

APPLICATION FOR CTF PROJECT PREPARATION GRANT

A. TASK MANAGER FOR CTF FUNDING REQUEST

Name: Alan Townsend	Position: Sr. Energy Specialist
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B. PROPOSAL SUMMARY

1. Geographic Focus of Proposed Activity:

<input checked="" type="checkbox"/>	Individual Country (<i>please specify</i>):
<input type="checkbox"/>	Regional or Multi-Country (<i>please specify</i>):
<input type="checkbox"/>	Global

2. Project Title:

Philippines Renewable Energy Development
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3. List of Deliverables from CTF Project Preparation Grant

1. Credit market assessment (incorporating IBRD OP 8.30 requirements)
2. DBP diagnostic review: credit operations and project management (including lessons learned from RPP)
3. DBP CTF/IBRD on-lending program design
4. Review and assessment of LGUGC/DOE EC-PCG program
5. Coordination with DOE consultants (EC credit risk rating) and NEA consultants (best practice in distribution-level energy efficiency and loss reduction), including incorporation of more comprehensive risk rating approaches into the lending criteria for support to EC's, and possible changes in investment and regulatory approvals related to incorporation of best practices in loss reduction planning and implementation
6. Options and recommendations for expanding EC-PCG guarantee capacity (including through use of CTF) and for otherwise ensuring alignment of EC-PCG program with the CTF/IBRD project
7. Inputs for PAD and Operations Manual

C. PROPOSAL DETAILS

4. Summary of Proposed Activities

A. Renewable Energy Financing Program Design: CTF is needed for economically attractive investments that will not be financially viable under the feed-in tariff regime; such interventions will leverage fully additional investments in projects that otherwise will not happen. Some CTF might also be needed in instances where renewables projects are not eligible for feed-in tariffs but
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are, again, economically but not financially justified without some level of concessional financing. Since off-grid projects are not eligible for feed-in tariffs, use of CTF in these instances is both pro-equity (since off-grid areas are generally poorer than those connected to the main power transmission networks) and supports the Government access agenda – since most non-connected households are in off-grid areas. Work to be financed in this area will also include analysis related to Philippines credit markets, so that program design will be fully consistent with Bank guidelines on the establishment of lines of credit (OP 8.30).

- B. Energy Efficiency Financing Program Design: The other main consultancy will focus on the overall structure of support to the electric cooperatives. Since the CTF investment plan was crafted, there has been a significant evolution of the manner in which commercial funds are reaching the EC's, mainly because the program to support lending by means of partial credit guarantees has taken off in an impressive manner. This program – in which DBP participates as one of the accredited financial institutions – is run by the LGU Guarantee Corporation (LGUGC). Initial capitalization of the Guarantee Reserve Account was through a GEF grant of \$10-million. No further grant resources have been identified increase the size of the GRA, but two things are clear – one, the EC-PCG program has become popular with EC's and with banks, and the capacity may be fully allocated within 18 months; and two, there is growing interest in exploring ways to expand this capacity so that more lending to more EC's might be supported. As the CTF is intended to co-finance the exact same types of investment as both the Rural Power Project (on-lending of IBRD, to EC's, by DBP) and the EC-PCG program, it will be essential to consider the variety of ways in which CTF would be aligned with and not compete with the commercial funds now flowing to the sector. Integration of the CTF with the EC-PCG could mean many different things, from parallel co-financing to a deeper mechanism such as using CTF itself to increase the size of the GRA. The key will be an intensive investigation into the most capital efficient way to leverage as much commercial money into the EC sector as possible

5. Rationale for CTF grant funding, including consistency with CTF Investment Plan:

Shortly after approval of the Plan, the Philippines conducted a national election that brought a new Government to power. The transition to a new government was one factor contributing to delays in preparation of the IBRD/CTF project. As dialogue picked up with the new government, three important factors emerged as critical for project preparation.

First, an IBRD-CTF project would support implementation of the Renewable Energy Act 2008. Under this ground-breaking act, a wide range of measures, including feed-in-tariffs, will be put in place to facilitate the development of renewable energy generation in the Philippines. For a variety of reasons, full implementation of the RE Act 2008 has taken longer than was envisaged, and those efforts have taken time away from other important initiatives. The critical pieces are however falling into place and within one year most of the key elements – including but not limited to feed-in tariffs – will be in place. In this environment, a new sense of urgency has developed around operationalizing the CTF, because

with feed-in tariffs and other measures, the investment framework for renewable energy will be clearer. CTF resources could be critical in seeing a rapid acceleration of investment owing in part to geography in the Philippines. Costs for economically valuable projects will have a wide range, due to both the site-specific nature of renewables projects and the variations in supply chain costs in an archipelagic nation. But there will only be one feed-in rate, per technology; thus one possibility for the CTF is to target it, in part, on projects that are economically sensible but are below the financial hurdle for sponsor and lender commitment. The other important role for CTF in renewable energy is that feed-in tariffs do not cover all technologies (for example, geothermal is excluded) and do not cover any projects that are not connected to the main grids in Luzon-Visayas and Mindanao.

Second, the credit markets in the Philippines have changed, for the better, to a significant degree since the CTF investment plan was crafted. At that time, the region and indeed the world was in the throes of the global credit crunch, and liquidity had dried up. As the primary mechanism for injecting CTF into the market is seen as a line of credit (LOC) managed by the Development Bank of the Philippines, changes in the local credit market will have an impact on program design. Credit markets in the Philippines have evolved in significant ways since 2009, and on one level the sector is now characterized by high peso liquidity, low and stable interest rates, and lengthening tenors. Larger banks tend to have room on their balance sheets for a considerable increase in lending. However, a more nuanced picture emerges when one considers availability of long-term debt for infrastructure investments by anyone other than the largest Filipino companies. Regional differences in credit availability (and/or, the number of financial institutions that compete for loans) must also be taken into account. The other reality is that lending from the commercial sector for renewable energy and rural electricity distribution remains a relatively new business. While debt flows to the rural electric cooperative sector are increasing, much of the volume is going through the Electric Cooperative Partial Credit Guarantee (EC-PCG) program, and commercial bankers see this program, which covers up to 80% of the principal in lending to EC's, as essential for at least the medium term if credit flows to the EC's are to increase.

A third important development is exemplified in part by the EC-PCG program and this is the dramatic changes that are impacting the electric cooperative sector. One change has been increasing clarity around the role of the National Electrification Administration (NEA), the apex agency for the EC's. NEA used to be the primary lender to the sector, and had little interest in helping to find ways to increase private lending to EC's. It is now clear that NEA's modest lending activities will not be sufficient for the growing demand for credit from EC's (estimated at around \$500-million annually), and NEA has become an important partner in fostering the success of the EC-PCG program. Another huge change has been the end of the formal government role as supplier of last resort. While EC's have some remaining protection from full market forces, from the short term extension of legacy supply contracts, as of next year, each EC will have to arrange for its bulk supply requirements. While there is contemplation of some form of backstop under discussion by DOE and NEA, the reality is that a new level of commercial discipline has arisen in the EC sector, because default on payments for bulk supply will have severe and predictable consequences. As with the EC-PCG program, a default on bulk supply obligations can lead to the dissolution of the EC board and the firing of the general manager, amounting to a de facto loss of independence because NEA would "step-in" and run the EC for at least some period of time. This framework has brought new and welcome levels of accountability to the sector.

CTF project preparation support is critical so that a new project can be designed that is fully aligned with the three factors explained above. A project needs to fit within the new framework for renewable energy investment; in particular, given a feed-in tariff regime that will cover on-grid renewable projects for certain technologies, it will be important to design the project such that CTF is deployed only where absolutely essential for seeing economically useful projects go forward. The project must also be

designed so that crowding out of commercial lending to the sector does not occur, and so that CTF is complementary to private flows and indeed leverages as much private capital flow as possible. Finally, the project must be designed to reflect the new realities of the electric cooperative sector. EC's will be buyers of RE, potentially partners in the development of RE projects, and will continue to make energy efficiency investments in their networks. CTF project design needs to be sensitive to the evolving risk framework of the sector and must reinforce the tendencies toward better governance in the sector.

6. Government Approval of Country-Specific Activities

Name of responsible official: Francisco F. Del Rosario, Jr	
Position: President	
Ministry/Agency: Development Bank of the Philippines*	Country: Philippines
Tel: 63-2-818-0511	Email: rndcruz@dbp.ph

*The request from the Development Bank of the Philippines was formally endorsed by the Secretary, Finance, Cesar Purisima.

D. IMPLEMENTATION AND FINANCING PLAN

7. Implementation Approach (e.g., executing agency, procurement, disbursement, reporting)

The executing agency will be the World Bank. While the request that the Bank execute is not driven by concerns about the institutional capacity of the Government agencies involved, there is a recognition among the counterparts that they are better served by focusing on technical, rather than administrative, duties, and that the Bank will be able in practice to execute the CTF grant more efficiently than Government. The Bank team agrees with this assessment. Bank execution of the CTF project preparation grant should also help to broaden ownership of the project. This is because the successful development of this operation requires building project ownership across a range of institutions in addition to DBP, including but not limited to the Department of Energy (DOE), the LGU Guarantee Corporation (LGUGC), and the National Electrification Administration (NEA). DBP and DOF, in requesting that the Bank execute, are recognizing the benefit of the Bank's convening and coordinating capabilities. Inter-agency coordination will of course never be perfect, but it will likely be facilitated in the context of development of the CTF project if the Bank executes the grant. The relevant institutions also believe that assistance from the Bank in execution of this grant will be useful, since the bureaucratic processes that would be needed to support recipient execution of the grant will not necessarily operate very quickly. A final issue related to the choice of execution agency – the Bank provides a one-stop-shop; by contrast, if the Government of the Philippines executes, in practice there would have to be multiple implementing agencies, which will add to transaction costs, be relatively inefficient, and generate numerous coordination risks.

8. Implementation Schedule: *beginning and end dates, as well as major activity milestones.*

Activities	Milestones/Deliverables	Timeline
A. Renewable Energy Financing Program Design (assumes that effective date of contract is in December 2011)		
Inception report	Project mobilization, inception activities, and diagnostic	January 2012
Interim Report	Credit market assessment and outline renewable energy financing program design (World Bank QER stage)	March 2012
Draft Final Report	Detailed RE financing program design (World Bank appraisal stage), draft operations manual	May 2012
Final Report	Finalization of all documents including operations manual	September 2012
B. Energy Efficiency Financing Program Design (assumes that effective date of contract is in December 2011)		
Inception report	Project mobilization, inception activities, evaluation of Electric Cooperative Partial Credit Guarantee (EC-PCG) Program and diagnostic of overall EC financing environment	January 2012
Interim Report	Electric cooperative financing options and outline energy efficiency financing program design, including guarantee options (World Bank QER stage)	March 2012
Draft Final Report	Detailed EE financing program design (World Bank appraisal stage), draft operations manual	May 2012
Final Report	Finalization of all documents including operations manual	September 2012
C. Project Preparation Consultant (assumes that effective date of contract is in December 2011)		

Activities	Milestones/Deliverables	Timeline
A. Renewable Energy Financing Program Design (assumes that effective date of contract is in December 2011)		

9. Financing Plan:

Major Components	CTF Request (US\$)	Co-financing		Total Cost (US\$)
		US\$	Source	
A. Renewable Energy Financing Program Design	416,000	50,000	Bank Budget	466,000
B. Energy Efficiency Financing Program Design	398,000	25,000	Bank Budget	423,000
C. Project Preparation Consultant	134,000	25,000	Bank Budget	159,000
D. Workshops and miscellaneous	52,000			52,000
Total Financing/Costs				1,100,000

The above budget includes only activities directly related to preparation of the project. It does not include a significant range of work financed by Bank-housed trust funds such as ESMAP, nor does it include relevant work that is financed by other donors. Please see section 10 below for additional details on work that is currently supported by other donors or by trust funds.

E. SUPPLEMENTARY INFORMATION AND MATERIALS

10. Additional Information:

Structure of the support requested from the CTF

The Government of the Philippines is requesting the allocation of \$1-million for preparation purposes. The vast majority of the money will be spent on overall program design; other than model project work-ups (based on projects forming in the pipelines of the counterpart agencies), feasibility studies of individual sub-projects will not be done.

As described above, there are three critical areas of work: 1) RE Act 2008 implementation support; 2) matters related to DBP, Philippines credit markets, and on-lending design; and 3) matters related to electric cooperatives and NEA, including governance and institutional strengthening issues, credit risk aspects, and options for expansion of the guarantee program. CTF support during project preparation is being sought only for the last two of these three areas of work. The Bank currently manages funds from several trust funds (ESMAP and AusAID, in particular) that continue to provide valuable support to Government agencies as they refine the policy and regulatory framework. The Bank expects that this support will continue into the future (and is additionally complemented by other donors, such as USAID). CTF project preparation funds would therefore be used to address the credit market and

electric cooperatives aspects of program design.

The basic approach will be to tailor two consultancies, each of about \$400,000 in estimated cost, one in which DBP and DOE will be the main counterparts, and one in which NEA, DOE, DBP and LGUGC would be joint counterparts. Additionally, to support with all aspects of these consultancies, the Bank proposes to engage an individual management consultant to assist with ensuring that the results of the technical work are aligned with the project approval processes of the Government and with the loan approval process of the Bank. Annexes 1 and 2 are draft terms of reference for the two main consultancies. Annex 3 provides a budget breakdown; the estimated cost of all three assignments is \$948,000.¹ The Bank proposes to use the additional \$52,000 in this request for contingency purposes and to cover workshop expenses, as necessary (none of which are included in the budget estimates for the consultancies). The structure of the proposed disposition of funds also provides part of the rationale for why the Bank is proposed as the executor of the grant, since in a scenario where Government executes, there would probably have to be multiple implementing agencies.

One consultancy is related to program design for support of renewable energy generation. Some CTF is needed for economically attractive investments that will not be financially viable under the feed-in tariff regime; such interventions will leverage fully additional investments in projects that otherwise will not happen. Some CTF might also be needed in instances where renewables projects are not eligible for feed-in tariffs but are, again, economically but not financially justified without some level of concessional financing. Since off-grid projects are not eligible for feed-in tariffs, use of CTF in these instances is both pro-equity (since off-grid areas are generally poorer than those connected to the main power transmission networks) and supports the Government access agenda – since most non-connected households are in off-grid areas. Work to be financed in this area will also include analysis related to Philippines credit markets, so that program design will be fully consistent with Bank guidelines on the establishment of lines of credit (OP 8.30).

The other main consultancy will focus on the overall structure of support to the electric cooperatives. Since the CTF investment plan was crafted, there has been a significant evolution of the manner in which commercial funds are reaching the EC's, mainly because the program to support lending by means of partial credit guarantees has taken off in an impressive manner. This program – in which DBP participates as one of the accredited financial institutions – is run by the LGU Guarantee Corporation (LGUGC). Initial capitalization of the Guarantee Reserve Account was through a GEF grant of \$10-million. No further grant resources have been identified increase the size of the GRA, but two things are clear – one, the EC-PCG program has become popular with EC's and with banks, and the capacity may be fully allocated within 18 months; and two, there is growing interest in exploring ways to expand this capacity so that more lending to more EC's might be supported. As the CTF is intended to co-finance the exact same types of investment as both the Rural Power Project (on-lending of IBRD, to EC's, by DBP) and the EC-PCG program, it will be essential to consider the variety of ways in which CTF would be aligned with and not compete with the commercial funds now flowing to the sector. Integration of the CTF with the EC-PCG could mean many different things, from parallel co-financing to a deeper mechanism such as using CTF itself to increase the size of the GRA. The key will be an intensive investigation into the most capital efficient way to leverage as much commercial money into the EC sector as possible.

Coordination with other donors and project preparation co-financing

¹ A detailed scope of work for the individual consultant has not been presented here, as the assignment is straightforward and the consultant will work, essentially, as a near-full-time member of the Bank's project preparation team.

As noted above there are various studies under way to assist government agencies with implementation of the Renewable Energy Act 2008. Past studies, financed by ESMAP and AusAID, covered topics including feed-in tariffs and renewable portfolio standards. On-going studies include:

- Analysis of methodologies for performing renewables maximum penetration studies (AusAID, managed by World Bank)
- Analysis of approaches for development of capacity reserve markets in the Philippines so that intermittent renewables will not impact the quality of network supply (ESMAP, managed by World Bank)
- Assessment of possibilities for private participation in electric cooperatives (AusAID and ESMAP, implemented by the World Bank)
- Design of Renewable Energy Market including development of Renewable Energy Certificates (USAID)²

The total dollar value of on-going (or about to start) policy and regulatory work is roughly \$750,000. This work, and the CTF/IBRD project preparation work, is additionally supported by Bank operational budget commitments of about \$200,000 in this FY (half of this, or \$100,000, is the BB allocated for CTF/IBRD project preparation and is indicated in the financing breakdown presented in Section 9). The overall level of the resource commitment underscores both the complexity of the market in the Philippines, but also the scale of the ambition, and it is in this context the request for \$1-million in CTF project preparation funds is made.

There is one very important activity underway now that is funded by JICA (Japan). This is a multi-million dollar effort within NEA (National Electrification Administration) to develop best practices in planning for technical loss reduction in transmission and distribution networks. The techniques developed will be directly incorporated in the investment plans that will come through for NEA and ERC approval and will ultimately be considered for financing by the private sector in general and the EC-PCG program and other specialist financing vehicles (including those to be developed under PhRED). The JICA effort builds, in turn, on work by the IFC that has resulted in mainstreaming an approach whereby EC's now do their planning on a five year, rolling basis. With enhanced technical planning, expanded financing options, and better governance, the EC sector is now poised for rapid growth and could make a significant contribution to both economic growth and access to modern energy.

² The World Bank expects to assist the Government of the Philippines with follow-on work covering implementation rules for the REM and design of the registrar for RECs. Funding has been tentatively identified (ASTAE).

Annex 1

The budget estimate table below shows first the consolidated estimate for the three consultancies plus workshop related expenses, followed by the estimated budgets for each of the three consulting assignments. Unit costs for fees, flights, and expenses have been estimated based on the actual bids submitted to the Bank recently for other consulting assignments in the Philippines.

Philippines Renewable Energy Development (PhRED): Estimate of consultant costs for project preparation										
PhRED is a joint CTF/IBRD project supporting renewable energy development and energy efficiency										
Consultants: Consolidated	Consultant Labor			Travel			Per Diems			
	Days	Rate	Sub-total	Trips	Unit Cost	Sub-total	Per Diems	Unit Cost	Sub-total	
Lead Consultants	200	1,800	360,000	8	6,000	48,000	112	250	28,000	
Associate Consultants	160	1,200	192,000	8	6,000	48,000	112	250	28,000	
Local Consultants	220	500	110,000	-			-			
Project Preparation Specialist	120	800	96,000	4	6,000	24,000	56	250	14,000	Total
	700	days	\$ 758,000	20	trips	\$ 120,000	280	per diems	\$ 70,000	\$ 948,000
										plus workshops and miscellaneous expenses \$ 52,000
										Grand Total \$1,000,000
Consultants: Credit Market Assessment and On-lending Design (firm)	Consultant Labor			Travel			Per Diems			
	Days	Rate	Sub-total	Trips	Unit Cost	Sub-total	Per Diems	Unit Cost	Sub-total	
Lead Consultants	100	1,800	180,000	4	6,000	24,000	56	250	14,000	
Associate Consultants	100	1,200	120,000	4	6,000	24,000	56	250	14,000	
Local Consultants	80	500	40,000							Total
	280	days	\$ 340,000	8	trips	\$ 48,000	112	per diems	\$ 28,000	\$ 416,000
Scope and Deliverables	<ol style="list-style-type: none"> Credit market assessment (incorporating IBRD OP 8.30 requirements) DBP diagnostic review: credit operations and project management (including lessons learned from RPP) DBP CTF/IBRD on-lending program design Inputs for PAD and Operations Manual 									
Consultants: Electric Coopetatives Assessment and Guarantees (firm)	Consultant Labor			Travel			Per Diems			
	Days	Rate	Sub-total	Trips	Unit Cost	Sub-total	Per Diems	Unit Cost	Sub-total	
Lead Consultants	100	1,800	180,000	4	6,000	24,000	56	250	14,000	
Associate Consultants	60	1,200	72,000	4	6,000	24,000	56	250	14,000	
Local Consultants	140	500	70,000							Total
	300	days	\$ 322,000	8	trips	\$ 48,000	112	per diems	\$ 28,000	\$ 398,000
Scope and Deliverables	<ol style="list-style-type: none"> Coordination with DOE consultants (EC credit risk rating) and NEA consultants (least-cost energy efficiency) Review and assessment of LGUGC/DOE EC-PCG program Options and recommendations for expanding EC-PCG guarantee capacity (including through use of CTF) Inputs for PAD and Operations Manual 									
Consultant: Project Preparation Assistance	Consultant Labor			Travel			Per Diems			
	Days	Rate	Sub-total	Trips	Unit Cost	Sub-total	Per Diems	Unit Cost	Sub-total	Total
Specialist (Individual)	120	800	96,000	4	6,000	24,000	56	250	14,000	\$ 134,000
Scope and Deliverables	<ol style="list-style-type: none"> Assistance with all aspects of coordination and quality control of Technical Consultants Assistance with all aspects of writing and assembling Bank loan documentation Assistance with coordination with Government agencies and other donor agencies, as required 									

Credit Market and Renewable Energy Development Assessment for Clean Technology Fund Program Design

TERMS OF REFERENCE (draft)

Background – [to be completed]

Scope of work

The scope of work for this support to DBP is comprised of two parts. Together, these preparation activities will support the effective deployment of CTF funds.

1. Credit Market Assessment

Support will be provided to DBP to carry out a detailed assessment of the market for financing clean energy projects in the Philippines. The aim of the assessment is to help DBP management decide on the best set of products to offer to help expand the market (rather than compete in the same market as current commercial financiers – which could otherwise happen). The assessment will include the following:

- a. Review of current and near term future demand for loans for clean energy projects (volume and types of terms required/expected by the market i.e. rates, tenors and any specific conditions).
- b. How this demand is currently being met and likely to be met in the near future. Based on market intelligence, provide a summary of the existing (commercial and government assisted) products in the market. Therefore, how much of the demand is unmet (both in terms of volume and types of terms expected by the market). Consultants should identify any significant gaps in the market and any underlying causes. The consultants should also provide any solutions here – whether they be related to improving institutional, legal, regulatory/policy conditions.
- c. What added (non-subsidized) loan products (and terms) being made available in the market would lead to an increase in projects reaching financial closure.
- d. Other than loans, for what other financial instrument types is there demand? In particular, investigate the need for risk mitigation/risk sharing instruments in the market. How would such instruments help the financing market (e.g. in terms of tenor extension that commercial banks are willing to offer). What would be the commercial financing leveraging ratio of the funds in the form of such a financial instrument compared with if such funds were deployed as a conventional loan?
- e. Examine the issue of whether there is any potential for DBP to use CTF/IBRD funds to make wholesale loans.
- f. Based on the above information, recommend the products/delivery channels DBP should offer and show how this will increase the amount of investment in clean energy projects in the Philippines. Consultants should take care to demonstrate that DBP's activities would not distort the market/crowd out commercial sector players. Any subsidy within DBP funding (for instance – the CTF component) should be deployed towards expanding the market rather than competing with the existing market, and it would need to be shown that this is the case. DBP's activities need to be shown to be complementary to the existing market and effectively be creating new markets (that would not otherwise exist) for financing products to support investment in clean energy. There should be no crowding out of commercial activity. Quite the opposite. DBP activity should support

greater commercial activity where possible, and CTF should be used explicitly for maximizing leverage from other sources (including IBRD and DBP's own balance sheet).

2. DBP Institutional Review

The market for financing clean energy projects is likely to grow rapidly and DBP may have an important role to play in this growth. DBP would therefore benefit from strengthening its corporate banking division to allow it to be as effective as possible in this environment. Specific (interlinked) areas for review include:

- a. Improving the capacity of the team to set and market attractive products.
- b. Its capabilities to analyze/structure multiple project financing deals.
- c. Capabilities in carrying out credit reviews and decisions (especially important as there are a number of potentially new clients/developers becoming more active).
- d. Improving capabilities to lead or join a syndication effort.
- e. Offering high quality relationship management with senior management of client banks/firms.
- f. Increasing the sophistication of dealing with clients and in setting terms (e.g. reviewing terms such as joint and several liability conditions).
- g. Improve the knowledge of the team of challenges facing developers of different clean energy technologies (wind, biomass, etc.). For instance, understanding of network connection issues, wind data, transmission issues for wind, fuel supply issues for biomass, etc.
- h. Developing project appraisal, approval and supervision capabilities.
- i. Developing contract monitoring and enforcement skills

3. CTF/IBRD program design and inputs for Bank loan documentation

- a. Design of criteria for eligibility for CTF/IBRD funds (this relates to how DBP will qualify, or not, sub-projects for possible support; key design principles will include features to ensure that CTF goes only to projects that need it, and that both CTF and IBRD funds create maximum leverage of other sources of capital)
- b. Assistance to DBP with identification of the pipeline for the CTF/IBRD program (the consultants should be in a supporting role, but provide advice on building a pipeline and on managing it as projects come in and out)
- c. Development of operational manuals for DBP program staff
- d. Contributions to Bank loan documentation (and DBP project documents, as needed)
- e. Other issues as relevant (including integration of findings from the credit market assessment and the DBP institutional assessment into the recommendations for program design).

Deliverables and reporting

The deliverables should follow from an inception report, through an interim report, to a draft final and ultimately final report, developing the following themes:

1. Credit market assessment (incorporating IBRD OP 8.30 requirements)
2. DBP diagnostic review: credit operations and project management (including lessons learned from RPP)
3. DBP CTF/IBRD on-lending program design
4. Inputs for PAD and Operations Manual

Consultants should provide details in their proposals as to the pace during the project that these themes will be developed and should present a logical path for developing and integrating the various streams of the assignment.

Criteria for selection of consultants

The successful consultants will provide a high caliber team capable of addressing all aspects of the TOR. To be able to carry out a and effective market assessment and advise DBP in a credible manner, the consultant team should include highly experienced professionals that have delivered private sector RE deals and understand financing markets. The consulting team should have first-hand experience and expertise in all aspects of project financing (addressing issues of financial analysis, project structuring, debt syndications, etc) as well as access to expertise on policy and legal issues. The team will preferably have members with experience supporting transactions in both developed and developing countries.

Level of effort and indicative team composition

The level-of-effort for this assignment is estimated at 14 man-months.

The key team positions (with indicative qualifications) are:

- **Lead Consultants (including one designated as Project Director):** 12+ years experience in infrastructure finance, ideally with experience in renewable energy and/or electricity distribution
- **Specialists:** 8+ years experience in one or more of renewable energy finance, credit market analysis, financial analysis, project structuring, debt syndications
- **Philippines Energy and Project Finance Experts:** 8+ years experience working in the Philippines energy sector in one or more of renewable energy development, project finance, and renewable energy market policy and regulation (about 4 man-months of local input is estimated)

Within these broad categories, firms should bid a reasonable mix of senior and mid-level talent, and international and local experience, with the additional guidance that teams should be as compact as necessary to fully meet the requirements of the terms of reference.

Evaluation Criteria

Weights of scores:

Technical proposal 85
 Financial proposal 15

<i>Technical proposal scoring</i>	<i>Point (out of 100 total)</i>
Specific experience of the Consultants relevant to the assignment	10
Adequacy of the proposed methodology and workplan in responding to the Terms of Reference	45
Key professional staff qualifications and competence/adequacy for the assignment	45

Minimum technical score³ 75

³ Proposals scoring lower than 75 out of 100 in the technical assessment will not have their financial proposals opened.

Logistics, payment and disbursement schedule

The work will be expected to be carried out during the 10-week period after contract signing.

Payment will be made upon receipt and acceptance of outputs as per the following:

Invoice	Milestone	
1 st	Contract Signing	10%
2 nd	Inception Report submission	15%
3 rd	Interim Report submission	25%
4 th	Draft Final Report submission	25%
5 th	Final Report acceptance	25%

Integrating the use of Clean Technology Funds with the Emerging Financing Possibilities for Electric Cooperatives in the Philippines

TERMS OF REFERENCE (draft)

Background – [to be completed]

Scope of work

The assignment is to review the EC-PCG program and identify synergies with the proposed CTF-IBRD operation, to develop options for integrating CTF investments with the EC-PCG program, and to recommend and flesh out a preferred option. The options should reflect, in part, the work that is being done in parallel to craft the investment support regime for renewable energy; and should also reflect the overall strategy of the Philippines for use of the CTF and the need to achieve maximum leverage (i.e. the ability of small amounts of CTF, which is concessional finance, to attract large amounts of additional capital flows into infrastructure projects, whether from the equity or debt sides).

The main counterparts will be NEA, LGUGC, and DBP, with DOE providing overall policy coordination. The work will include coordination with on-going work on best practice in distribution loss reduction (funded by JICA, housed in NEA) and EC credit risk rating (funded by GEF, housed in DOE).

The context for this work is two-fold. First, the Philippines had its CTF investment plan approved, and this plan includes energy efficiency (meaning, mostly, loss reduction) investments in electric cooperatives. The rationale for including this component is to contribute to EC financial improvement, so that they will be more stable and creditworthy buyers of renewable energy and will therefore make a larger contribution to green energy development in the Philippines. Second, this intervention should build upon and update an existing activity, the Electric Cooperative Partial Credit Guarantee program, known as EC-PCG. This program is beginning to demonstrate traction for increasing the flow of commercial debt into the EC sector. It is essential that CTF-supported operations in the EC sector do not crowd out these funds or reduce the incentive for EC's to consider commercial options. Indeed, CTF could be used in direct or indirect ways to expand the flow of commercial debt into the EC sector by in some form increasing the ability of the EC-PCG Guarantee Reserve Account to back new lending.

[This section to be expanded, in the final version]

Deliverables and reporting

Inception, Interim, Draft Final, and Final Reports that develop the following work themes:

- Review and assessment of LGUGC/DOE EC-PCG program
- Coordination with DOE consultants (EC credit risk rating) and NEA consultants (best practice in distribution-level energy efficiency and loss reduction), including incorporation of more comprehensive risk rating approaches into the lending criteria for support to EC's, and possible changes in investment and regulatory approvals related to incorporation of best practices in loss reduction planning and implementation.
- Options and recommendations for expanding EC-PCG guarantee capacity (including through use

- of CTF) and for otherwise ensuring alignment of EC-PCG program with the CTF/IBRD project
- Inputs for PAD and Operations Manual

Level of effort and indicative team composition

The level-of-effort for this assignment is estimated at 15 man-months.

The key team positions (with indicative qualifications) are:

- **Lead Consultants (including one designated as Project Director):** 12+ years experience in infrastructure finance, ideally with experience in design and application of risk mitigation and credit enhancement instruments
- **Specialists:** 8+ years experience in one or more of renewable energy finance, credit market analysis, financial analysis, project structuring, debt syndications
- **Philippines Energy and Project Finance Experts:** 8+ years experience working in the Philippines energy sector in one or more of renewable energy development, project finance, and renewable energy market policy and regulation (about 7 man-months of local input is estimated)

Within these broad categories, firms should bid a reasonable mix of senior and mid-level talent, and international and local experience, with the additional guidance that teams should be as compact as necessary to fully meet the requirements of the terms of reference.

Evaluation Criteria

Weights of scores:

Technical proposal 85
Financial proposal 15

<i>Technical proposal scoring</i>	<i>Point (out of 100 total)</i>
Specific experience of the Consultants relevant to the assignment	10
Adequacy of the proposed methodology and workplan in responding to the Terms of Reference	45
Key professional staff qualifications and competence/adequacy for the assignment	45

Minimum technical score⁴ 75

Logistics, payment and invoicing schedule

The work will be expected to be carried out during the 30-week period after contract signing.

Payment will be made upon receipt and acceptance of outputs as per the following:

⁴ Proposals scoring lower than 75 out of 100 in the technical assessment will not have their financial proposals opened.

Invoice	Milestone	
1 st	Contract Signing	10%
2 nd	Inception Report submission	15%
3 rd	Interim Report submission	25%
4 th	Draft Final Report submission	25%
5 th	Final Report acceptance	25%