

ENVIRONMENTAL ASSESSMENT OF FINANCIAL INTERMEDIATION LOANS AND EQUITY INVESTMENTS

A. Description of the Development Bank of the Philippines (DBP)

1. DBP was established in 1947 under Republic Act No. 85 to provide credit facilities for developing agriculture and industry. DBP is one of the Philippine Government's arms in providing medium and long term financing requirements for small and medium-scale industries for the public and private sectors. The bank's operation is complementary to private commercial banks, but with a focus on sustainable development and eco-efficiency. In 1995, the Monetary Board of the Bangko Sentral ng Pilipinas expanded the DBP license cover a broad range of loans and credit facilities for industrial development, public utilities, social services, infrastructure, eco-tourism, agro-industrial, new and renewable energy, transport, and local government unit financing. The bank's portfolio includes projects financed by Asian Development Bank (ADB) and other bilaterals and multilaterals.

B. Credit for Better Health Care Project (the Project) Description

2. The Project funds will support public and private financing of (i) primary health care, (ii) clinics and lying in clinics, (iii) laboratory and diagnostic centers linked to other Project investments, (iv) health sector business solution companies, (iv) drug procurement and distribution companies for distribution of generic drugs and (v) public sector investment in secondary and tertiary hospitals focusing on maternal and child care and prevention of non-communicable diseases. Eligible investments must be included in the Provincial Health Investment Plan. The proponents must secure any license or accreditation required by the Department of Health (DOH), Bureau of Food and Drugs/Philippine International Trading Corporation or Philippine Health Insurance Corporation, and local government units (LGUs) must demonstrate commitment to funding recurrent costs.

3. Eligible investments include (i) civil works and infrastructure works; (ii) purchase of equipment; (iii) provision for heating and cooling facilities; (iv) supply of clean water; (v) sanitation; (vi) medical, nursing and information and communication technology; (vii) initial stocks of drugs and supplies; (viii) mobile clinics; and (ix) mobile diagnostics.

4. Ineligible investments include (i) pharmaceutical research, development, and production; (ii) medical supply companies; (iii) medical and nursing equipment companies; (iv) blood banks; (v) single profile and single specialty hospitals; (vi) hospitals with non-integrated service delivery renting to individual doctors; and (vii) medical tourism.

C. Overview of the Environment Management System (EMS)

5. The DBP is committed to an Environmental Policy for supporting sustainable economic growth by limiting the effects of their operations. The policy spells out the institution's aim of continually improving the environmental awareness of its employees through conduct of training and information dissemination and limiting the environmental effects of subborrowers, through monitoring and evaluation of their environmental performance. The policy commits DBP to actively promote environmental management to its clients, customers, and business associates through advocacy. As part of this commitment, the DBP conducts environmental training programs for staff and clients to increase environmental awareness.

6. As part of DBP's commitment to its policy, DBP obtained ISO 14001 EMS certification in 2001. It was the first bank in the Philippines to do so. The ISO EMS focuses on reducing the direct impacts of the institution's operation such as consumption of electricity and other goods and the general effects of projects that DBP finances through their lending program and

facilities. DBP ensures that all lending complies with Philippine government requirements. The internal arrangements depend on the type of loan and source of funds.

7. Overall responsibility for the Project is with Programs Development (PD). Table SAD.1 does the allocation of responsibilities within DBP by type of investment.

Table SAD.1: DBP Responsibilities by Unit and Type of Investment

DBP Unit	Responsibility	Type of Investment
PD	Overall and certifying ADB safeguard compliance	All
PD health unit	Marketing support and verifying ADB safeguard compliance	All
Retail	Retail lending	Private sector: lying-in centers, business solution services, pharmacies, drug distribution,
Local Government	Local Government Units (LGUs)	Public sector: hospital upgrading or construction, Rural Health Unit rehabilitation
Financial institutions	Wholesale lending to microfinance institutions and rural banks	Private sector: midwives, generic drug outlets, doctor office,

8. EMS staff responsible for ensuring compliance with the ADB Environmental Policy (2002), ADB Environmental Assessment Guidelines (2003), the Revised Procedural Manual for Department of Environmental and Natural Resources (DENR) Administrative Order No. 30 series of 2003 issued on 19 August 2007, and DOH waste management requirements must understand health sector specific impacts and mitigating measures. DBP recently started lending in the health sector therefore EMS staff have limited experience with health safeguards. Some capacity building is needed so DPB can ensure compliance for the Category B sub-loans. Only 30 to 40 Category B loans are anticipated. PD health unit should ensure compliance with environmental safeguards of Category B investments and PD health unit staff should be trained in the characteristics and requirements of Category B eligible investments. Some additional staff must be appointed to support compliance as the PD health unit comprises three staff including the unit head. Most subloans will be Category C. The account officer (AO) responsible for Category C projects will not require training. They will be able to ensure compliance with ADB and Environment Management Bureau (EMB) requirements by following a checklist of investments requiring an EMB Certificate of Non Coverage (CNC) and a list of documents to be submitted by the subloan borrower during appraisal and implementation.

11. The environmental performance monitoring requirements, procedures, and responsibilities will be detailed in the DBP Operating Guidelines and Procedures (OPG). These will include the responsibilities, and authorities, and reporting chain from the PD, PD health unit, and the Retail, Local Government, and Financial Institutions units. For each type of subloan investment, the OPG will provide reporting templates for each stage of the subloan cycle, sample documentation, lists of documentation to be submitted by the borrower, and references to appropriate EMB, DOH, and ADB regulations and guidelines. The OPG will specify the AO compliance certification process for Category C subloans and steps required if the AO is unable to certify compliance and the PD health unit certification process for the PD health unit to certify Category B subloan compliance or for accessing external technical support as needed. The OPG will contain the format and contents of the 6 month environmental compliance reports to ADB and the quarterly compliance reports from the partner microfinance institutions and rural banks to the AO.

D. Environmental Assessment and Review Procedures for Subprojects

12. This section mainly provides for the current environmental assessment procedure in the Philippines, the procedure and responsibility of different relevant agencies in undertaking and participating in environmental assessment of subprojects, and the information requirement for

environmental reports of subprojects.

13. The Project eligible investments are Category B or C. Environmental impacts are associated with construction or rehabilitation of health facilities and include dust emission, elevated noise levels, erosion, and siltation. Mitigating measures are a part of standard civil works contracts. Operational impacts of health facilities are addressed through the Health Care Waste Management Plan required by the DOH. Subloan agreements will require adherence to the appropriate DOH waste management guidelines for (i) liquid and solid waste for hospitals, (ii) disposal sharps for clinics, (iii) disposal of placenta for birthing and midwife clinics, and (iv) disposal of out-of-date drug for pharmacies.

14. The EMB under the DENR implements environmental laws. Project Category B subloans will require an EMB Environmental Compliance Certificate based on an Initial Environmental Examination (IEE) or IEE checklist. Category C subloans may require an EMB CNC based on a Project Description Report (PDR). Indicative EMB and ADB classification and documentation requirements are in Table SAD.2.

Table SAD.2: Indicative Project Subprojects and Environmental Categorization

Investment	DENR Required Documents	ADB Category and Required Documents
Upgrading or construction of primary or secondary hospitals	IEE checklist or IEE, ECC	Category B / IEE*
Diagnostic laboratory (ultrasound, x-ray, blood chemistry, urinalysis, fecalysis, etc.)	IEE /ECC	Category B / IEE*
Clinics (out-patient, health centers, clinics), rural health units, midwife's clinic, OB-GYNE clinic, doctor's clinic, lying-in clinic	PDR/ CNC	Category C / DOH Waste management guidelines followed
Pharmacy	PDR/ CNC	Category C / Management plan for outdated drugs
Generic drug outlet, business solution services, drug procurement and distribution	None	Category C /none

* NB: The ADB IEE is equivalent to the EMB IEE and IEE checklist

15. EMB adheres to the Revised Procedural Manual for DENR Administrative Order no. 30 series of 2003 issued on 19 August 2007 which provides a step-by-step details application for environmental approval and issuance of an ECC, including all necessary forms and the outline for the IEE and IEE checklist. ADB environmental safeguard guidelines specify the IEE content and are equivalent to EMB IEE and IEE checklist requirements. The EMB and ADB environmental criteria for selection of subprojects are similar. Subprojects will be excluded that are in or near ecologically sensitive areas and the core zone or the buffer zone of designated wild-life sanctuaries, national parks, and other protected areas or involve rehabilitation or construction of incinerator facilities.

16. ADB requires a public consultation during IEE preparation. EMB suggests public consultation and provides the format in the Revised Procedural Manual. To comply with ADB requirements, the OPG will stipulate that a public consultation must be held out in accordance with the EMB recommended procedure during IEE preparation of all Category B projects.

17. In practice, EMB sometimes issues ECCs based on IEE and IEE checklists with incomplete information on impacts, mitigation measures, and environmental management plans. A limited number EMB regional staff are responsible for wide range of projects and any individual reviewer may not be completely familiar with the health sector. To ensure IEE or IEE checklist meets ADB requirements, DOH, and EMB requirements, the OPG will require the PD health unit to review and verify the IEE or IEE checklist meets ADB standards before submission to EMB.

18. DBP through the PD will be responsible for certifying compliance with ADB Environmental Policy (2002), ADB Environmental Assessment Guidelines (2003), the Revised Procedural Manual for DENR Administrative Order No. 30 series of 2003 issued on 19 August 2007, and DOH waste management requirements. This includes ensuring and appropriate environmental categorization, borrower documentation meets ADB and EMB standards, public consultations are held during the preparation of an IEE or IEE checklist, appropriate certifications and approvals are secured, monitoring subloan implementation to ensure ECC and DOH requirements are complied. The PD health unit will be responsible for ensuring all Category B subloans environmental safeguards are complied. The Retail and Local Governments Units will be responsible for ensuring environmental requirements for all Category C subloans are complied including the DOH health care waste management requirements. The Financial Institutions Unit will be responsible for verifying the participating retail banks and microfinance institutions environmental have ensured the subborrowers have obtained EMB documents and comply with waste management as required.

19. The PD will report to ADB every 6 months on subloans approved during the period subloan applications currently being processed and potential issues, status of subprojects currently being implemented and environmental performance of subprojects that are in operation. The report will include the PDs certification that all EMB and ADB environmental requirements are being met.

20. There will be no free limit. However, ADB will review and approve the first two proposed IEEs submitted prior to DBP approval. Once DBP demonstrates its capacity to meet ADB standards, ADB will no longer review the IEEs prior to approval. ADB will reserves the right to review IEEs periodically, to ensure quality standards are maintained.

21. The proposed procedures to be specified in the OPG for the Project conform to the ADB environmental safeguards requirements. Capacity building is required to ensure the PD health unit staff has the necessary knowledge to review and assess Category B IEEs and compliance during implementation.

22. Staff resources are already in place. A costed capacity building plan is provided here.

DBP Environmental Assessment and Monitoring Capacity Development Training

1. A training and external support program is required to build the capacity of the PD to certify DBP's adherence to the ADB, EMB and DOH policies and regulations for the health sector. The training program will concentrate the knowledge and skills required to ensure compliance of Category B health sector investments in accordance with the ADB Environmental Policy (2002), ADB Environmental Assessment Guidelines (2003), the Revised Procedural Manual for DENR Administrative Order No. 30 series of 2003 issued on 19 August 2007, and DOH waste management requirements.
2. The consultant will develop program for training the DBP staff responsible for Category B projects to (i) reviewing IEEs and IEE checklists; (ii) identify health specific potential impacts and mitigating measures; (iii) ensure EMB documentation requirements and procedures are followed and DOH requirements are met; (iv) and compliance to ADB Policy and ADB standards i.e. ensuring the IEEs and IEE checklists contain sufficient information about potential environmental impacts, mitigating measures, and environmental management plans. Together with the trainees, the consultant will review the OPG for clarity and completeness and, where necessary, recommend revisions or additional resource materials.
3. The consultant will train up to 20 staff from the PD health unit staff, the regional marketing centers, the Training unit, the Environmental Management unit, or other units selected by the PD. The training program will be carried out during the first year of implementation and with a refresher in the second year. The training program will draw on existing material developed by DOH and EMB and provide practical experience through site visits to facilities similar to those that will be implemented under the Project. All training materials will be documented and the consultant will prepare a report and recommendations on the scope of the refresher course.
4. The consultant will be available on a retainer basis to assist PD health unit staff review IEE and IEE checklist for about two years or to cover 25 Category B subloans and up to 10 Project Descriptions for Category C subprojects to ensure IEE and IEE checklist documentation meets ADB and EMB standards prior to submission to EMB.
5. The total consulting requirement is 8 months (i) 3 months to develop the training program, carry out the training including the refresher course in the second year, and review the OPG; and (ii) up to 5 months support to the PD health unit staff on an as-needed basis to review IIEs, IIE checklists, and PDs.
6. The assignment requires a domestic environmental environment specialist with 15 years experience in conducting environmental assessments in accordance ADB, DOH, and EMB policies and regulations and experience in environmental management training. This experience should include preparation of environmental assessment reports for health sector projects including medical waste management.
7. A cost estimate for the capacity building program is shown below:

Item	Quantity	Unit Cost	Total Cost
Domestic Consultant, remuneration	8 months	5,000	40,000
Domestic consultant, travel, perdiem, other expenses			2,000
Trainees, materials, food, allowances	20	500	10,000
Total			52,000