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THE PHILIPPINE WATER REVOLVING FUND FOLLOW-ON PROGRAM

**PROPOSED FINANCING PROGRAM FOR THE
“GRADUATES” OF THE SAGANA AT LIGTAS NA
TUBIG PARA SA LAHAT PROGRAM**

CONCEPT NOTE

MARCH 2013

PROPOSED FINANCING PROGRAM FOR THE “GRADUATES” OF THE SAGANA AT LIGTAS NA TUBIG PARA SA LAHAT PROGRAM

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Acronyms

BEMONCS	Basic Emergency Maternal and Obstetrical New Born Care
DILG	Department of Interior and Local Government
DOH	Department of Health
LGU	Local Government Unit
LWUA	Local Water Utilities Administration
NAPC	National Anti-Poverty Commission
P3W	President's Priority Program for Water
PFI	private financing institution
PhP	Philippine Peso
PWRF-FP	Philippine Water Revolving Fund Follow-On Program
PWRF-SP	Philippine Water Revolving Fund Support Program
US	United States
USAID	United States Agency for International Development
USD	United States Dollars
WD	water districts
WSP	water service providers
WSS	water supply and sanitation

1 Motivation for the Study

The conceptualization of this proposed financing program was prompted by the question circulating among implementors and observers of the *Sagana at Ligtas na Tubig Para sa Lahat* (Salintubig) grant program on what is the plan to help those program grantees which would be able to achieve at least 50% safe water access rate (i.e., at least 50% of the household population have access to safe water) but would still be severely underserved after project completion. Since eligibility for the Salintubig grants requires that the service area of the grantee have less than 50% safe water access rate, achieving that benchmark access rate would disqualify them from further grants.

In the Philippine Water Revolving Fund – Follow-on Program (PWRF-FP)'s scope of work, one of the follow-on activities is to support the roll-out of the Salintubig Program. The follow-on technical assistance builds on the initial assistance given by the former Philippine Water Revolving Fund – Support Program (PWRF-SP) to the Department of Health (DOH), the implementor of the program in 2011. This technical assistance is now being extended to the Department of Interior and Local Government (DILG), being the current implementor of the program. As part of this technical assistance to the DILG, PWRFFP is undertaking this conceptualization of a financing program for the “graduates” of Salintubig. The proposed financing program is a concessional loan program; basically a co-financing scheme wherein the borrower avails an overall concessional equivalent to a zero-interest loan and a performance-based incentive to deliver outputs to poor unserved households. The proposed design is flexible and can be adopted not only by the Salintubig program but other developmental financing programs for the water supply sector. The details of the proposal are in Section 4 below.

2 Background on the *Sagana at Ligtas na Tubig Para sa Lahat* Program

The *Sagana at Ligtas na Tubig Para sa Lahat* (literally, Abundant and Safe Water for All) program, is a grant program for providing access to safe water in priority areas and is being funded by the national budget. As described in the National Anti-Poverty Commission (NAPC) website, the Program is “designed to provide water supply systems for the 455 waterless municipalities, waterless barangays, waterless health centers, and waterless resettlement sites; and enhance the capacity of the local

government units (LGUs)/water service providers in the planning, implementation, and operation of water supply facilities.” This focus on so-called “waterless” areas originated from the previous administration’s grant program for the water supply sector, that is, the President’s Priority Program for Water (P3W), wherein the NAPC used the term “waterless” to refer to those municipalities outside Metro Manila and barangays within Metro Manila where less than 50% of the household population have access to safe or potable water.¹ These areas became the priority of P3W.

For the Salintubig program, the NAPC was tasked to come up with priority targets as agreed upon in a tri-partite Memorandum of Agreement among the DILG, DOH and NAPC in December 2010. At the time, the three agencies were designing the implementation arrangement for the *Provision for Potable Water Supply* item in the DOH’s budget. The NAPC identified 455 municipalities nationwide as priority targets of the Salintubig program and ranked them using the following prioritization criteria: number of poor households, access to safe water, and incidence of water-borne diseases.² The municipalities have been labeled as “waterless” areas in project advocacy campaigns. In addition, NAPC identified other priority beneficiaries of the grant program, namely: (i) poorest barangays with unsafe water and high incidence of water-borne diseases; (ii) resettlement areas with unsafe water in Bulacan, Rizal, Cavite, Laguna, Batangas and Albay; and (iii) health centers (e.g., birthing clinics) with unsafe water.

The water supply infrastructure projects that are eligible for Salintubig grants are: (i) rehabilitation, expansion and/or upgrading of existing level III water supply systems, including appropriate water treatment systems; (ii) construction of new level II water supply systems, including appropriate water treatment systems; and (iii) level I water supply systems, but only when a level I system is what is feasible in the area. The

¹ “Safe water” access was commonly understood as access to a water system, which could be a level I, II or III water system. The National Economic and Development Authority (NEDA) Board defines level I as point source (i.e., a protected well or a developed spring with an outlet), level II as communal faucet system or standposts, and level III as waterworks system or individual house connections (NEDA Board Resolution No. 12 series of 1995). Any type of water access below these levels of service, such as fetching directly from surface water or an unprotected rainwater harvesting equipment, is considered unsafe.

² The NAPC used the National Household Targeting System for Poverty Reduction data of the Department of Social Work and Development in establishing the number of poor households and their access to safe water. It used DOH data in ascertaining the incidence of water-borne diseases.

project design also provides that 10% of the budget be allotted for capacity building, community organizing, water supply and sanitation trainings, and related activities.³

The Salintubig program aims to achieve the following outcomes by 2015: (i) increased water service for the waterless population by 50%; (ii) reduced incidence of water-borne and sanitation related diseases by 20%; (iii) improved access of the poor to sanitation services by at least 10%.⁴ The program documents of NAPC, DILG and DOH, however, do not clearly articulate how these outcomes will be measured and verified.

The Department of Budget and Management (DBM) allotted PhP 1.5 billion for the program in 2011, and PhP0.8 billion in 2012. The 2011 program covered 115 municipalities, 58 barangays, 55 health centers (Basic Emergency Maternal and Obstetrical New Born Care (BEMONCS), rural health units (RHUs), or birthing facilities), and 24 resettlement sites. The 2012 program allocated funds for DILG-implemented projects in 80 municipalities, 62 barangays, 25 health centers and 6 resettlement areas, as well as projects of the Local Water Utilities Administration (LWUA) in 30 municipalities. The DILG remains the budget conduit and primary implementor in 2013, wherein the budget allotment is PhP 0.7 billion, of which PhP 0.651 billion is allocated for investment requirements of 63 municipalities, 71 barangays, 25 health centers and 5 resettlement sites.

Success in meeting the program's first target outcome, that is, "increased water service for the waterless population by 50%" by the year 2015 can be roughly interpreted as achieving at least 50% safe water access rate among the poor households in the 455 "waterless" municipalities identified by the NAPC. During program meetings and discussions, such municipalities have been commonly referred to by the implementors—DILG, DOH and NAPC—as "graduates of Salintubig." It has been recognized that despite their being "graduates", some of these municipalities could still be substantially underserved, especially if the safe water access rate is just equal or slightly above 50%. It has also been recognized that being graduates, they would no longer be eligible for Salintubig grants, but government support for them should not end. This Concept Note is thus prepared to address the concern on what could be the next steps for them.

³ Sagana at Ligtas na Tubig Para sa Lahat Program (Salintubig), http://maps.napc.gov.ph/napcportal/index.php?option=com_content&view=article&id=125:sagana-at-ligtas-na-tubig-para-sa-lahat-salintubig-project&catid=100:salintubig-project

⁴ *ibid.*

3 A Framework for Defining the Targets

To explicitly define which among the Salintubig graduates should be the targets of the proposed financing program, it is helpful to categorize the original 455 target municipalities of the Salintubig program. The categorization is based on actual receipt of grants, effectiveness in project implementation, and achievement of 50% safe water access rate. The Venn diagram in Figure 1 provides a visual aid for the categorization and the summary of proposed interventions.

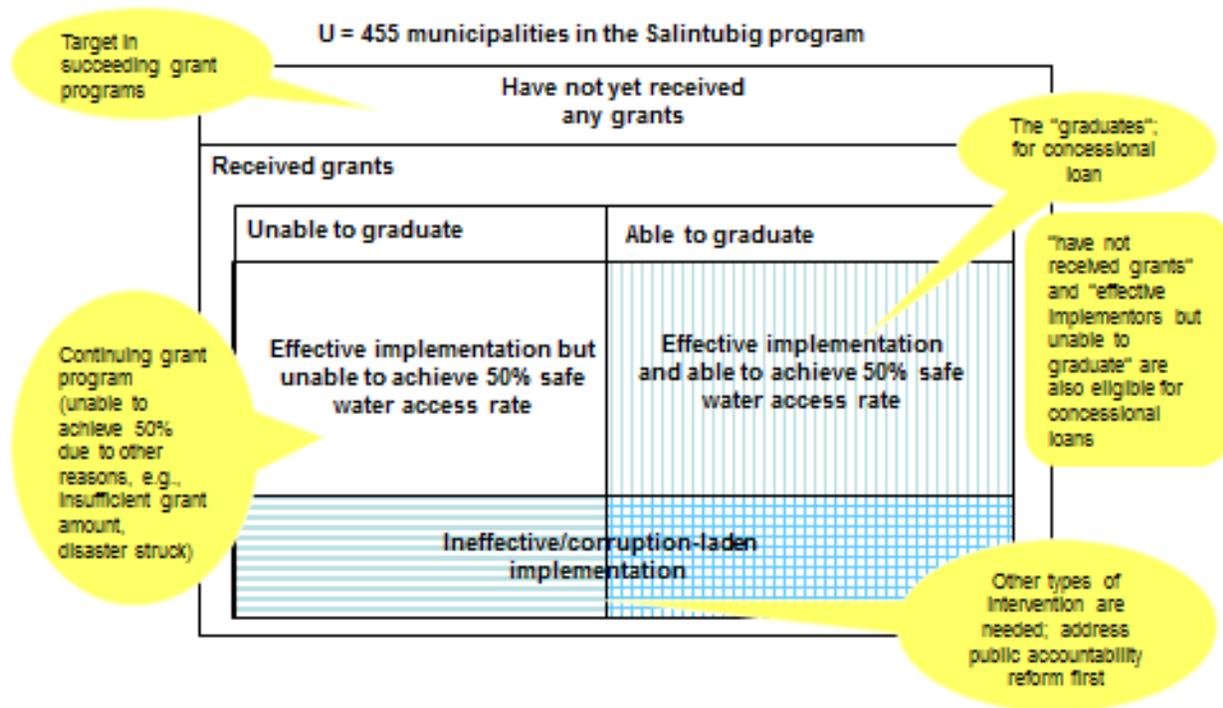


Figure 1: Venn Diagram of Salintubig targets and recipients

The universal set in the Venn diagram consists of the 455 priority municipalities in the NAPC list. By the end of the Salintubig program, it is expected that most of these municipalities have already received Salintubig grants. But in the event that a few municipalities would not be able to do so, these municipalities should still be part of a succeeding grant program (if there would be any) since they were already pre-identified as requiring intervention based on three criteria: poverty, incidence of water-borne diseases, and unsafe water.

It is important to distinguish which among the grant recipients were able to implement their projects without corruption or inefficiency issues (what may be called "effective

implementors”) and those which had a record of corruption or inefficiency (what may be called “ineffective implementors”). DILG field reports and evaluation criteria and systems can be used as bases for determining the performance of implementors and can form part of the operational guidelines to be developed for the financing scheme. The ineffective implementors should be disqualified from further grant programs and the proposed concessional financing program unless their public accountability conduct is addressed first. Rather than public sector assistance in infrastructure building, other types of public intervention, especially those which would promote public accountability and the rule of law, should be carried out for them.

In the implementation of the Salintubig, the allocation per LGU is being fixed at a certain amount regardless of need (i.e., PhP 10 million per LGU in 2011, and PhP 7 million per LGU in 2012 and in 2013). The perceived need to allocate limited public resources to as many LGUs as possible motivated the DOH and the DILG to employ an equal distribution of funds. However, the needs and baseline access rates of the target LGUs differ and it is likely that these factors affect their chance of achieving the target 50% safe water access rate. For instance, an LGU beneficiary which has 49% safe water access rate to start with will have a better chance of “graduating” from Salintubig grants compared with an LGU beneficiary which has 20% safe water access rate before project implementation. Thus, it is likely that not all of the effective implementors would be able to achieve 50% safe water access rate. That the grant amount is insufficient given the large need could be a significant reason for the inability to provide safe water to more than 50% of households despite a blemish-free implementation. Force majeure such as typhoon and other disasters could also be reasons for the inability of effective implementors to achieve targets. If there would be another grant program post-Salintubig, or if the Salintubig program would be extended, it is logical to include in the targets the LGUs that had effective implementation experience but were unable to achieve the target 50% safe water access rate.

Among the effective implementors, there will be those who will be able to achieve 50% or greater safe water access rate. These are what are commonly understood as “graduates” by observers of the Salintubig program. It is proposed that these “graduates” be the primary focus of the conceptualized concessional financing program. However, those Salintubig recipients that are outside this set of graduates should not be precluded from accessing the concessional financing. Thus, the Salintubig targets that “had not received grants” and the Salintubig recipients that “had effective implementation but were unable to graduate” can also apply for concessional financing if they wish to do so.

4 The Proposed Financing Program

4.1 The design

It is proposed that concessional loans be given rather than grants. The concessional loan to water service providers (WSP) in the Salintubig priority areas will be sourced through a co-financing scheme. The sources of co-financing are: (i) a contribution from the national government (NG) or official development assistance (ODA) to support the implementation of the performance-based incentive; and (ii) commercial money from private financing institutions (PFIs), which are now starting to fund developmental infrastructure projects such as rural water supply, sanitation and electrification. The performance-based support (PBS) coming from NG or ODA financing will be slowly eroded as less repayment is being received in order to implement the performance-based incentive scheme⁵ and give concessional loan terms. The PFI money will be repaid based on market terms. The proportion of PBS money relative to total project cost will depend on the target proportion of unserved households relative to total target households, where “unserved households” per Salintubig area is as what the NAPC has established in its targeting system and the remaining households in the total target are households that are already served by water supply but will need upgrading from levels I and II to level III water service.

The concessional terms of the total loan (i.e., PBS plus PFI) will be given only when the output of the PBS portion (i.e., connecting a certain number of households without access to safe water) has been delivered. Otherwise, the terms of the total loan will be commercial. An independent third party evaluator of outputs delivered will be necessary to validate the outputs being claimed. Debt repayments by the WSP-borrower will be distributed as follows: (i) actual debt service to PFI given the commercial terms; and (ii) channeling of what will be left of the debt repayments to a revolving fund, which will then be used to finance more PBS project components.

Two types of concessionality—zero interest and extended maturity

It is proposed that the financing model be simplified into two modalities for the performance-based support (PBS) plus PFI loan: (i) zero-interest loan; and (ii) extended maturity loan. The zero-interest loan could be given for a term of ten (10) years, the current market tenor or loan maturity period given by PFIs for water supply projects. The extended-maturity loan could be for a period of fifteen (15) years but will have a

⁵ In particular using the output-based aid modality, referring to development aid strategy that links delivery of public services to targeted performance-related subsidies

positive interest that results in a grant element equal to the zero-interest loan (see Box 1 for a discussion of the grant element concept). The financing models are illustrated in Section 4.2 below. Limiting the options to two financing modalities makes the decision-making process of the borrowers easy but at the same time introduces flexibility in matching financing with tariff affordability (i.e., short tenors require higher tariffs for cost recovery, whereas long tenors allow a gradual ramping up of tariffs).

Box 1. The grant element concept

The grant element concept was initially developed by Pincus (1963) to compare the value of aid flows when assistance on various terms makes comparisons difficult. Hicks (1991) explain that “while all grants are clearly aid, a loan on less than market terms could be thought of as composed of two elements; a loan on market terms and a grant. The true measure of what is being given should be the grant equivalents of concessional loans plus outright grants.”

Since 1963 and until today, the grant element (or grant equivalent or gift element) of concessional financing is essentially solved by applying a discount rate to future repayments of both principal and interest to arrive at a present value of total repayments for any loan, and then reckoning the difference between the present value and the actual face value of the loan as the grant equivalent of the loan.

The Organisation for Economic Co-operation and Development (OECD) defines grant element using its own prescribed discount rate in this way: “The grant element measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in Development Assistance Committee statistics. This rate was selected as a proxy for the marginal efficiency of the domestic investment, i.e., as an indication of the opportunity cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10 percent; it is 100 percent for a grant; and it lies between these two limits for a soft loan. If the face value of a loan is multiplied by its grant element, the result is referred to as the grant equivalent of that loan.”

In the Philippines, grant element is defined in Republic Act (RA) 8182 or the ODA Act of 1995. RA 8182 states, “Grant element under this Act is the reduction enjoyed by the borrower whenever the debt service payments which shall include both principal and interest and expressed at their present values discounted at ten percent (10%) are less than the face value of the loan or loan and grant. The grant element of a loan or loan and grant is computed as the ratio of (i) the difference between the face value of the loan or loan and grant and the debt service payments to (ii) the face value of the loan or loan and grant.”

References:

Hicks, Norman. 1991. "Concessionary Assistance for Development" in *Theoretical foundations of development planning* edited by Shri Bhagwan Dahiya. New Delhi: Concept Publishing Company.

OECD. 2013. DAC Glossary of Key Terms and Concepts, <http://www.oecd.org/dac/dacglossaryofkeytermsandconcepts.htm> (accessed March 15, 2013).

Pincus, John. 1963. "The Cost of Foreign Aid." *Review of Economic Statistics*. **45** (November 1963): 360-367.

Republic of the Philippines. Republic Act 8182.

PBS and PFI mix

It is suggested that there be a pairing of households without access to safe water (i.e., poor unserved households) and households for upgrading of water supply service. The proportion of PBS relative to PFI money, or the PBS: PFI financing ratio, will depend on the target "households without access to safe water: households for upgrading of access" ratio. This target connection ratio, of at least 1:1, will be self-revealed by the proponent WSP and should be a result of the proponent's study on connection targets.

Equity requirement

Similar with other ongoing concessional loan programs, the design of the proposed concessional financing scheme could also include equity requirements from the WSP.

- (i) If the WSP is a water district or a private utility, the equity requirement could be 10% to 20% given that the LWUA and PFIs usually require 10% to 20% equity from water districts and private utilities. (Actually, given that water districts are a special kind of government-owned and controlled corporations (GOCCs) with no equity, the counterpart of the equity requirement is funding support from internal cash generation or reserve fund.) In the financial model illustration, 20% equity from a water district or private utility is used.
- (ii) If the WSP is an LGU or a rural water service association (RWSA), the LGU equity share could be based on the income class of the LGU and may follow the equity requirement in the Municipal Development Fund Office (MDFO) Policy Governing Board (PGB) Resolution No. 03-11-29-2002. Thus, the equity requirement could be:

20% if the LGU is 1st-2nd class municipality or a city

15% if the LGU is 3rd-4th class municipality

10% if the LGU is 5th-6th class municipality

Possible cases

The PBS-PFI ratio will be equivalent to the target "households (HH) without access to HH for upgrading" ratio. Given this principle and the equity requirement, the following are possible cases:

1 : 1 ratio

If the target connection mix is "HHs without access : HHs for upgrading" ratio of 1 : 1, then the PBS: PFI ratio should be 1 : 1. The PBS plus PFI loan to equity financing mix will therefore be as follows:

Table 1: Financing mix given a 1:1 ratio

	financing mix in %
<u>if WD or private utility</u>	PBS : PFI : WD or private
	40% : 40% : 20%
<u>if LGU or RWSA</u>	PBS : PFI : LGU
1st-2nd class municipality or a city	40% : 40% : 20%
3rd-4th class municipality	42.5% : 42.5% : 15%
5th-6th class municipality	45% : 45% : 10%

2 : 1 ratio

If the target connection mix is "HHs without access : HHs for upgrading" ratio of 2 : 1, then the PBS : PFI ratio should be 2 : 1. The PBS plus PFI loan to equity financing mix will therefore be as follows:

Table 2: Financing mix given a 2:1 ratio

	financing mix in %
<u>if WD or private utility</u>	PBS : PFI : WD or private
	53.4% : 26.6% : 20%
<u>if LGU or RWSA</u>	PBS : PFI : LGU
1st-2nd class municipality or a city	53.4% : 26.6% : 20%
3rd-4th class municipality	56.67% : 28.33% : 15%
5th-6th class municipality	60% : 30% : 10%

3 : 1 ratio

If the target connection mix is "HHs without access : HHs for upgrading" ratio of 3 : 1, then the PBS : PFI ratio should be 3 : 1. The PBS plus PFI loan to equity financing mix will therefore be as follows:

Table 3: Financing mix given a 3:1 ratio

	financing mix in %
if WD or private utility	PBS : PFI : WD or private
	60% : 20% : 20%
if LGU or RWSA	PBS : PFI : LGU
1st-2nd class municipality or a city	60% : 20% : 20%
3rd-4th class municipality	63.75% : 21.25% : 15%
5th-6th class municipality	67.5% : 22.5% : 10%

It is advisable that the PBS:PFI financing ratio be at least 1:1 because a ratio less than 1:1 is unsustainable and results in very low funds revolving from the PBS, and sometimes even a negative interest rate for the total loan package (i.e., PBS plus PFI loan). For instance, a 1:2 ratio given the assumed PFI interest rates and discount rate by the national government in the illustrations below results in debt amortization to PFIs that is higher than total debt repayments being received from a zero-interest loan total loan package. This implies that the PBS becomes 100% grant and some subsidy for PFI loan repayments is being given.

The LGUs shall not be precluded from using 100% equity for funding the upgrading of level of service to served HHs should they not want to take out a loan from PFIs. Thus, they can still take advantage of the PBS facility as long as they prioritize HHs without access in using the PBS.

The use of PBS : PFI ratio, expressed in "HHs w/o access : HHs for upgrading" ratio, will rationalize public resource allocation such that government support is used to target the neediest of the needy. Currently, there are government financing policies which employ the principle that the less creditworthy the proponent is (i.e., the less creditworthy the water district is or the lower the income class of the LGU is), the higher the grant or subsidy or concessional financing that can be accessed by that proponent. The scheme proposed here provides for increasing government support based on beneficiaries' need—the higher the "HHs without access : HHs for upgrading" ratio, the higher the PBS : PFI financing ratio. The allocation of government support is rationalized by channeling concessional financing directly to poor unserved households rather than targeting less creditworthy WSP borrowers as beneficiaries of government support.

4.2 Illustration of the financing models

Consider the case where the “HHs without access : HHs for upgrading” ratio in a water district's franchise area is 3 : 1. Then this implies that the PBS : PFI : WD financing mix is 60% : 20% : 20%. Assuming that the project cost is PhP100 million and the 10-year PFI rate is 8.13% (PDST-F rate plus 3% spread), the interest rate under the extended maturity model can be solved as 2.5%. This is the interest rate that will give the borrower the same grant element as it would receive under the zero-interest loan.

"Grant element", as defined in Republic Act 8182 or the Official Development Assistance Act of 1995, is the reduction enjoyed by the borrower whenever the present value of the debt service payments, using 10% discount rate, is less than the face value of the loan or loan and grant. In our illustration, the grant element or grant equivalent of the ten-year zero-interest loan is 38.55%. A 15-year loan with 2.5% interest results in the same grant element.

Table 4: Sample calculation of grant element and interest rate

	financing mix in %	Grant element of the concessional loan (PBS + PFI)	Interest rate of the concessional loan (PBS + PFI)	
			Zero-interest loan model	Extended maturity loan model
<u>if WD or private utility</u>	PBS : PFI : WD or private 60% : 20% : 20%	38.55%	0%	2.50%
<u>if LGU or RWSA</u>	PBS : PFI : LGU			
1st-2nd class municipality/city	60% : 20% : 20%	38.55%	0%	2.50%
3rd-4th class municipality	63.75% : 21.25% : 15%	38.55%	0%	2.50%
5th-6th class municipality	67.5% : 22.5% : 10%	38.55%	0%	2.50%

Note that the scheme is creditworthiness-neutral. Whatever the income class of the LGU, it will receive the same level of concessionality. The concessionality in turn depends on the need of the target area, as expressed in the “HHs without access : HHs for upgrading” ratio of 3:1.

Using the assumptions mentioned above and given a one-year grace period, the repayment schedules under the two loan models are as follows:

Table 5: Sample calculation of debt service

(Amounts in Php million)	Year 0	Year 1	Year 2	Year 3	...	Year 11	Year 12	...	Year 16
<u>Zero-interest loan</u>									
Principal		80							
Debt Service, 10-yr zero-interest			8	8		8			
Portion of debt service that goes to PFI (given interest rate of 8.13%)			3	3		3			
Portion of debt service that goes to PBS Facility (PBS funds to revolve)			5	5		5			
<u>Extended-maturity loan</u>									
Principal		80							
Debt Service, 15-yr @2.5%			6.46	6.46		6.46	6.46		6.46
Portion of debt service that goes to PFI (given interest rate of 8.13%)			3	3		3			
Portion of debt service that goes to PBS Facility (PBS funds to revolve)			3.46	3.46		3.46	6.46		6.46

4.3 Estimated size of the program

At the start of the Salintubig, the NAPC estimated that there are 1,660,904 poor households in the 455 target municipalities. If 50% of these poor households would have access to safe water by the time the grant program ends, then the possible target of the PBS would be the remaining 50%, that is, 830,452 households without access to safe water. Assuming that capital expenditure on water supply systems is PhP15,000 to PhP20,000 per household (i.e., unit cost range based on LWUA’s experience in implementing projects), the estimated requirement for PBS is PhP12.5 billion to PhP16.6 billion. The actual program size for the co-financing could be bigger than double the amount of PBS because there could be a large demand for level III investments.

4.4 Advantages of the proposed financing program

The proposed program would be able to help meet the following developmental objectives:

Deepening the government support in beneficiaries helped by, or not yet covered by, Salintubig;

Expansion of the overall WSS investment program through co-financing with PFIs;

Putting incentives for water service providers to prioritize the poor through output-based aid.

Moreover, the proposed program will also have the following advantages and features:

There will be no need to set up a new entity which will act as program administrator. The PBS + PFI financing can be an additional window in existing financing facilities.

There will be no need to distinguish between which proponents will be eligible for zero-interest loan or for positive-interest extended-maturity loan because the grant element will be the same. It is the borrowers that will choose which option they will avail of.

The PBS-PFI mix will encourage bigger projects and will slow down the erosion or depletion of PBS funds relative to a case wherein pure grant will be used for meeting water supply targets.

5 Next Steps

Policy decisions may be necessary on these topics:

- (i) The proportion of PBS money relative to the whole investment requirement (Note that the investment requirement for the sector is being studied by an MDGF-1919 study sponsored by NEDA). This proportion could be based on the target ratio or pairing of “HHs without access to safe water : HHs for upgrading of access”. The ratio will dictate the estimate of the amount of program requirements.
- (ii) Which government financing institution (GFI) should host the "PBS + PFI" co-financing window. Rather than set up a new program administrator, this program could be an additional window in their existing facilities. Specifically for LGUs and RWSAs, the candidates are MDFO, Development Bank of the

Philippines (DBP), and Land Bank of the Philippines (LBP). For water districts, the candidates are LWUA, DBP and LBP. For private utilities, the candidates are DBP and LBP. It should be noted that having only one GFI for all types of water service providers will help minimize transaction costs.

- (iii) Whether to use national government budget or official development assistance (ODA) for the PBS portion.
- (iv) Which government agency should program the national budget or contract the ODA loan.
- (v) Whether to implement the program as soon as possible or only after the Salintubig Program ends in 2015.
- (vi) The periodic review, e.g., after 5 years or earlier in case there would be an economy-wide financial crisis. Relatedly, should InfraCom serve as the oversight body for the program?