INTEGRATED SAFEGUARDS DATA SHEET
CONCEPT STAGE

Date ISDS Prepared/Updated: 23-Apr-2012

I. BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID:</th>
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</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>P118994</td>
</tr>
</tbody>
</table>

Project Name: Philippines Renewable Energy Development (P118994)

Task Team Leader: Alan F. Townsend

Estimated Appraisal Date: 05-Nov-2012

Estimated Board Date: 28-Mar-2013

Managing Unit: EASPS

Lending Instrument: Financial Intermediary Loan

Sector: Other Renewable Energy (60%), Energy efficiency in power sector (40%)

Theme: Climate change (60%), Infrastructure services for private sector development (30%), Regulation and competition policy (10%)

Financing (In USD Million)

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower</td>
<td>220.00</td>
</tr>
<tr>
<td>International Bank for Reconstruction and Development</td>
<td>140.00</td>
</tr>
<tr>
<td>IBRD Guarantee</td>
<td>40.00</td>
</tr>
<tr>
<td>Clean Technology Fund</td>
<td>50.00</td>
</tr>
<tr>
<td>Total</td>
<td>450.00</td>
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</tbody>
</table>

Environmental Category: F - Financial Intermediary Assessment

Is this a Repeater project? No

B. Project Objectives

The higher order objective of the proposed project is to assist the Philippines in meeting the demand for electricity and to increase access to electricity in a sustainable manner. The Project Development Objective is to increase renewable energy generation in all parts of the Philippines, including in off-grid areas, and to bolster private sector lending to electric cooperatives that are focused on operational and financial efficiency. It is expected that thereby ECs will be able to provide service to more customers and with better quality, while at the same time becoming more creditworthy and therefore better able to develop and/or purchase bulk renewable energy.

C. Project Description

The proposed project is a follow-up to both the Rural Power Project (RPP) and the Electric Cooperative System Loss Reduction Project (ECSLRP). It seeks to build on the more promising aspects of RPP – namely, the on-lending window within DBP for investment support to renewable energy and EC energy efficiency projects; and ECSLRP – namely, the Electric Cooperative Partial Credit Guarantee (EC-PCG) program. Approval of feed-in tariffs (FITs), and other aspects of the support framework for renewable energy stemming from the Renewable Energy Act 2008, is expected to jumpstart private sector investment in renewable energy. DBP’s on-lending window will be oriented toward ensuring that marginal projects that qualify for FITs, and good projects that do not because they are in off-grid areas, can still have the possibility of being financed. By adding to the number and geographic scope of renewable energy generation projects in the Philippines, the project will accelerate the development of the renewables sector. In the new project, targeting of the DBP activities will be sharpened, to ensure no crowding out of private sector funds. Loan pricing, including DBP mark-ups, will be reviewed to ensure that credit markets are not distorted and that the internal costs of operating the window are fairly compensated. CTF resources will be integrated in such a fashion that the CTF is used where it will have the greatest impact (including, but not exclusively, in terms of the leveraging of other funds).

The proposed project will have three components. The preliminary cost estimate is about 450-million of which $180-million is to be provided by IBRD, $45-million by CTF, and $5-million from GEF. The balance is expected to come from private sector investors (debt and equity) and from...
Component 1: Financing of an increase in the guarantee capacity of the EC PCG program. IBRD and/or CTF resources will be used in some form to increase the capacity of the EC PCG program to back commercial lending to the EC sector. These additional resources will complement technical changes that have been (and will be) made in the current program to stretch the $12-million in resources that are now available to back loans (at a 1.5 leveraging ratio, the current program has potential exposure of $60-million; additional debt and equity that is uncovered amounts to at least $40-million). All of the technical parameters of the program will be reviewed with the objective of ensuring maximum leverage – a key consideration, given that the demand for borrowing by EC’s is at least $250-million annually, and this number will increase with governance and financial performance improvements in the EC sector. The implementing agency will be LGUGC, which is the current program manager for the EC-PCG program. The instrument is likely to be an IBRD guarantee covering an additional $40-million in exposure; the project team will also consider options for utilizing CTF, either in addition to IBRD or instead of IBRD. Loans supported by the project will support EC investments in loss reduction and performance improvement, and will help EC’s to expand their systems, thus contributing to the country’s electrification effort.

Component 2: Financing of a Line of Credit, to be managed by Development Bank of the Philippines, for support to renewable energy and energy efficiency investments. This component will be managed by DBP. The instrument will be a financial intermediary loan (FIL). It is expected that this component will manage the majority of both the IBRD and CTF funds, with the focus being on supporting economically sound renewable energy projects that 1) do not qualify for feed-in tariffs, because they are not connected to the main grid; or 2) do qualify for feed-in tariffs, but will not be financially viable without the inclusion of a CTF tranche and/or require loan tenor that is unavailable from private commercial lenders. Projects that can be financed from private sources under the approved FITs will not be eligible for CTF support. Allocation of $110-million IBRD and up to $45-million CTF is being considered for renewable energy. The team will also assess the possibility of DBP managing an additional $30-million in IBRD that will co-finance loan packages supported by the EC-PCG program managed by LGUGC. Investments financed by DBP on-lending windows will support renewable energy projects (potentially, solar, wind, small hydro, and geothermal) and in electric cooperative loss reduction and performance improvement projects.

Component 3: Technical assistance. The TA component will be financed by GEF and will be managed by DOE on behalf of the various sector institutions that may be involved in analytic exercises, business development support, and/or institutional strengthening. Notional allocation of $5-million GEF is being considered. While the details remain to be developed in the course of project preparation, the focus of the GEF component is likely to be on policy and regulatory support of implementation of the renewable energy market (REM) and on policies and actions to facilitate programmatic approaches to attraction of climate-related funds (such as CDM and CDM-like instruments that might arise out of national carbon markets that are starting to form in Asia). The latter activity could include, for example, development of carbon credit aggregation so that the Philippines can develop carbon revenue streams even for small projects (such as what might be funded by the proposed project). A project development facility, to help jump-start renewable energy generation projects, might also be considered.

Components 1 and 2 will support financing mechanisms that will be designed to respond to market-generated demands for debt or guarantees. Project development will be largely (but not exclusively) driven by the private sector. In the case of renewable energy, existing mechanisms managed by DOE facilitate identification and assessment of potential projects. The DOE has issues hundreds of “service contracts” which give developers limited development rights for renewable projects in specific areas. The finalization of FITs (expected in 2012) will add a critical piece to the equation and will simplify the project development process, by making two issues – the price, and the offtaker/counterparty risk – much more clear. For the EC-PCG program, existing mechanisms are proving effective in building a large pipeline of EC borrowing requests. An inter-agency mechanism, involving individual EC’s, NEA, ERC, DOE, and LGUGC, has emerged to develop 5-year distribution network investment plans, and in parallel shepherd these plans through the EC Board, NEA, and ERC approval processes, and the EC-PCG financing process. At this time the EC-PCG program has about 30 EC’s in its development pipeline (in addition to the 17 deals that have been done or are imminent) and the aggregate demand for guarantees exceeds the remaining capacity of the program by a significant degree.

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

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

E. Borrowers Institutional Capacity for Safeguard Policies

DBP requires from its clients the submission of the necessary environmental documents and relevant permits as part of its minimum requirements for project proposals. Aside from having an Environmental Unit, the regular project management staff will be manned by environment and social development specialists with sufficient capacity to review environmental documents and monitor environmental compliance for individual projects. This capacity has been proven in the implementation of projects by various units in DBP such as the Local Government Unit - Urban Water Supply Project (LGU UWSP), the Rural Power project and the Regional Investment for Growth Project. In fact, DBP is an ISO 14000 certified entity for its successful establishment and implementation of a Bank-wide Environmental Management System. The recognition covers its banking, lending and investment activities.

When initial project screening indicates presence of affected persons particularly in lands to be acquired, DBP also requires from its clients the necessary social safeguards documents related to consultation and agreements with them as part of its minimum requirements for project proposals. DBP have recently benefited from training to upgrade their skills provided by WB staff in the formulation of the Environment and Social Safeguards Management Framework (ESMF) for the Regional Infrastructure and Growth Project. This ESMF will be updated to serve the needs of the PHRED.

Particularly for DBPs regional branches/offices and its Sub-Borrowers, the need to strengthen knowledge and skills on safeguards, in the implementation of the environment and social safeguards process and requirements is apparent. A Comprehensive Safeguards training shall be conducted for the PMO and branch/field offices as well as for the Sub-borrowers. Thematic supervision/reviews are also planned to identify areas needing technical assistance/support.

F. Environmental and Social Safeguards Specialists on the Team

Maya Gabriela Q. Villaluz (EASPS)
Victoria Florian S. Lazaro (EASPS)
### II. SAFEGUARD POLICIES THAT MIGHT APPLY

<table>
<thead>
<tr>
<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
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<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>Yes</td>
<td>The project scope includes construction and rehabilitation of civil works in specific sites. The most significant adverse direct impacts will be related to: (i) localized environmental impacts and potential site-specific damages due to construction activities (noise, safety, air pollution); (ii) management of the health and safety of workers during construction and operation; and (iii) interaction of workers with the local community. The project will first review and update to reflect project-specific requirements the Environmental and Social Management Framework (ESMF) that DBP management has adopted for all World Bank-assisted projects. The updated ESMF for the project will prescribe site-specific Environmental Assessment instruments, Environmental Management Plans (EMP) and Environmental Codes of practice (ECoP) which also contains a Grievance Redress Mechanism to be presented during public consultations. The ESMF will describe detailed plans for mitigation, monitoring and reporting of all identified impacts and will address institutional responsibilities of the Borrower and Sub-borrowers as well as the relevant policy and legal framework, financing, monitoring and reporting. The EMP and ECoP will be included in the bidding documents and the design and construction of the sub-projects, the details of which will incorporated in the Project Operations Manual and project training to reflect lessons learned and previous implementation experiences.</td>
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<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td>Yes</td>
<td>It is expected that some sub-projects will be carried out in environmentally sensitive (eg., forest, riverine) areas. An example would be building civil works and access roads that verge into protected areas. Adequate natural habitats conservation/protection measures will be spelled out in the ECoP and incorporated in the EMP. The mitigating measures will include raising local awareness of environmental issues and deliver training to community and local government officials in ecologically sensitive spatial planning and in monitoring the environmental impacts. For hydropower projects, the EMP will include monitoring of potential changes in flow regulation that may be brought about by water retention structures that may have consequence downstream impacts.</td>
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<tr>
<td>Forests OP/BP 4.36</td>
<td>No</td>
<td>This safeguard could be relevant for some biomass plants, if pesticides were used on a plantation that was growing feedstock for such facilities.</td>
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| Pest Management OP 4.09             | Yes        | While it is expected that the proposed project will not involve any sites with archaeological, paleontological, historical, religious or of unique natural value as defined under the policy, given the number of potential sub-projects to be financed and their expected distribution across many different areas of the Philippines, the task team will ensure that the ESMF deals with potential impacts on any such sites.  

The EA will closely assess any possible cause of disturbance to historical areas such as architectural land marks and other cultural property which may need to be mitigated. During construction, the landscape of the sites may also be affected and structural damage to old structures may result due to vibrations and excavation of adjacent areas. The EMP will provide for the mitigating measures needed to address such disturbances or the handling of chance finds. |
| Physical Cultural Resources OP/BP 4.11 | Yes        | It is estimated that 17% of the Philippine population belongs to one of the 110 indigenous tribes of the country. The probability exists that they and their ancestral domain may be affected by some of the subprojects that may be financed or guaranteed by the PHRED. For this reason, an IP Planning Framework (IPPF) within the ESMF will be developed during preparation. As appropriate, the RIGP IPPF may be adapted for this project. Specific IP Plans will also be prepared for subprojects identified as Yr 1, investments. |
| Indigenous Peoples OP/BP 4.10       | Yes        | Construction of new energy facilities such as substations may require temporary and permanent land acquisition from forest, residential and agriculture land. Scales of impacts are quite limited and can be minimized due to the flexibility in site selection. Even the rehabilitation of existing structures may require small land acquisition for some expansion. This may have unavoidable impacts to persons by way of losses in assets or access to livelihood sources. For this reason, a Land Acquisition and Resettlement Policy Framework (LARPF) of as an integral part of the ESMF will be developed adapted from the (RIGP LARPF) during preparation. Specific LARAP for YR 1 investments will also be prepared prior to project appraisal guided by the LARPF. |
| Involuntary Resettlement OP/BP 4.12 | Yes        | In the event that displaced persons of a specific project are mostly indigenous peoples then the IP Plan may be integrated with the Resettlement Action Plan.                                                                                                                                                                                                 |

...
Safety of Dams OP/BP 4.37 | Yes | The project is expected to finance only small dams, those under 15 meters in height. The policy is triggered. The ESMF will include a dam safety framework which will specify the process that will be followed for screening the hazardous nature of the dams to be financed and determination of the dam safety instruments required under the Policy (such as: the need of Panel of Experts (PoE) for high hazard dams, generic dam safety measures designed by qualified engineers for other types of dams etc.). The framework will also include the proposed institutional arrangements for preparation, implementation, monitoring and reporting requirements for the dam safety instruments.

Projects on International Waterways OP/BP 7.50 | No |

Projects in Disputed Areas OP/BP 7.60 | No |

### III. SAFEGUARD PREPARATION PLAN

**A. Tentative target date for preparing the PAD Stage ISDS:** 03-Jul-2012

**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:**

The project will prepare the following safeguard instruments:

1. An Environmental and Social Management Framework (ESMF), which provides guidance for preparation of EAs, EMPs, roles and responsibilities of the institutions. Environmental Codes of Practice (ECOP- standard environmental specifications for contractors) will be developed for each type of investment under Components 1 and 2. Implementation responsibilities including reporting and monitoring arrangements will be included in the ECOPs.
2. Land Acquisition and Resettlement Policy Framework (LARPF) which provides guidance for preparation of LARAP, roles and responsibilities of the institutions and timing for the second group of subprojects.
3. Indigenous People Plan (IPP) and Resettlement Action Plan (RAP), which may be combined as one document if the PAPs to be mostly displaced are IPs Guidance on consultations and consent from local stakeholders especially from projects located in areas inhabited by Indigenous Peoples.

The Environment and Social Management Framework (ESMF) includes:

1. Government and WB Safeguards Policy Framework
2. Screening and scoping requirements for subprojects
3. Guidance on determining the Area of Influence (AoI)
4. Guidance on avoiding impact on environmental and physical cultural resources, and mitigating impact if impact is unavoidable. An Environmental Management Plan template is provided.
5. Guidance on meeting all applicable safeguard policy requirements including those related to dam safety and natural habitats, and pest management if applicable.
6. An institutional assessment of DBP

Typical sub-projects to be financed are:

- Rehabilitation of existing facilities such as relay stations/substations: install/replace transformers and other equipments within their existing property boundaries;
- Expansion of existing facilities such as lines and substations
- Construction of new structures / facilities such as lines and substations

### IV. APPROVALS

| Task Team Leader: | Name: Alan F. Townsend |
| Approved By: |
| Regional Safeguards Coordinator: Name: Panneer Selvam Lakshminarayanan (RSA) | Date: 23-Apr-2012 |
| Sector Manager: Name: Mark C. Woodward (SM) | Date: 23-Apr-2012 |

\(^1\) 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.