

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC12187

Date ISDS Prepared/Updated: 22-Jun-2015

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I. BASIC INFORMATION

A. Basic Project Data

Country:	China	Project ID:	P152959
Project Name:	Reduction and Phaseout of PFOS in Priority Sectors (P152959)		
Task Team Leader(s):	Viraj Vithoontien,Solvita Klapare		
Estimated Appraisal Date:	01-Aug-2016	Estimated Board Date:	22-Dec-2016
Managing Unit:	GENDR	Lending Instrument:	Investment Project Financing
GEF Focal Area:	Persistent Organic Pollutants		
Sector(s):	Other industry (90%), Central government administration (10%)		
Theme(s):	Pollution management and environmental health (60%), Environmental policies and institutions (20%), Other environment and natural re sources management (20%)		
Financing (In USD Million)			
Total Project Cost:	169.55	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			145.30
Global Environment Facility (GEF)			24.25
Total			169.55
Environmental Category:	A - Full Assessment		
Is this a Repeater project?	No		

B. Project Objectives

The project development objective is to reduce consumption and production of PFOS in selected industry sectors and enterprises.

C. Project Description

The proposed project will be carried out through four major components described below. While it is expected that GEF resources will be secured in order to finance part of PFOS reduction in the PFOS production facilities and in industries consuming PFOS, significant co-financing would have to be contributed by the industries. It is therefore unlikely to confirm all beneficiary enterprises that will participate in Components 1 and 2 at the project preparation stage. Beneficiary enterprises could only be determined during implementation when clarity on alternatives, financial and regulatory incentives is more evident.

Component 1. PFOS production reduction (total cost US\$44.7 mil, of which GEF US\$6.2 mil). This component will target PFOSF producers, as well as downstream producers of PFOS related chemicals and applications. The Project will provide technology transfer to assist producers to develop, convert, and register non-POPs alternatives. The Project will introduce cleaner production as BAT/BEP for existing PFOS production and for new non-PFOS production facilities, and support closure of redundant PFOSF and PFOS-related chemical production facilities. The potential beneficiaries are twelve PFOSF producers and about 15 producers of PFOS-related chemicals.

Component 2. Reduction of PFOS use (total cost US\$113.2 mil, of which GEF US\$13.3 mil). The project will target to reduce/eliminate PFOS use in the metal plating, pesticide, and fire-fighting foam production facilities. The potential beneficiaries will be selected from 6,000 chromium metal plating enterprises, a few pesticide manufacturers and 15 producers of fire-fighting foam containing PFOS surfactant. Technical and financial assistance to support activities ranging from introduction of new chemicals and manufacturing processes, demonstration of BAT/BEP, conversion of existing facilities, training of workers, promotion of non-PFOS products will be rendered to the participating enterprises.

Component 3. Regulatory Framework (total cost US\$6.3 mil, of which GEF US\$ 2.1 mil). This component will support the relevant authorities to strengthen policies and regulations to monitor production and use of PFOS. It includes, among others, registration of PFOS use, import and export control, update discharge/waste water standards to include PFOS, setting up thresholds for PFOS concentration in products, capacity for screening, accreditation, and appraisal of proposed alternatives for POPs-like characteristics. The Project will also support a design of options for certification/eco-labelling of non-PFOS products, and awareness raising activities.

Component 4. Project Management, Monitoring and Evaluation (total cost US\$ 5.35 mil, of which GEF US\$2.65 mil). This component will support costs associated with day-to-day project management and implementation including procurement, financial management, and environmental and social safeguards functions to be carried out by FECO. The Project will also finance incremental cost in relation to coordination and collaboration with other government agencies, non-government agencies, and the private sector. FECO and the Customs Department will develop a monitoring import/export system for PFOS and PFOS related chemicals. A monitoring system to preempt any diversion of PFOS from acceptable use to other banned applications will be developed. Annual evaluations of the reduction in PFOS use and release which will be carried out by FECO in collaboration with the local Environmental Protection Bureaus (EPBs) will be financed by this component.

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

Most PFOS producers and producers of PFOS secondary products are located in Jiangsu Province in

the southeastern part of China and Hubei Province in the southern part of China. Both provinces have temperate climate conditions with annual precipitation around 1000 mm.

E. Borrowers Institutional Capacity for Safeguard Policies

The Foreign Economic Cooperation Office (FECO) of the Ministry of Environmental Protection (MEP) will be the national implementing agency for the project. It has worked with the WB to prepare and implement a number of POPs projects financed by the GEF in recent years. As most of these POPs projects are category A, FECO has accumulated experiences and capacity of managing projects with a good record in managing environmental and social safeguards issues. However, the potential beneficiary enterprises have little knowledge and experience with the WB safeguard policies and requirements.

F. Environmental and Social Safeguards Specialists on the Team

Meixiang Zhou (GSURR)

Xin Ren (GENDR)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>The project will involve demonstration and pilot activities to reduce production and use of perfluorooctane sulfonic acid (PFOS), a family of chemicals that are toxic, extremely persistent and likely to be carcinogenic to humans. Moreover, the industries to be targeted by the project, i.e. chemical industry and metal plating, are heavily polluting and energy/resource intensive. Overall, the environmental impacts and risks of the project are significant and highly complex. As per the WB safeguard policy, a category A is thus proposed.</p> <p>It is still uncertain whether any beneficiary enterprises could be identified prior to the project appraisal. Some producers or users may decide not to participate in the Project as they could shift their activities to allowed applications that are not subject to any control under the Stockholm Convention. For metal plating applications for which alternatives are expected to result in higher production costs, they may decide to take action only when the phase-out deadline is approaching. Moreover, there are a large number of enterprises producing and using PFOS that are potential beneficiaries of the Project, a substantial number of them will be identified during implementation. Therefore, a framework approach has to be adopted.</p> <p>An Environment and Social Management</p>

		<p>Framework (ESMF) will provide guidance to the selection process, the evaluation of environmental and social risks as well as the proposed measures to manage those risks. The ESMF will include description of each sector/production line involved, their major pollutions and associated environmental issues/risks (e.g. disposal of the replaced materials). The Bank team will work out the ESMF details (e.g. sequencing, conditionality, and etc.) with the client during preparation process.</p> <p>Social risks and impacts may be livelihoods loss or land acquisition from enterprise production line closure or relocation, or impacts on project enterprise employees' job security, local residents in project sites. For example, as a result of possible relocation of a few PFOS enterprises, they may cause a small number of job changes or job losses, local Chinese labor laws and regulations will be followed to ensure appropriate compensation and livelihood restoration for affected workers. In case of 20 or more employees to be laid off at one time by a project enterprise, a separate employee resettlement plan should be prepared by the enterprise and submitted to the Bank team for prior review before actual layoff of staff of the related enterprise be undertaken. Such a plan should be in compliance with both the Chinese government labor regulations and Bank safeguards policy requirements. In case, the project involves any closure or relocation of the existing facilities, social impacts on livelihoods and employees' job security, social management instruments will be included in the ESMF.</p> <p>As most physical activities of the project will be in existing facilities, environmental audit is the instrument to evaluate the facility/operation's compliance with applicable regulations, standards and requirements, including the relevant WB/IFC's Environmental, Health and Safety (EHS) Guidelines. For the gaps and risks identified, mitigation measures will be developed together with monitoring arrangement in the form of an Environmental management Plan (EMP). For site closure and remediation supported under Component 1, environmental site assessment (ESA) is needed in lieu of environmental audit. All audits/ESAs will</p>
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		<p>result in an Environmental Management Plan (EMP) with mitigation measures, supervising and monitoring arrangement to address issues/gaps identified. Terms of Reference (TOR) for environmental audit, EMP and ESA will be prepared as annexes to the ESMF.</p> <p>In addition, the project will introduce cleaner production (CP) as BAT/BEP for existing production. Therefore, a CP audit of production processes (i.e., PFOS production and metal plating) is recommended. It can be conducted as part of the environmental audit process although their focuses are different. Experiences gained through CP audits can also contribute to the development of CP guidance under Component 3. TOR for the CP audit will also be annexed to the ESMF. The ESMF will serve as an umbrella to cover all safeguard instruments (audits/ESAs) and it will provide guidance on how each instrument should be employed.</p> <p>In case beneficiary enterprises are identified during preparation, an environmental audit (including CP audit, if applicable) or site assessment will be carried out. These reports will form part of the appraisal package and also as examples for other enterprises to be identified during implementation. These environmental audits /site assessment will serve as one of the pre-conditions, based on which candidate enterprise will be selected for the GEF support.</p> <p>Before the project appraisal, the ESMF and its annexes need to be publicly disclosed and consulted at least twice as per the WB requirement for category A. The same requirements apply to environmental audits (including CP audit), EMPs and/or ESAs that are to be prepared and carried out by the enterprises.</p>
Natural Habitats OP/BP 4.04	No	The project will take place mostly within existing facilities. If relocation to new facilities is required, it is expected that new location will be in the urban areas where there is basic infrastructure to support industry. Therefore, it does not affect any natural habitats.
Forests OP/BP 4.36	No	Not applicable.
Pest Management OP 4.09	TBD	The project will support use of alternative pest

		control agents to replace PFOS-based insecticides. However, more information on project activities is needed in order to determine if this OP is triggered.
Physical Cultural Resources OP/BP 4.11	No	Most, if not all, project activities will take place within existing facilities. If relocation to new facilities is required, it is expected that new location will be in the urban areas where there is basic infrastructure to support industry. Therefore, it does not affect any physical cultural resources.
Indigenous Peoples OP/BP 4.10	No	The targeted industries are located in urban areas where it is unlikely to have any presence of indigenous peoples by the criteria of the Bank IP term. In case enterprises have to relocate to new areas, they are expected to move to industrial parks within urban or semi-urban areas since the industry needs basic infrastructure support. Such areas are unlikely to have any issues related to indigenous people either.
Involuntary Resettlement OP/ BP 4.12	TBD	<p>Most of the project activities will be carried out within existing facilities with no need for additional land. This policy might be triggered as some enterprises that are currently located in residential areas may want to produce non-PFOS alternatives. However, in some provinces establishment of new chemical processes in facilities located in residential areas will not be allowed. Therefore, they would have to move to a new location which is usually an existing industrial park. In addition, the project will support closure of redundant facilities, including support for site remediation associated with previous production of PFOS. As previously mentioned, it is uncertain whether any beneficiary enterprises would be determined prior to appraisal and if so, it is expected that a substantial number of them would still be determined during project implementation. Hence a social part of the ESMF which includes resettlement policy framework will be prepared.</p> <p>The Client will prepare the following social safeguards instruments for Bank review and will disclose them before commencing appraisal or during project implementation:</p> <p>Documents to be prepared if there is any land acquisition or resettlement identified prior to appraisal and during implementation: Resettlement Action Plans (RAPs), or social safeguards</p>

		<p>instruments including due diligence review of recent land acquired as new location of the project beneficiary enterprise will be prepared according to the Bank safeguards policy as and when required.</p> <p>A professional consultant on social safeguards and broad social development should be hired to work on the social aspect for the project preparation. With its assistance, an RPF to be included in the ESMF will be prepared in both English and Chinese and disclosed to the public before project appraisal.</p>
Safety of Dams OP/BP 4.37	No	Not applicable
Projects on International Waterways OP/BP 7.50	No	Not applicable
Projects in Disputed Areas OP/BP 7.60	No	Not applicable

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 02-May-2016

B. Time frame for launching and completing the safeguard-related studies that may be needed.

The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

The safeguard instrument, Environmental and Social Management Framework (ESMF) and any additional safeguards instruments as determined by the due diligence review of the Project team's Environment and Social Safeguards Specialists, will be developed before appraisal. For beneficiary enterprises identified during project preparation, specific Environmental Management Plan (EMP) and RAP for beneficiary enterprises will be prepared prior to appraisal. The ESMF and any additional required safeguards instruments will be disclosed locally (in local language-Chinese) and in the Bank's Infoshop prior to the appraisal mission.

IV. APPROVALS

Task Team Leader(s):	Name: Viraj Vithoontien,Solvita Klapare	
<i>Approved By:</i>		
Safeguards Advisor:	Name: Peter Leonard (SA)	Date: 25-Jun-2015
Practice Manager/ Manager:	Name: Iain G. Shuker (PMGR)	Date: 25-Jun-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.