



Project Summary Information

Date of Document Preparation/Updated: 5 June 2026	
Project Name	Energy Transition and Climate Resilience
Project Number	P001101
AIIB member	Philippines
Sector/Subsector	Multi-sector
Alignment with AIIB's thematic priorities	Green infrastructure; Private Capital Mobilization
Status of Financing	Under Preparation
Objective	The Program Development Objective is to support the Government of the Philippines' 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.
Project Description	<p>Project Scope</p> <p>The proposed Climate Policy-Based Financing (CPBF) will co-finance the second operation of a programmatic Development Policy Loan (DPL) series led by the World Bank (WB). The series supports the Government of the Philippines (GoP) in advancing the clean energy transition and strengthening water security and resilience. The first operation was approved by the WB in March 2025 and became effective on June 8, 2025. Building on the policy and institutional reforms initiated under the first operation, the proposed CPBF seeks to further strengthen the enabling framework for scaling up renewable energy deployment, enhancing electricity market efficiency, and improving water governance and service delivery. The proposed CPBF ensures continuity in implementation of reform and provides a robust platform for sustained policy dialogue and engagement. The Program is structured around three Reform Areas aligned with the development objective:</p> <ul style="list-style-type: none"> • Reform Area 1- Scaling up adoption of clean energy technologies: Reform Area 1 supports reforms to accelerate private sector investment and delivery of RE (RE) projects, while promoting energy efficiency (EE) market transformation and the electrification of transportation. This Reform Area contributes to the energy transition goals of GoP and climate mitigation.

- **Reform Area 2- Increasing the security, flexibility, and competition of electricity markets:** Reform Area 2 supports reforms to address critical gaps in electricity market design and regulations that constrain greater integration of RE and weaken competition among electricity suppliers. This area contributes to the energy transition goals of GoP and climate mitigation.

- **Reform Area 3- Improving water management across water uses:** Supports reforms to strengthen water management across competing uses, with a particular focus on poor and vulnerable areas. Initial reforms emphasize improvements in water resources management and water supply and sanitation (WSS) service delivery. This area contributes largely to climate adaptation.

Institutional Arrangements

The Department of Finance (DOF), through its International Finance Group, will serve as the Program Executing Agency, leading overall coordination and monitoring the operation. DOF will serve as the primary counterpart to both the WB and AIIB, ensuring alignment with program objectives and consolidating progress reports from implementing agencies. DOF has a well-established mandate to manage and coordinate policy-based financing operations in the Philippines, including inter-agency coordination, approval processes, disbursement arrangements, and monitoring of policy actions. DOF's central role provides a strong institutional foundation for overseeing the proposed reforms and ensuring alignment with national budgetary priorities and macro-fiscal objectives. Implementation of sector-specific reforms will be undertaken by the relevant line agencies in accordance with their statutory mandates. The Program's Implementing Agencies include the Department of Energy (DOE), Energy Regulatory Commission (ERC), Department of Environment and Natural Resources (DENR), Department of the Interior and Local Government (DILG), and the Department of Economy, Planning and Development (DEPDev). AIIB will maintain close engagement with DOF and the relevant line agencies to monitor implementation progress, provide technical input as needed, and ensure timely and accurate reporting. Coordination will be further supported through regular consultations and joint reviews to address implementation challenges and sustain reform momentum.

Financing Modalities

The proposed CPBF will be structured as a single-tranche operation for AIIB and parallel co-financing with the WB. This structure reflects the advanced stage of policy and institutional reforms supported under the programmatic DPL series, as well as the implementation capacity and track record demonstrated by GoP under the first operation. Given that the supported prior actions are largely front-loaded and the remaining reform agenda is well defined, the single-tranche modality is considered appropriate for ensuring timely disbursement while maintaining reform momentum.

	<p>Analytical Work</p> <p>The policy actions under the proposed CPBF build on and consolidate the policy foundations established under the first operation led by WB, 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> <p>Progress Update on Reform Implementation</p> <p>The WB approved the first policy loan on March 31, 2025, which achieved effectiveness on June 8, 2025. Implementation of actions achieved in first series is progressing well, with particularly strong momentum in energy transition reforms. The RE Market is now fully operational, preparations for offshore wind auctions are going well with registration opened for pre-qualification of bidders for 3.3 GW of offshore wind (OSW). 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 (EV) adoption.</p> <p>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 Local Government Unit (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 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. In contrast, water sector reforms remain at an early, foundational phase.</p>
<p>Expected Results</p>	<ul style="list-style-type: none"> • increased share of RE installed electricity generation capacity • accelerated deployment of OSW through Green Energy Auction Program (GEAP) • increase EV charging infrastructure rollout in Philippines • achieve cumulative energy savings, reducing energy intensity and ultimately total GHG emission. • achieve an increase in the capacity of ancillary services generation capacity registered in the reserve market. • improve competitive outcomes in the electricity market and expand customer choice. • improve the targeting, transparency, and efficiency of public funding for WSS by operationalizing a unified framework for allocating national government support. • improve transparency and efficiency in using public funds according to the prioritization criteria

Environmental and Social Category	Not Applicable
Environmental and Social Information	<p>Applicable Policy and Environmental and Social Instrument. The proposed CPBF will be structured as a single-tranche operation for AIIB and parallel co-financing with the WB, therefore, 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, and the provisions on Environmental and Social (ES) 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. However, some downstream reform activities resulting under the Program may lead to indirect, short-term, and temporary adverse impacts. The Bank conducted due diligence based on the assessment of ES aspects undertaken by the WB under the first policy loan and an ES matrix that has been prepared covering the Program's policy actions. This outlines the potential direct and indirect impacts of each prior action, along with corresponding mitigation measures. ES matrix will be disclosed on the Bank's website in a timely manner to inform the Member's consultation.</p> <p>Environmental and Social Aspects. The policy actions supported under this Program are expected to generate positive poverty and social outcomes in the short, medium and long term. Additional benefits are expected through reduced health risks from air, soil and water pollution and water-borne illnesses, solid and hazardous waste and through job creation in renewable energy, energy efficiency, and water service delivery, with potential to enhance women's participation in formal employment and decision-making roles in the water sector. The social impacts of reducing GHG emissions under the Program 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 governance by promoting women's leadership and gender-sensitive, merit-based recruitment, while improving WASH access that particularly affects women and girls.</p> <p>Program Grievance Redress Mechanism (GRM) and Monitoring Arrangement. Individuals and communities who believe they are adversely affected by the Program may submit complaints to the responsible government authorities and the appropriate local/national grievance mechanisms. The information about the GRMs to be used 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. 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>

Cost and Financing Plan	The proposed CPBF will be co-financed with the WB and structured as a single-tranche operation for AIIB. The total financing amount is USD1 billion, out of which, WB will contribute USD800 million and AIIB will contribute USD200 million.			
Borrower	Department of Finance, Philippines			
Guarantor	Not Applicable			
Implementing Entity/Sponsor	Department of the Interior and Local Government; Department of Energy; Department of Economy, Planning and Development; Energy Regulatory Commission; Department of Environment and Natural Resources			
Estimated date of loan closing	12/2027			
Contact Points:	AIIB	World Bank	Borrower	Implementation Organization
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Date of Concept Decision	May 25, 2026			
Estimated Date of Appraisal Decision	August 2026			
Estimated Date of Financing Approval	November 2026			
Independent Accountability Mechanism	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: https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html			