

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

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PROJECT NAME	TN-ENERGY EFFICIENCY PROJECT
Region	MIDDLE EAST AND NORTH AFRICA
Sector	District heating and energy efficiency services (100%)
Project ID	P104266
Borrower(s)	GOVERNMENT OF TUNISIA
Implementing Agency	Agence Nationale pour la Maîtrise de l'Énergie (ANME)
Environment Category	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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1. Country and Sector Background

Tunisia has a long tradition in energy conservation....

Tunisia has been a pioneer among developing countries in terms of energy management policy, having formulated and implemented a policy for rational use of energy and promotion of renewables as early as 1985. The energy intensity stopped increasing in the 1990s and has since then declined to the lowest level in the region. However, the intensity remains high compared to some other Mediterranean countries such as Greece and Portugal. Moreover, energy expenditures—energy consumption valued at international energy prices-- accounted for 12% of GDP in 2006, which is a high level compared to industrialized countries (they amount to 4% of GDP in Japan and 7% in Greece).

...and a well established policy, legal and institutional framework for energy efficiency and development of indigenous resources

The 11th Development Plan (2007-2011) sets the broad directions of energy policy, including gradual reduction in energy subsidies, and calls for a scaling-up of investment in energy efficiency and renewable energy. Given the urgency to intensify energy conservation efforts, the Government has formulated a 4 year energy conservation program (4ECP) for the period 2008-11, which was adopted by the Council of Ministers on January 15, 2008 and presented to the public in a National Conference on Energy Management (NCEM) on February 12, 2008. The objective is to reduce the energy intensity of the Tunisian economy by 3% p.a. over the period and to increase the contribution of renewables to 4% of primary energy demand.

The 4ECP proposes to strengthen further the institutional and legal framework which is already well established. Tunisia has had an energy efficiency agency since 1985. The existing agency, Agence Nationale pour la Maîtrise de l'Énergie (ANME), was created in 2004 with an expanded mandate and an increased implementation power, when a new law strengthened the legal framework for energy management. The ANME mission includes implementation of the energy management policy, supporting R, D & D activities, communication, information and training, as well as managing the process of allocating the investment subsidies. An energy efficiency fund (FNME) was created in 2005 to provide investment subsidies for energy efficiency and renewable projects and is

managed by ANME. A legal framework was established for the operation of ESCOs in 2004, and ESCOs have since then flourished, with seven now in operation in Tunisia. The 4ECP calls for regulation to encourage cogeneration and self-generation, by giving third party access to STEG transmission network and setting the rules for buy-back of excess production by STEG.

However, achieving the EE/RE objectives requires the removal of investment barriers and access to new sources of financing

There are barriers, besides lack of appropriate price signals, to the smooth market development of energy efficiency (EE) and renewable energy (RE). Regulations regarding cogeneration and the development of wind energy under IPP or self-generation arrangements are still inadequate. The FNME has limited resources and its range of applications is too narrow. Many industries are still unaware of the benefits of energy efficiency for competitiveness, and their focus remains on productive investment and quality development. EE investment is not attractive to commercial banks because of small deal sizes, high transaction costs, priority given to productive investment, lack of experience with EE, difficulty in structuring arrangements for preparation, financing and implementation of EE projects, etc.. One particular feature of EE financing in Tunisia is the very high collateral requirement, in addition to high interest rates and short loan tenors.

ESCOs have not been able to assist in the removal of those barriers, as they do not have better access to financing resources than industrial companies because they are still in a state of development and are not yet well established. As a result they have been acting more as technical consultants than financial advisor and intermediary.

As recognized in the 4ECP, scaling up of EE/RE in Tunisia would need more attractive financing mechanisms, given overall investment requirements of 1.3 billion Tunisian Dinars for the 11th Plan five years period. FNME and other sources cover only 16% of the amount required. Achieving the objectives is therefore conditioned by access to other sources of financing such as MDB, bilateral donors, commercial banks, public operators and private investors, including households.

Studies¹, conducted for the government to identify financing needs of EE and RE actions under the 11th plan and the subsequent 4 year plan update, have recommended the following support and financing mechanisms:

- Expansion in the amount of subsidies available from FNME, including for cogeneration and wind (one of the actions of the new 4-year plan).
- Dedicated lines of credit, supported by complementary resources and arrangements such as: interest rate reduction; introducing grace periods for reimbursing principal; allowing the banks to reuse the funds; guarantee mechanisms; incentives for ESCOs; use of carbon credits as guarantees.
- A dedicated investment fund, which would finance 10-30% of EE/RE investments.

¹ See

- “Etude des besoins de financement des actions prévues dans le cadre du 11ième plan et propositions de mécanismes complémentaires au FNME ». Rapport Final Décembre 2006. ICE/ALCOR
- « Financement des Projets de Maitrise de l’Energie- Fiche Synthétique » prepared by ANME
- “Accélération de la Politique de Maitrise de l’Energie en Tunisie” Etude ESMAP, Septembre 2008 (rapport provisoire)

- Technical assistance for project identification, financial engineering, awareness raising, training, and organization of dedicated events.

Although, in principle, the first measure to encourage energy efficiency and use of renewables is the application of cost reflective pricing principle, in practice other measures may be implemented first, as, subsidy reform may be a lengthy process, and may not get full acceptance. Therefore other incentives need to be put in place even before subsidies are reduced, in order to kick-start investment in energy efficiency (EE) and renewable energy (RE). Moreover, it is easier to implement a subsidy reduction scheme in an economy with good EE performance, as the resulting consumer price increase has less of a negative impact on the economy and on the standard of living.

The macroeconomic conditions are stable

Gradual but steady structural reforms and sound macroeconomic management have continued to promote strong economic performance (6.3 percent in 2007) and greater resilience to adverse shocks. However, due to demographic pressures (rapid increase in labor supply), the pace of GDP growth remains insufficient to reduce unemployment which hovers around 14 percent of the labor force. The jump in inflation in 2008 eroded the purchasing power of consumers, threatened the competitiveness of firms and made salary negotiations difficult and lengthy. But with the 2009 election looming, a 4.5 percent annual salary increase for the next 3 years was granted to civil servants in November 2008. By the end of 2008, the policy concern shifted from inflation to the global financial crisis, prompting the Government to announce a series of “presidential measures” to reduce the risk to growth of recession in Europe.

Bank staff estimate that Tunisia’s real GDP growth is expected to weaken further to 4.2 percent in 2009, following a slow down in 2008 (4.5 percent now predicted against 6.3 percent in 2007), before rising sharply to 5 percent in 2010. This would reflect several factors, including (i) continued sound macroeconomic policies; (ii) the impact of ongoing structural reforms (supported by the Bank) and (iii) a 20 percent rise in public investment in the 2009 Budget Law to finance large infrastructure projects. Sound and steady macroeconomic and structural policies have helped Tunisia grow above 5% and keep inflation and deficits below 3% in recent years.

The banking sector is stable, competitive and well regulated

In the current context of global financial crisis, Tunisian officials, including the Prime Minister and central bank Governor, are optimistic that Tunisia’s banking sector will not be affected much, at least directly. Indeed, (i) real estate loans represent only 10 percent of GDP (compared with close to 90 percent in the US) and most of them were long-term and fixed-interest (no sub-prime problem); (ii) local banks have little foreign exposure and; (iii) the money market is highly liquid. Furthermore, the economy is not very exposed to a reversal of capital flow since capital inflows to the economy have mostly come through foreign direct investments tied to productive sectors (energy, mechanical engineering and other manufacturing sectors). Although one-third of Tunisian banks have ownership linkages with foreign banks, ability to sustain financing from abroad in these times of global financial is however limited. The main source of vulnerability of Tunisia’s financial sector is the domestic economy. To that effect, the reduction in growth projected in 2009 may reverberate negatively to the financial sector.

That said, some progress has been made on the structural financial sector reform agenda in recent years. Although lingering weaknesses remain, Tunisia’s banking sector is becoming increasingly

resilient thanks to a significant improvement in the supervisory framework in recent years. In line with the FSAP Update 2006, the authorities have indeed taken initial steps to improve the credit culture, promote good governance, and strengthen the legal framework for banks. The Central Bank has been given (by a 2006 law) new powers to monitor the financial system, ensure alignment with prudential norms and regulations, enforce transparency, and supervise publication of financial and economic data.

As a result of the above measures, the quality of banks' asset is improving. Average level of non-performing loans, while still high, declined from 19.7 to 17.3 percent between 2007. The expects to bring this further down to 15 percent in 2009 thanks to the continuation of reforms aimed at strengthening the supervisory framework of banks. Provisioning of non-performing loan, on the other hand, is expected to increase to 70 percent in 2009, from 53.8 percent in 2007 (table x).² Despite the recent credit expansion, the overall capital adequacy ratio for the sector, at 11 percent, is well above the regulatory minimum of 8 percent. Return on equity, at 9 percent and the low but increasing return to assets, point to a reasonable profitability for a sector with solid growth.

A long-standing constraint is the access to finance for the private sector. Medium and long term financing remains scarce. According to the *Institut d'Economie Quantitative's* recent Competitiveness Report (IEQ 2006), 36 percent of Tunisian firms rate access to credit as a major constraint and 53 percent consider the cost of credit too high. The amount of collateral requested by banks is as high as 174 percent of the value of credits requested by firms on average and 203 percent for small firms. Financing of suitable medium to long-term tenor is scarce for all sectors, including energy. In that sector, small scale long-term investments for renewable energy and energy efficiency are particularly constrained. This is one of the constraints limiting the growth of renewable energy in Tunisia – in spite of the existence of a reasonable pipeline of viable renewable projects.

FIs are generally free to set interest and market interest rates charged by the FIs are adequate to cover the administrative costs of mobilizing the necessary resources, the administrative costs both of mobilizing resources and of making and monitoring the loan and collecting repayments. Interest rates charged are above inflation, so real rates are positive.

To neutralize interest rate risk, lending by FIs is indexed to TMM. Following a recent cut of 0.75% in the Taux Directeur by the *Banque Centrale de Tunisie* (BCT), the TMM stood at 4.70%. The FIs add a margin which is on average between 1% and 3% to cover operating costs and risk. This margin can be less than 1% for very good clients with an excellent risk profile or higher than 3% for riskier borrowers. The Ministry of Finance periodically publishes lending rate levels above which lending rates are considered excessive.

Given the limited availability of long term funding locally, the FIs rely heavily on LOCs from foreign lenders, some of which at concessional terms. These LOCs can provide medium to long term funding at fixed interest rates, not otherwise available locally. In light of the expected capital account liberalization, the banks are expected to develop risk management and asset liability management capacity.

² These measures are supported by the Bank-supported Integration and Competitiveness Loan being prepared.

The energy, macroeconomic and financial backgrounds are appropriate for setting up a line of credit to finance well targeted and identified EE/RE projects

Given the well established institutional and legal framework for EE/RE, the stable macroeconomic background and the well performing financial sector, the conditions were deemed right for establishing a line of credit to finance EE/RE projects. However, given previous experience in Tunisia and elsewhere, it was deemed to be more appropriate to focus on a few selected market segments rather than making the line of credit available to all EE/RE actions. To that end, priorities were established for each of the actions covered by the 4ECP based on the following criteria: (1) contribution to 4ECP objectives and strategic importance, (2) maturity, (3) cost-effectiveness (investment required per toe saved), (4) ease of implementation and (5) financing needs. As a result, the EE/RE line of credit would focus in a first phase on industrial energy efficiency and cogeneration, where financing needs are estimated at 167 million TD, beyond the financial support obtained from FNME and other government institution.

2. Objectives

The overall development objective of the proposed project is to scale up industrial energy efficiency and cogeneration investments, and thereby contribute to the Government's new Four-year Energy Conservation Program.

3. Rationale for Bank Involvement

The proposed project leverages the Bank Group's experience in EE/RE lending in several countries (China, Turkey, Croatia, Romania, etc.), and builds upon previous lending and grant projects in Tunisia, as well as analytical activities that have identified measures needed to overcome barriers to EE/RE investment. Key lessons learned from previous experience show that EE credit lines should be convincing enough to stimulate enough investment, while not creating market distortion that would generate excess investment in low profitability projects.

The purpose of the proposed project is to set-up a financing mechanism that will overcome some of the barriers to EE investment in Tunisia: (i) low priority given to EE investment, because of high front-end cost, nature of investment which is defensive rather than productive, profitability reduced by low energy prices due to subsidies and low level of investment and (ii) lack of access to long-term credit at attractive rates. This will be done by offering funds at attractive terms (maturity, interest rate) to participating banks and final beneficiaries, under a dedicated credit line.

Finally, given that Tunisia is a leader in energy efficiency in the region, and has strong technical expertise of the subject, the proposed operation would set the trend for an EE financing model not only for Tunisia but also for the MENA region.

While the energy sector is not specifically mentioned in the Tunisia CAS, the proposed project is consistent with the CAS objective of strengthening the business environment, to support the development of a more competitive, internationally integrated private sector, and improve competitiveness of the Tunisian economy. The proposed project will reduce the energy cost burden for industry and for the economy in general, therefore improving competitiveness. It will increase electricity self-generation by industry, making the manufacturing sector less vulnerable to risk of supply disruption and to international energy prices. Finally, it will reduce the fiscal burden of

energy subsidies, thanks to a lower level of energy consumption per unit of output, and assist in the transition to a low carbon economy.

4. Description

A. Lending instrument

The Bank loan will be lent to three or four participating financial intermediaries (PFIs), with a guarantee from the Republic of Tunisia (RoT). The Bank loan will be on-lent for energy efficiency and cogeneration projects in industry..

B. Project development objective and key indicators

The overall development objective of the proposed project is to scale up industrial energy efficiency and cogeneration investments, and thereby contribute to the Government's new Four-year Energy Conservation Program.

The key performance indicators will be:

- Investments in industrial energy efficiency and cogeneration projects financed through the line of credit;
- Energy savings from industrial energy efficiency and cogeneration projects financed through the line of credit;
- Reduction in greenhouse gas emissions from industrial energy efficiency and cogeneration projects financed through the line of credit.

C. Project components

The project concept was designed to provide an integrated technical and financial analysis of end-use projects to be financed by PFIs. To avoid lengthy and cumbersome application processes for projects that commercial banks would not be interested in financing, the ANME would work closely with PFIs to prescreen projects for financing. This set-up would also allow the integration of FNME subsidies (FNME is managed by ANME), other grants and loans from different sources in the financing plan of each project, therefore avoiding that projects do not reach financial close because of lack of one of the components of the financing plan.

The close relationship between ANME and the PFIs will facilitate a rapid and strong take off of the overall project, as a strong pipeline of cogeneration and industrial energy efficiency projects (IEE) has already been identified at ANME. The 2009 action plan prepared by the cogeneration Task Force has estimated the potential for cogeneration at 73 MW. The most promising sectors are ceramics and non-metallic minerals and the food industry. The pipeline of projects under development for 2009 would already lead to 22 MW installed, with a further 22.5 MW highly likely. The resulting annual energy savings from the 44.5 MW installed in 2009 would be 29 million tones of oil equivalent (mtoe).

Each IEE and cogeneration sub-project is expected to get its financing from three possible sources:

- FNME investment subsidy, and possibly the PEEI subsidy;
- Loans from one of the PFI, and possibly other commercial banks;
- Equity financing by project sponsors (loan beneficiaries).

The project has only one component: a line of credit to PFIs to finance industrial energy efficiency and cogeneration projects (IEECLOC), financed with a Bank loan of \$50 million (\$70 millions if a fourth bank is confirmed)³. The IBRD loan would be lent, with a guarantee from the Republic of Tunisia, to three or four commercial banks, which would on-lend to companies for eligible EE subprojects following their lending policies and procedures. Eligibility of the projects would be assessed by the banks according to an operational manual⁴ which has been developed during project preparation and agreed during negotiations. The domestic commercial banks would be responsible for loan repayment and assume all financial risk.

The participating commercial banks have been selected in partnership with the Central Bank of Tunisia, through a transparent competitive process. The three confirmed participating financial intermediaries already confirmed are: *Amen Bank (AB)*, *Banque de l'Habitat (BH)*, and *Banque de Tunisie (BT)*. A fourth one, the *Banque de Financement des Petites et Moyennes Entreprises (BFPME)* is also being considered but still awaits confirmation. Besides complying with Bank rules for FI (OP8.30), these PFIs were selected on the basis of a few criteria that ensure the success of the credit line: a good knowledge of lending for industrial projects, some familiarity with EE projects, reasonable collateral and operating margin requirements, and the ability to evaluate projects, particularly in terms of risk.

Technical assistance is useful to complement lines of credit to provide support to FIs/PIU to develop an EE portfolio, and to prepare business plans for sub-projects and evaluate the sub-projects proposed for financing. Indeed all previous experience⁵ points to the need for on-going technical support to address emerging barriers, provide ongoing skill enhancement, and counteract behavioral barriers. The main areas where support could usefully complement the lending would be (a) training and capacity building of the commercial banks in the area of energy efficiency and cogeneration; (b) providing support to project developers to assist in the preparatory studies and business development assistance including technical and financial feasibility studies; and (d) support for targeted awareness and training efforts to support pipeline development efforts. Technical assistance can be set up gradually as needed, without compromising the chance of success of IEECLOC, as ANME has strong capabilities and resources that will allow it to provide the support required to PIFs in the area of business planning and sub-project evaluation. ANME also already benefits from technical assistance from various sources that aim at supporting skill enhancement or capacity building. Finally a strong pipeline of projects already exists, developed in part through ANME, so gradual implementation of technical assistance will not pose a risk to the rapid take-up of IEECLOC.

³ The possibility of accessing CTF resources, in particular through a regional investment plan, will be explored at a later date, in order to further improve the attractiveness of EE/RE investment, given the positive impact of the project on CO2 emission reduction and the strategic importance of EE/RE development for the country.

⁴ Manual has been prepared making use of existing manuals prepared for similar projects as much as possible.

⁵ See WEC report "Energy Efficiency Policies around the World" in addition to the book previously referenced.

5. **Financing**

Source:	(\$m.)
Borrower	0
International Bank for Reconstruction and Development	70
Total	70

6. **Implementation**

The proposed project will be implemented over five years. The Project Implementation Unit (PIU) is located at the *Agence Nationale pour la Maîtrise de l'Énergie* (ANME), where all the relevant technical expertise is sitting. The PIU will be in charge of the monitoring and coordination of all project activities. Its responsibilities include the verification of each proposed sub-project's technical eligibility to the line of credit, supervision and recording of all credits provided by the financial intermediaries under the Line of Credit, the lead and oversight of all technical assistance activities, the monitoring of the performance indicators, and that all reporting, fiduciary and safeguard measures are complied with. A detailed chart of the PIU's areas of intervention, as well as a summary of the key transaction flows is provided in Annex 6.

The Ministry of International Cooperation will represent the Republic of Tunisia in signing a guarantee agreement with the Bank, while individual loan agreements with each participating financial institution will be signed directly with the World Bank. A separate collaboration agreement between the ANME and each PFI will also be drawn. To a large extent, the loan activities will be implemented within the existing institutional framework and under the framework of the FI's existing business procedures and regulations, but also in compliance with implementation procedures as detailed in the operational manual. This manual covers all requirements related to eligibility, financial management, procurement arrangements, detailed institutional arrangements, economic, financial, technical, environmental, and social due diligence procedures and methodology.

7. **Sustainability**

The proposed project was requested by the ROT as a key part of its ongoing effort to broaden and scale up market-based energy efficiency initiatives, especially in industrial energy efficiency investment financing. ROT and various independent assessments have confirmed that there are large untapped bankable energy conservation investment opportunities in energy-intensive industries (ex. cement, paper), and that the domestic banking sector could develop and sustain viable commercial energy conservation lending business that would dramatically increase investments in industrial energy efficiency. The proposed project has been designed together with the ANME, the Government and the banking sector to address their critical concerns regarding market entry barriers and business risks related to the financing of industrial energy efficiency projects.

Sustainability will be ensured through the integrated, two-fold approach of the project: operational engagement of financial institutions by making available an attractive line of credit dedicated to industrial EE investments, the provision of technical assistance for capacity and market development of EE activities of financial institutions for demonstration of their viability at the early stage of project implementation, and the support of complementary technical expertise and knowledge of the ANME.

8. Lessons Learned from Past Operations in the Country/Sector

The proposed project builds upon a GEF project in Tunisia “Development of an Energy Efficiency Program in the industrial sector”. The present project will scale up the previous work in industry, and will seek to address areas not sufficiently covered by the previous activity, drawing lessons from previous experience. The GEF project focused on technical assistance and financing through ESCOs. However, commercial banks in Tunisia are conservative and reluctant to lend to newly formed ESCOs. ESCOs are small and have no track record, making it difficult for them to obtain financing from banks and to market their services to industries and other EE investment beneficiaries.

A lesson from the GEF project and previous analytical work is that a combination of “command-and-control” measures, such as norms and standards, and awareness raising activities are necessary to encourage EE investment, especially when energy prices do not provide the correct signal. The 4ECP sets an action plan that will attempt to overcome some of the institutional and cultural/information barriers. The proposed project will set up financing mechanisms to complement the 4ECP and ensure successful implementation of the EE policy and related action plan.

The proposed project also draws on the ESMAP study “A new impetus for Tunisia’s energy management policy”, which identifies barriers to the efficient use of energy and development of renewable, and proposes solutions. The study recommends the set-up of financing mechanisms dedicated to EE, such as lines of credit, equity funds or guarantee mechanisms. The proposed project will implement some of the recommendations by developing one of the suggested financing mechanisms.

The MENA Regional Energy Efficiency Study referred to earlier states that the right financial arrangement depends on such factors, as the capacity of financial institutions, the EE market segments and decision makers and the capacity of both projects sponsors and ESCOs. The proposed line of credit has been set-up taking into account the specific situation in Tunisia, which has strong institutional capabilities and a strong pipeline of cogeneration projects waiting for financing, as well as long and successful experience with contrats-programmes.

More generally, the proposed project leverages the Bank’s experience in EE/RE lending through numerous operations in China, Turkey, Croatia, Romania and elsewhere, as reported in the recently published book “Financing Energy Efficiency”. Key principles include: (i) delivery mechanisms need to be customized, based on intensive study of the local institutional environment; (ii) market distortion must be avoided for the EE market to be sustainable and scalable, and end-users should, as much as possible, face commercial terms for financing and technical services; (iii) appropriate incentives must be included for every important player to participate, or deal flow will not occur. As indicated above, the proposed line of credit was designed specifically for the Tunisian situation, includes no unnecessary subsidized interest rate that would distort the market and is providing incentives to commercial banks to finance IEE projects.

9. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	[X]	[]
Natural Habitats (OP/BP 4.04)	[]	[X]

Pest Management (OP 4.09)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Physical Cultural Resources (OP/BP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement (OP/BP 4.12)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples (OP/BP 4.10)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forests (OP/BP 4.36)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams (OP/BP 4.37)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas (OP/BP 7.60)*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (OP/BP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The project has been assigned an environmental risk Category IF. Despite the fact that the project is expected to provide significant environmental and social benefits onsite, some of its subprojects (cogeneration projects in particular) are likely to have potential environmental impacts. Therefore, an Environmental Management Framework (EMF) has been prepared. At screening stage, the proposed subprojects will be classified as category B, or C, depending on the type, location, sensitivity, and the scale of the project and the nature and magnitude of its potential environmental impacts. For Category B: an EMP will be prepared since the subprojects may have site-specific environmental impacts, and their mitigation measures can be designed more readily. Under the Category C: Projects are likely to have minimal or no adverse environmental impacts, thus exempted from EIA.

The proposed project will not trigger O.P. 4.12 on involuntary resettlement as the energy efficiency and cogeneration subprojects to be financed will be within the existing premises of industrial facilities and will not require additional land acquisition. As part of the screening process mentioned above, subprojects that would trigger in any way OP 4.12 will be rejected from further consideration under the loan.

10. Contact point
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* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas