

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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May 18, 2010

Ms. Lydia Oriol
LGU Guarantee Corporation
28th Floor, Antel 2000 Corporate Center,
121 Valero Street, Salcedo Village,
Makati City

Dear Ms. Oriol,

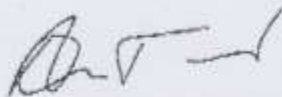
*Philippines: Electric Cooperative Systems Loss Reduction Project (TF053261)
Guarantees for qualifying electric cooperative investment projects in advance of ERC
regulatory approval*

Many thanks for your letter of May 12, 2010, requesting our views on allowing LGUGC to issue guarantees for qualifying electric cooperative investment projects in advance of ERC regulatory approval. We understand that this approach is intended to ensure that loans from the accredited lenders are ready to disburse as soon as ERC approval or the capital expenditure plan is approved, but that drawdown will not be allowed in advance of ERC approval. On this basis, we are pleased to provide our No Objection to the request, as we see this as a good way to streamline the investment implementation process, since more of the lender due diligence and regulatory processes can happen in parallel.

Consistent with your proposal, we would also expect that this conditional issuance would only be used for projects that 1) are accepted and docketed by ERC for consideration; and that 2) are in the NEA-approved Integrated Computerized Planning Model (IPCM).

We are hopeful that this approach, coupled with your other efforts, will help further accelerate the pace with which deals in the pipeline are brought successfully to fruition.

Sincerely,



Alan Townsend
Task Team Leader and Senior Energy Specialist
Sustainable Development Department
East Asia and Pacific Region

cc: Ms. Mary Grace F. Guzman, Program Manager, EC-PCG, LGU GC