



### Project Summary Information

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| Date of Document Preparation/Updated: 09/01/26   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Project Name</b>                              | Energy Transition and Climate Resilience                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Project Number</b>                            | P001101                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>AIIB member</b>                               | Philippines                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Sector/Subsector</b>                          | Multi-sector                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Alignment with AIIB's thematic priorities</b> | Green infrastructure; Private Capital Mobilization                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Status of Financing</b>                       | Under Preparation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Objective</b>                                 | Development Objectives: The Program Development Objective is to support Government reforms to (1) scale up adoption of clean energy technologies; (2) increase the security, flexibility, and competition of electricity markets; and (3) improve water management across water uses.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Project Description</b>                       | <p><b>Project Scope</b></p> <p>The proposed Climate Policy-Based Financing (CPBF) will co-finance the second operation of the programmatic Energy Transition and Climate Resilience Development Policy Loan (DPL) series led by the World Bank (WB). The Program supports the Government of the Philippines (GoP) in advancing the clean energy transition and strengthening water security and climate resilience. The first operation was approved by the WB on March 31, 2025 and became effective on June 8, 2025, while the second operation was approved by the WB on June 25, 2026. Building on the policy and institutional reforms initiated under the first operation, the proposed CPBF supports the next phase of reforms aimed at accelerating renewable energy deployment, improving electricity market efficiency, flexibility and competition, and strengthening integrated water resources management and water service delivery. The Program provides continuity in reform implementation, reinforces institutional capacity, and sustains policy dialogue on climate, infrastructure, and private sector participation. These reforms contribute to climate mitigation by reducing emissions from the energy sector and to climate adaptation by enhancing the resilience of energy and water systems to climate-related risks.</p> <p>The Program is organized around three reform areas:</p> <p><b>Reform Area 1: Scaling Up Adoption of Clean Energy Technologies.</b> This reform area supports measures to accelerate</p> |

private investment in renewable energy, including offshore wind, hydropower, geothermal, and solar energy, while promoting energy efficiency and transport electrification. The reforms aim to strengthen regulatory certainty and market incentives for clean energy investment and support the Philippines' decarbonization objectives.

**Reform Area 2: Increasing the Security, Flexibility, and Competition of Electricity Markets.** This reform area supports policy and regulatory measures to improve market design, enhance system flexibility, strengthen ancillary and reserve market arrangements, facilitate greater integration of renewable energy, and increase competition among electricity suppliers. These reforms seek to improve energy security, reduce system costs, and enable a more reliable transition toward a low-carbon power system.

**Reform Area 3: Improving Water Management Across Water Uses.** This reform area supports reforms to strengthen water governance, improve coordination across competing water uses, and enhance water supply and sanitation service delivery, particularly in underserved and climate-vulnerable areas. The reforms are intended to improve water security, resilience to floods and droughts, and the performance of water service providers while laying the foundation for more integrated sector management.

#### **Progress Update on Reform Implementation**

The proposed CPBF marks AIIB's first CPBF operation in the Philippines and aligns with the second phase of the two-phase DPL led by the WB. The renewable energy market is now operational, preparations for offshore wind auctions are initiated with registration opened for pre-qualification of bidders. Similarly, the reforms rolled out contributed to increasing the share of RE from 30% to 32% (against a 42% target by 2027). Electricity market reforms, including the reserve market and expanded retail competition, are structurally established, while early steps have also been taken to promote electric vehicle adoption.

In contrast, water sector reforms are at a more incremental and operational stage. The Philippines already has an established reform framework, including the PWSSMP, but significant gaps remain in inter-agency coordination, local utility performance, tariff-setting, financing allocation, and bulk water regulation. Early progress is nonetheless emerging through utility-level reforms, with the number of LGU-run water service providers that are financially sustainable to increase from fewer than 10 to 100. This growth reflects a reform agenda focused on strengthening LGU-run service providers, improving targeting of public support, and laying the foundation for more coherent sector governance. Their full effects are expected to materialize progressively through downstream investment programs and subsequent operations, including those supported by the World

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|                         | <p>Bank and AIIB. If enacted, the proposed law creating the Department of Water Resources would further consolidate these efforts and support a step change in sector coordination and implementation.</p> <p>Overall, while energy sector reforms are delivering early results and electricity market reforms are in place pending impact, water management reforms are laying the institutional groundwork for future investments and outcomes through 2027.</p> <p><b>Institutional Arrangements</b></p> <p>The Department of Finance (DOF), through its International Finance Group, will serve as the Program Executing Agency and will coordinate overall implementation, monitoring, and reporting. DOF has relevant experience in managing policy-based financing operations, including coordination across government agencies and oversight of policy actions. Sector-specific reforms will be carried out by the responsible agencies in accordance with their respective mandates, including the Department of Energy (DOE), Energy Regulatory Commission (ERC), Department of Environment and Natural Resources (DENR), Department of the Interior and Local Government (DILG), Department of Economy, Planning, and Development (DEPDev), and National Water Resources Board (NWRB). AIIB will maintain regular engagement with DOF and relevant agencies to monitor progress, support implementation as appropriate, and facilitate timely reporting. Regular consultations and joint reviews will help identify implementation issues and sustain reform progress.</p> <p><b>Financing Modalities</b></p> <p>The proposed CPBF is co-financed with the WB.</p> <p><b>Analytical Work</b></p> <p>The policy actions under the Program build on and consolidate the policy foundations established under the first operation led by the World Bank, advancing them into the next phase of implementation. The design of these policy actions is further reinforced by coordinated technical and financial support from development partners like IFC, UNICEF, AusAID and ADB.</p> |
| <b>Expected Results</b> | <ul style="list-style-type: none"> <li>• increased share of RE installed electricity generation capacity</li> <li>• accelerated deployment of OSW through Green Energy Auction Program (GEAP)</li> <li>• increase EV charging infrastructure rollout in the Philippines</li> <li>• achieve cumulative energy savings, reducing energy intensity and ultimately the total GHG emission.</li> <li>• achieve an increase in the ancillary services generation capacity registered in the reserve market.</li> <li>• improve competitive outcomes in the electricity market and expand customer choice.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

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|                                             | <ul style="list-style-type: none"> <li>improve the targeting, transparency, and efficiency of public funding for WSS by operationalizing a unified framework for allocating national government support.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Environmental and Social Category</b>    | Not applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Environmental and Social Information</b> | <p><b>Applicable Policy and Environmental and Social Instrument.</b> AIIB's Environmental and Social Policy (ESP), including the Environmental and Social Exclusion List (ESEL) and provisions related to CPBF set forth in Section 16 of the ESP, are applicable to this Program, therefore the provisions on Environmental and Social (E&amp;S) categorization in the ESP do not apply to this Program. The Program focuses on policy and institutional reforms that do not entail involuntary resettlement or impact the lives of Indigenous Peoples. While some downstream reform activities under the Program may generate indirect, short-term, and temporary adverse environmental impacts, the country's existing legal and regulatory framework is considered adequate to manage and mitigate such impacts. The Bank conducted E&amp;S due diligence (ESDD) based on its own review and determination of the possible E&amp;S impacts of the policy actions in the reform areas, largely informed by the assessment of E&amp;S aspects undertaken by the WB under the first policy loan. An E&amp;S assessment matrix has been prepared based on the ESDD covering the Program's policy actions, outlining the potential direct and indirect impacts of each prior action, along with corresponding mitigation measures. E&amp;S assessment matrix has been disclosed on the Bank's website prior to appraisal to inform the Member's consultation. The updated final matrix will be disclosed prior to the Program approval.</p> <p><b>Environmental and Social Aspects.</b> The policy actions supported under this Program are expected to achieve reductions in GHG emissions as well as generate positive environmental, poverty and social outcomes, in the short, medium and long term. Based on the ESDD, the potential environmental effects of the supported policy reforms, particularly on the management and protection of natural resources, are highly favorable in ensuring appropriate protection and conservation of the environment. However, anticipated adverse impacts that may arise from the policy reform were determined to be adequately addressed by the relevant national policy and legal frameworks and international laws and regulations. The institutions which are responsible for environmental management and protection are competent and equipped to ensure statutory compliance and are posed to manage environmental issues. The social impacts of reducing GHG emissions under the ETCR CPBF are assessed as largely positive, with long-term welfare gains outweighing short-term adjustment costs. The Program supports intergenerational equity, improves public health outcomes, and strengthens social and climate resilience, while existing national systems, including mechanism for lodging and managing grievances, provide adequate capacity to manage and mitigate potential social risks associated with the energy transition. In addition, the Program aims to reduce gender gaps in the water sector, through Reform Area 3, which mandates women's substantive participation in</p> |

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|                                             | <p>governance by promoting women's leadership and gender-sensitive, merit-based recruitment, while improving WASH access that particularly affects women and girls.</p> <p><b>Program Grievance Redress Mechanism (GRM) and Monitoring Arrangement.</b> Individuals and communities who believe they are adversely affected by the Program may submit complaints to the various complaint channels within the government, including grievance mechanisms within responsible government authorities and appropriate local government grievance mechanisms. The information about the Program GRMs and AIIB's Project-affected People's Mechanism (PPM) will be disclosed in an appropriate manner. Under the Program, the DOF, as the Program Executing Agency, will report to AIIB on the implementation progress based on an agreed format. AIIB, working in coordination with WB, will conduct monitoring periodically to ensure that the policy actions continue to be put in place. At the Program's closure, the AIIB team will verify the achievement of outcome indicators as a medium-term policy impact. More details on monitoring and reporting arrangements will be discussed and determined with DOF during program appraisal.</p> |                                                                  |                                                              |                                                              |
| <b>Cost and Financing Plan</b>              | The proposed CPBF will be co-financed with the World Bank and structured as a single-tranche operation for AIIB. The total financing amount is USD1.22 billion, out of which, WB will contribute USD1020 million (including USD20 million grant) and AIIB will contribute USD200 million.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                  |                                                              |                                                              |
| <b>Borrower</b>                             | Republic of the Philippines                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                  |                                                              |                                                              |
| <b>Implementing Entity</b>                  | Department of the Interior and Local Government; Department of Energy; Department of Economy, Planning and Development; Energy Regulatory Commission                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                  |                                                              |                                                              |
| <b>Estimated date of loan closing (SBF)</b> | [12/2027]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                  |                                                              |                                                              |
| <b>Contact Points:</b>                      | <b>AIIB</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>WB</b>                                                        | <b>Borrower: Department of Finance</b>                       | <b>Implementation Organization: Department of Finance</b>    |
| <b>Name</b>                                 | Ziwei Liao                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Bipulendu Narayan Singh                                          | Joven Balbosa                                                | Joven Balbosa                                                |
| <b>Title</b>                                | Senior Investment Officer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Senior Energy Specialist                                         | Undersecretary                                               | Undersecretary                                               |
| <b>Email Address</b>                        | <a href="mailto:ziwei.liao@aiib.org">ziwei.liao@aiib.org</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <a href="mailto:bsingh2@worldbank.org">bsingh2@worldbank.org</a> | <a href="mailto:jbalbosa@dof.gov.ph">jbalbosa@dof.gov.ph</a> | <a href="mailto:jbalbosa@dof.gov.ph">jbalbosa@dof.gov.ph</a> |
| <b>Date of Concept Decision</b>             | 05/25/26                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                  |                                                              |                                                              |

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| <b>Date of Appraisal Decision</b>           | 08/27/2026 |
| <b>Estimated Date of Financing Approval</b> | 10/18/2026 |

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| <b>Independent Accountability Mechanism</b> | <p>The Project-affected People's Mechanism (PPM) has been established by the AIIB to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement its ESP in situations when their concerns cannot be addressed satisfactorily through program-level GRMs or AIIB Management's processes. For information on how to make submissions to the PPM, please visit: <a href="https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html">https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html</a></p> |
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