 332.00 | Total Bank Financing: | 136.00 |
| Financing Gap: | 0.00 | | |

| Financing Source | Amount |
|---|---|
| Borrower | 60.00 |
| International Bank for Reconstruction and Development | 136.00 |
| Bilateral Agencies (unidentified) | 136.00 |
| Total | 332.00 |

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| **Environmental Category:** | F - Financial Intermediary Assessment |
| **Is this a Repeater project?** | No |

### B. Project Objectives

The PDO will be to generate investment in agriculture and agri-business related activities to create sustainable jobs and income generation opportunities in Bangsamoro.

### C. Project Description

A. Lending Instrument

The proposed lending instrument is the Investment Project Financing (IPF). The IBRD loan would be made to the Land Bank of Philippines (LBP) with the Government of Philippines providing the sovereign guarantee. LBP would also be the on-lending agency, and would offer financing in accordance with the on-lending terms to end-borrowers for sub-projects that meet the eligibility criteria.

The total project cost is estimated at US$332 million. The tentative financing requirement for the proposed project is estimated at US$272 million, with the Bank and JICA share at US$136 million each. JICA had originally committed to provide 50% of the financing requirement. This will be confirmed during preparation. The project period is expected to be five years (expected implementation commencement in October 2015 and completion in December 2020), with project closing in June 2021.

B. Project Components

B1. Tentative Description of Component 1: Investment Development Fund (US$265 million)

The proposed project will provide a line of credit to LBP at a concessional rate to on-lend to eligible sub-borrowers, directly or through accredited conduits.

LBP Investment Development Fund Line of Credit Cost. This is highly tentative, and based on three main aspects: (a) the choice of the loan – variable spread loan; currency pool loan; or single currency pool loan; (b) the grace period; and (c) the final maturity. For a IBRD flexible loan with a variable spread, with a 5.5 years grace period, and with a 30 year maturity, the average maturity would be between 15-18 years window. For this block, the variable spread at this time is 70 basis points. The reference rate is the 6-month LIBOR which, for the past several months, has been hovering at about 35 basis points. The Bank loan will carry a fixed, one-time Front-end Fee (25 basis points), and a Commitment Charge of 25 basis points for any loan signed after September 30, 2014. The total cost of the loan effectively is therefore expected to be around 100 basis points + one time FEF of 25 basis points + Commitment Charge of 25 basis points on undisbursed balance in the loan account. The repayment guarantee fee of 1% and the foreign exchange risk fee of 3% (usually charged by the Department of Finance) would need to be waived or subsidized to maintain the concessionality in the cost associated with the line of credit to LBP for local currency denominated sub-loans.

Sub-loans Eligibility Criteria. Sub-loans would be demand-driven and made to end-borrowers meeting a set of eligibility criteria. These could tentatively be as follows (but would be more elaborately defined during preparation):

(a) Project area to be the designated Bangsamoro region, although sub-loans could be for sub-projects outside of Bangsamoro so long as more than an agreed proportion of its production (perhaps not lower than 60%) is accessed from Bangsamoro.
(b) Sub-projects should be economically and financially viable, as well as technically and environmentally sound.
(c) Sub-loans should be for capital investments in productive assets and associated working capital needs.
(d) Sub-projects financed will be subject to Environmental Safeguards compliance and the

funding will be aimed at sustainable investments that do not produce negative environmental impacts.

(e) Sub-projects financed will be subject to compliance with requirements under the Bank's social safeguard policies, particularly those relating to Involuntary Resettlement and Indigenous Peoples.

Sub-loan On-lending Rate and Terms to End-borrowers. The facility is intended to create incentives and a demonstration effect, and thus not considered to be a permanent mechanism. As such, while the project will not dictate or prescribe any lending rate, the actual lending rates may have to be lower than market rates to attract private sector investment and these would be determined by LBP considering the credit-worthiness of the end-borrower. LBP and its accredited conduits would price the loans according to the risk profile of sub-borrowers and sub-projects and make enough profits to absorb potential future losses.

The credit risk would be borne by LBP, such sub-loans would be fully secured, and the foreign exchange risk would be borne by the Government for Peso-denominated local currency sub-loans while that for US$ and Japanese Yen-denominated sub-loans, such risk would be borne by the end-borrowers.

The total on-lending rate to an end-borrower could be between 2.5%-3.5% per annum, consisting of the following: the LBP line of credit cost (about 1%) + LBP cost of administration of the loan (about 1%), and the credit default risk (this could be between 0.5%- 1.5% depending on client creditworthiness). The Commitment Charge may also be factored into the on-lending rate (to be discussed during preparation).

Prudential regulations and internal LBP credit policy would guide the threshold on the size of the sub-loans. The appraisal of the sub-loans would be subject to the policies and procedures of the Codified Approving and Signing Authorities (CASA) of the LBP, and the depth of the appraisal process would be commensurate with the size of the sub-loans. The loan duration could be up to 15 years , including a grace period to be determined on the basis of the tree-crop immaturity period. LBP offers outlier loans for 15 years but these are more of an exception rather than the rule, and the period is based on the projected cash flows from the investment. Under the project, LBP will have flexibility to set sub-loan tenor (where required, exceeding 15 years) in accordance with the sub-project cash flow, as one of the benefits of financing from JICA and WBG is to allow LBP to provide longer term loans that would not be possible under the regulations.



Loan Intermediation. It is likely that loans to private sector corporate sub-borrowers may be intermediated directly by LBP, whereas loans to cooperatives and farmers organizations/associations, MSMEs could possibly be intermediated directly by LBP or through its accredited conduits such as financial cooperatives, thrift banks, or micro-financial institutions. This is the model that LBP is presently using for its own programs.

Eligible End-borrower Categories. Three main potential categories of sub-borrowers have been identified at this stage:

(a) Large Private Corporations: This essentially covers nucleus estate type sub-projects – private entities leasing in land from local owners for an extended period (15-20 years under some present arrangements), carrying out land preparation and planting activity, deploying local community members as labor as per local labor and wage laws. This would also include in-estate infrastructure development such as access roads, captive power generation, etc. for new or expansion investment.

To accommodate sub-borrowers' specific needs, sub-loans could either be Peso-denominated, US$-denominated, or Yen-denominated (depending on whether the sub-borrower plans to produce exportables). If the sub-loan is in US$ or Japanese Yen-denominated, the foreign exchange risk will be borne by the end-borrower.

The loan will be at the concessional rate, for a maximum of 15 years, including grace period based on the immaturity period of the specific commodity being produced, reflecting sub-project cash flow generation potential (to be determined during preparation).

Where feasible, the project would support private sector operations which embrace the out-grower or contract farming approaches which would mitigate risks and issues emanating from the long-term lease of lands at near rock-bottom rates from the population.

Based on the discussions with private sector during the round-tables, about 15 sub-projects are expected, each with an average sub-loan of about US$15 million (actual sub-loan amount for individual sub-projects could be higher or lower than the average), totaling to a lending of US$225 million. With an expected end-borrower contribution of about 20%, the 15 sub-projects would produce an investment of US$280 million.

(b) Cooperatives (Producers' Organizations) and private anchor firms: Financing of organized smallholders is required for inclusiveness, reaching a larger proportion of the population, and widening the basis for economic growth. Sourcing directly from smallholders will increase the likelihood of attracting large private firms willing to support contract farming or out-grower schemes.

The sub-loan to cooperatives (producers' organizations) would be for direct investment or for on-lending to member farmers for existing or newly formed cooperatives. The sub-loans would also cover private firms which propose to source produce through contract farming or out-grower schemes.

The loan will be at the concessional rate, for a maximum of 15 years, including grace period based on the immaturity period of the specific commodity being produced, reflecting sub-project cash flow generation potential (to be determined during preparation).

Two options would be explored during preparation: Due to asset poverty of this group: (i) Adopt the standard on-lending terms but with 10% end-borrower contribution; or (ii) Adopt the standard on-lending terms with the standard 20% end-borrower contribution.

About 100 sub-projects are projected to be financed, each with an average sub-loan size of about US $350,000 (actual sub-loan amount for individual sub-projects could be higher or lower than the average), totaling to a lending of US$35 million. With an expected end-borrower contribution of about 10%, the 80 sub-projects would generate an investment of US$39 million.

(c) Micro, Small and Medium Enterprises: This category will offer income generation opportunities to those who have no access to land or do not propose to engage in agriculture. This would support agriculture or agri-business by providing ancillary or tertiary services along the value chain (cold storage, post-harvest facilities, farm inputs and supplies, repairs and maintenance, connectivity to markets, among other interventions).

The loan will be at the concessional rate, for a maximum of 7 years, including grace period reflecting sub-project cash flow generation potential (to be determined during preparation)

About 1,000 sub-projects are projected to be financed, each with an average sub-loan size of about US$5,000 (actual loan amount could be higher), totaling to a lending of US$5 million. With an expected end-borrower contribution of about 20%, the 1,000 sub-projects cost would generate an investment of about US$6 million.

B2. Tentative Description of Component 2: Capacity Building, Institutional Development, M&E

This component would be financed out of grant funding from JICA (US$7-10 million) and would consist of the following activities:

(a) Capacity building of Cooperatives (producers' associations/organizations). This would be done through promotion, training and technical assistance to: (i) promote partnerships between smallholders and private sector buyers; (ii) help associations and purchasers enter into fair and feasible marketing agreements; and (iii) ensure producer a ssociations deliver on commitments under marketing agreements (by organizing investments and TA in production systems, and by facilitating operations). This would be based on deepening and operationalizing the knowledge that LBP already has (Food Supply Chain Program, Grassroots Development Program, and others) in the context of the project-supported cooperatives and anchor firms.

(b) Deepening outreach and access to financial services. This would be done through capacity building of lending centers to market the project line of credit, and through dissemination programs by Cooperative Development Authority, Local Government Units, Department of SMEs, Commodity Boards, etc. to publicize the concessional loans offered under the project. This sub-component will also support coordination with other local partners in the Bangsamoro region, such as the Regional Board of Investment (RBOI), Department of Trade and Industry (DTI), and Department of Agriculture and Fisheries (DAF) in the Autonomous Region in Muslim Mindanao (ARMM).



(c) Monitoring and Evaluation. This would support mid-term and final project completion assessments. In addition, it would also support two external audits of a sample of the sub-projects to ascertain compliance with environmental and social safeguard requirements under the project, and a third external audit related to procurement contracts at the sub-borrower level.

(d) Strengthening LBP safeguards department capacity, particularly social safeguards.

TA under (a) and (b) would be provided by a wide range of actors, depending on existing capacities and future needs. It could be farmed out by LBP either through consulting contracts with private service providers or NGOs, or through MOUs with some existing coordinating agencies such as Department of Agriculture, Department of Agrarian Reform, Department of Science and Technology, among others, with demonstrated capacity in these activities. Activities under (c) would be carried out by contracted consulting firms. Activities under (d) would be carried out partly through training and partly through retainership services of a consulting firm with social skills and expertise.

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

Physical Context

The Bangsamoro region is located in the southwestern part of the Philippines with a total land area of 1,488,353 hectares. The proposed core territory is composed of the following:

(a) Autonomous region of Muslim Mindanao (ARMM) consisting of five provinces and one city;
(b) The municipalities of Baloi, Munai, Nunungan, Pantar, Tagoloan, and Tangkal in the province of Lanao del Norte;
(c) The thirty nine (39) barangays in the municipalities of Kabacan, Carmen, Aleosan, Pigkawayan, Pikit, and Midsayap in the province of North Cotabato who voted for inclusion in the ARMM in 2001 plebiscite;
(d) The cities of Lamitan and Isabela in the province of Basilan; and
(e) Other contiguous areas that may opt to be included in the Bangsamoro region during the 2015 plebiscite.

An important geographic feature of the Bangsamoro region is the river basins that encompass the area. The river basins are composed of watersheds that collect and provide water to streams and rivers eventually draining to receiving bodies like lakes, marshes or the sea. The mainland provinces of the Bangsamoro region are located within the Mindanao River Basin, the second largest river basin in the country, and spans across four regions in Central and Southern Mindanao including the Bangsamoro region. Major rivers within the region include the Ambal-Simuay River System originating from Lanao del Sur and the Buluan-Malungon River, originating from the far southeastern portion of Mindanao.

A characteristic feature and associated with the Mindanao river basin in the Bangsamoro region is the Ligawasan Marsh. This wetland is composed of three marshlands: Ligawasan, Libungan and Ebpanan Marshes which together with other minor swamps and marshes, have a combined area of approximately 285,000 hectares. These marshes serve as the receptacle of the Mindanao river basin such that with persistently heavy rainfall, the marshes merge, breach their banks and swell to about 350,000 hectares. There are also lakes located in the Bangsamoro region. The largest of these are Lake Lanao and Lake Buluan with areas of 34,000 and 6,134 hectares respectively. These bodies of water are considered to be major lakes in the Philippines and are the third and sixth largest lakes in the country.

Approximately half of the total land area of the Bangsamoro region is considered forestland. As a proxy indicator of forestland, The Forestry Statistics for 2012 from the Forest Management Bureau estimates that of the 1,293,552 hectares in the ARMM, 51% or 665,151 hectares are classified as forestland. The overall forest cover (as percentage of the forestland) of the region has increased between the period of 2003 and 2010 by approximately 21%.

There are ten (10) protected areas in the region with specific legal declarations and totaling approximately 184,000 hectares. The biggest of these are the Lake Lanao Watershed Reservation with a total area of 180,460 hectares and the South Upi Watershed Forest Reserve with 1,894 hectares. There are also other proclaimed watershed reservations that are not part of the protected areas system such as the Kabulnan Watershed and the Dimapatoy Watershed in Maguidanao. The Bangsamaro region has approximately 3,232 km of coastline and around 18,420 hectares of ocean waters. The Sulu Sea belonging to the Sulu-Sulawesi (Celebes) marine ecoregion is the most prominent marine ecosystem in the Bangsamoro region. This large marine ecosystem is one of the most diverse and productive in the world and was recently recognized as a marine biodiversity hotspot for the variety of habitats it supports, from reefs to the mangroves



Tri-People Context

In 2010 ARMM registered a total population of 3,248,787. The people have been generally described to include the: (i) Moros or Muslims, (ii) Lumads, and (iii) settlers who are mostly Christians from Luzon and the Visayas. The Muslims comprise the overwhelming majority in the five provinces and one city of ARMM. Based on the combined databases of the Office of Southern Cultural Communities (OSCC) in ARMM and the National Commission on Indigenous People (NCIP) in Basilan, the total population of indigenous people in ARMM in 2010 was 606,452 or 18.6% of the total population in the same year.

Poverty Context

In 2012 the region posted the highest poverty incidence among families across all regions in the country. As of first semester of 2012, poverty incidence is at 46.9 and subsistence incidence is at 20.4, which means that about 46.9% of every 100 families are poor, with their income incapable of providing the basic food requirements. Among the five provinces, Lanao del Sur had the highest poverty incidence of 68.9, followed by Maguindanao at 57.8. Three of the five provinces of ARMM had the lowest Human Development Index (HDI) across provinces in the whole country in 2009.

Conflict Context



Due to its protracted nature, the conflict in the Bangsamoro area has mutated in various forms. Vertical conflict (state versus rebel groups) is primarily between the government and the MILF, but other armed groups such as the remnants of the MNLF, the BIFF (under Ombra Kato), and elements of the Abu Sayyaf groups pose challenges to state authority. Horizontal conflicts abound such as political elites competing for key electoral positions in the government or control over scarce resource in the area, inter-ethnic competition (IPs versus Moros, Maranaos versus Maguindanaoans), or inter-communal conflict (Christians versus Moros, MILF versus MNLF). Many of these horizontal conflicts are lumped together under the phenomenon of "rido" (clan wars). International Alert and WB (2014) noted that the incidences of horizontal conflicts outnumber those of vertical conflicts particularly when the peace negotiations occurred between GPH and the MILF and after the signing of the FAB in October 2012. However, they admonished that the decline in the incidence of vertical conflict and a rise in horizontal conflict should similarly be a cause of concern because the latter can easily transform into vertical conflicts given the interwoven nature of personal relationships in the Bangsamoro. The "feudalistic nature" of its society enables a prominent clan member who holds political power to use state resources against his enemy who will conveniently form an alliance with rebel groups to counter the overwhelming force of his rival.

Political-Economy Context

In most of the proposed Bangsamoro territory there is an intimate relationship between those who exercise political control and the local business leaders. In many LGUs the most prominent businesses are those owned or controlled by the families that are also the elected LGU leaders. This intertwining of politics and business presents multiple risks for investors. Some existing investors have adapted to this marriage by entering into arrangements that further consolidate local control of political and security controls together with their business investments - for example inviting local

LGU leaders to become partners in a new business can be a form of insurance. However there are risks associated with this strategy, including the political, security and business implications when elections bring about a change in local leadership. There is also a risk that strengthening local political and business control of one family may impact on transparency and accountability at the local level, and may ultimate curb democratic principles.

Aligning with one political grouping or another at a local level is a threat to other groups, given that sources of income are limited at the local level, and any successful business that produces a return has the potential to shift the balance of power at election time in favor of one group over another. Some investors have managed to remain removed from local politics, by maintaining relationships with all political groups. Businesses that require access to large tracts of land find this more difficult to achieve than those that don't, given that local political leaders exert control over large areas and tend to veto powers over new investments in their area. There tends to be less risk for investments that focus on processing rather than production.

That the clan is a mechanism within the Bangsamoro society of dispensing opportunities, providing social protection and bestowing privileges to family and community members has been well documented in the literature (Lara 2007; and Abinales 2000). Important economic and political matters that affect the life of the community will have to pass the approval of the dominant clan before their introduction and implementation in the community. While the system affords an unconventional social protection mechanism particularly for the very poor members of the community, it also has its negative aspect in the form of elite capture of most of the benefits of development assistance (refer to Adriano and Parks). Because of their monopoly control of both economic and political powers in their respective communities, these clans have b ecome virtual gatekeepers in their respective communities. Violence often occurs when the control over a territory by a dominant clan is challenged by another rival clan in the area.

During the field visits two perspectives on the dominance of datus and clan leaders in administering land rights and land use among members of the communities or clans. In one perspective, the dominance of datus is viewed to facilitate the entry of economic development opportunities and the mobilization of the support of the whole community. In another perspective, the dominance of datus is viewed to have caused the displacement and further disempowerment of many small farmers, including indigenous people. A cited example is the amassing of large tracts of land by Datu Andal Ampatuan and his children in Maguindanao where even the judicial courts could not intervene.

## E. Borrowers Institutional Capacity for Safeguard Policies

The Land Bank of the Philippines (LBP), as a government financial intermediary, implements an environmental due diligence (EDD) process for all projects that it finances, including the collateral offered as security. The EDD system of LBP is based significantly on the Philippine EIS System (PEISS) particularly on project classification, coverage, and compliance requirements. The Environmental Clearance Certificate (ECC) is a pre-release condition of the loans and non-compliance with identified applicable environmental laws and regulations is considered as a condition for default.

The environmental due diligence is carried out by the Environmental Program and Management Department (EPMD) of LBP with nine personnel. The EPMD undertakes environmental assessments, performance monitoring and audits as well as environmental compliance report of projects based on environmental risks.

Unlike its practice on environmental safeguards, LBP develops social safeguards policy and installs the necessary social safeguards guidelines and mechanisms only when required by partner donor agencies, such as the World Bank and the Japan International Cooperation Agency. The task of managing social safeguards is not yet institutionalized and merely added to the functions of the EPMD when required.

The LBP has been engaged as a financial intermediary of various projects by the World Bank and JICA and is expected to have a good level of understanding of the environmental and social safeguards requirement of the two institutions. Specifically when it comes to its engagement with the World Bank, LBP capacity in implementing social and environment safeguards was assessed to be satisfactory in the implementation of two projects – the Water Districts Development Project (WDDP) and the Support for Strategic Local Development Investment Project (SSLDIP). The Project Management Office (PMO) created under the WDDP – a Category A project - was retained to manage SSLDIP. The PMO is staffed by qualified engineers, social safeguards/community participation specialists, and environmental specialists. The PMO is supported by a Project Implementation Consultant (PIC) with similar skills complement. The PMO and the PIC conduct regular field visits to subprojects, provide orientation to sub-borrowers on the social and environmental safeguards requirements of the project. They also extend assistance to sub-borrowers in the implementation of subprojects, including the conduct of consultations with various subproject stakeholders. However, given the complex political and social context of this project, LBP's capacity to implement the Bank’s safeguard policies for the proposed project, particularly the capacity to identify and address issues pertaining to OP 4.10 and OP 4.12 and complex subprojects as well as broader political and land conflict issues that the project is likely to face during implementation, would be assessed during preparation. In addition, the capacity of the potential sub-borrowers would also be assessed. A capacity building program for LBP and sub-borrowers will be spelled out in the ESMF.

Safeguards implementation by LBP under the SSLDIP has been rated, on average, Moderately Satisfactory for the last seven years of project implementation. The Integrated Environmental and Social Safeguards Framework developed for the project was found to be generally adequate in its coverage and effectiveness in managing most of the impacts of the enrolled subprojects. However, it was found to be inadequate with respect to Dam Safety guidelines and in addressing IP issues.

### F. Environmental and Social Safeguards Specialists on the Team

Leonardo Jr. Batugal Paat (GENDR)

Roberto B. Tordecilla (GSURR)

## II. SAFEGUARD POLICIES THAT MIGHT APPLY

| Safeguard Policies | Triggered? | Explanation (Optional) |
|---|---|---|
| Environmental Assessment OP/BP 4.01 | Yes | The project is categorized as an FI because it involves financial intermediation by LBP. Potential sub-projects to be financed could be category A or B, with sub-projects from Large Private Corporations likely falling under Category A, and sub-projects from Cooperatives and MSMEs likely falling under Category B. |
| Natural Habitats OP/BP 4.04 | Yes | The Bangsamoro region is known to host various |

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| | | critical and non-critical natural habitats. Within the region are ten (10) declared protected areas, marine sanctuaries and key biodiversity areas. The total area of declared terrestrial (and aquatic) protected area is 184,000 hectares excluding the marine protected areas. There are also additional sites considered as key biodiversity conservation areas however with no legislated protection scheme. The projects that will be supported by the fund facility may have direct impacts on these natural habitats or induce indirect or residual impacts on these habitats. The specific locations and details of the impacts are not known at this stage and therefore screening for further impacts and the corresponding mitigation measures will be undertaken as part of the ESMF preparation. However, a large proportion of land and marine areas covered under the proposed Bangsamoro Territory is classified as protected area and therefore high likelihood that projects may have direct and residual impacts on these areas. |
| Forests OP/BP 4.36 | Yes | Almost half of the total land area of the Bangsamoro is classified as forestland consisting of closed forest, open access forest, mangroves, and brushlands. In the total forestland of the region, the overall forest cover is approximately 21% as of 2010. The forest cover may have been reduced even more with the continuing forestland conversion, clearing and exploitation. The forestland under specific management scheme like Integrated Forest Management Agreement (IFMA) and Community Based Forest Management Agreement (CBFMA) account for approximately 64,915 hectares while areas set aside for conservation and protection (including protected areas and watershed reserves) total to 192,491 hectares. The remaining 61% of the forestland are "open access" that can be potentially exploited or misused.<br><br>The intensification of agricultural production may build additional pressure on further clearing and conversion of forestlands in the future. There may be residual and indirect impacts on the forest areas. The ESMF shall specify project impacts on the forests and the forest-dependent communities including more importantly the measures to address these impacts. |
| Pest Management OP 4.09 | Yes | The establishment of large scale production of |

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| | | limited species of agricultural crops may involve the application pest management tools including chemical and biological controls. Whilst the best practice as observed in some agricultural production processes involve the use of integrated pest management such as the use of natural parasites and vectors targeting the pest population, in some traditional farming systems, chemical controls may still be used to manage pest population pest population. The project may result to increase in the use of pesticides within the influence area. Related to the use of chemical controls in pest management is the exposure risks attendant to the mode of application, specifically aerial spraying in plantations. While definitive exposure and toxicological studies of aerial spraying of pesticides specific to the region still need to establish environmental and health impacts, this issue clearly presents not only environmental and health risks but also reputational risks to the Bank as well. Some LGUs in Mindanao including North Cotabato have already instituted policies banning aerial spraying of pesticides; some other provinces within the Bangsamoro have no clear and specific regulations on the mode of pesticide application.<br><br>To address the anticipated increase in the utilization of pesticides, a Pest Management Plan (PMP) shall be prepared as a stand-alone plan and highlights the Integrated Pest Management (IPM) as a central concept of managing pest population. The PMP shall take into account the pest management practices used in plantations and other agribusiness ventures. The plan will also include an assessment of the applicability and practicability of proposed pest management measures including the current policy environment. Good and replicable practices (and alternative to aerial spraying) will be identified for some plantations that have complied with local ordinances banning aerial spraying as the mode for applying pesticides. |
| Physical Cultural Resources OP/BP 4.11 | TBD | The project is unlikely to affect any physical cultural resources. However, it would appear that impacts on physical cultural resources (including cultural and spiritual sites of local communities) cannot be ruled out until specific subprojects are identified. |
| Indigenous Peoples OP/BP | Yes | One particular group affected by land disputes |

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| 4.10 | | (contrasting statutory and customary systems) are the Indigenous People (IPs). The primary conflict trigger involving IPs is land. With the complex land conflict context, there is strong apprehension among stakeholders that the entry of large agribusiness corporations will threaten the security of tenure of the IPs who live in and have claims over 380,612 hectares of land in Maguindanao alone. There is thus a need for the proposed project to incorporate the necessary mechanisms to promote and protect the rights and welfare of IPs in areas where they are found present or have collective attachment to while encouraging agribusiness investments in the area. |
| Involuntary Resettlement OP/ BP 4.12 | Yes | Land acquisition is an indispensable part of all agribusiness projects or ventures. Doing this in the context of a problematic state of land administration system in the Bangsamoro, with the dominance of few powerful individuals or groups/clans, and the presence of many poor small landowners and landless families, could result in displacement or involuntary resettlement.<br><br>Disputes over land use are the most significant risk for agri-business investments in the future Bangsamoro. The proposed ‘core territories’ of the Bangsamoro include a number of areas within the current ARMM and neighboring municipalities and provinces where conflicts over land have occurred regularly. The ESA will focus more on this and the corresponding ESMF will include clear measures, procedures and institutional arrangements to ensure that the spirit and objectives of OP 4.12 and 4.10 are achieved under this proposed project. |
| Safety of Dams OP/BP 4.37 | Yes | The sub-projects may involve run-of-river irrigation systems, dirt dams, and small water impounding systems as part of the water resources and conservation infrastructure for large scale plantation. Sources of water for irrigation of large scale crop production involve available surface water, complemented by ground water. In some instances, run-of-river hydropower is used to provide power to production operations. The safety issues of these types of infrastructure may have to be assessed as part of the project screening. The ESMF shall specify guidelines on the planning and construction of the infrastructure. |

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| Projects on International Waterways OP/BP 7.50 | No | |
| Projects in Disputed Areas OP/ BP 7.60 | No | |

## III. SAFEGUARD PREPARATION PLAN

**A. Tentative target date for preparing the PAD Stage ISDS:** 15-Aug-2015

**B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing[1] should be specified in the PAD-stage ISDS:**

To deepen the analysis of potential environmental and social impacts of the envisaged project especially along the objectives of OP 4.01, OP 4.12 and OP 4.10, LBP has already completed the environmental and social assessments and prepared an Environmental and Social Management Framework (ESMF) to ensure compliance with the requirements of the policies that are triggered. The ESMF has already been commented upon by both the World Bank and JICA project teams. It also includes provisions relating to an Indigenous Peoples Planning Framework and a Resettlement Policy Framework to address WB requirements under OP 4.10 and OP 4.12 respectively.

## IV. APPROVALS

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|---|---|---|
| Task Team Leader(s): | Name: Harideep Singh,Nataliya Mylenko | |
| ***Approved By:*** | | |
| Safeguards Advisor: | Name: Svend Jensby (SA) | Date: 29-Jul-2015 |
| Practice Manager/ Manager: | Name: Nathan M. Belete (PMGR) | Date: 30-Jul-2015 |



[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.