



USAID
FROM THE AMERICAN PEOPLE

THE PHILIPPINE WATER REVOLVING FUND

QUARTERLY REPORT OCTOBER – DECEMBER 2009

JANUARY 2010

This publication was produced for review by the United States Agency for International Development. Development Alternatives, Inc. prepared it.

THE PHILIPPINE WATER REVOLVING FUND

QUARTERLY REPORT **OCTOBER – DECEMBER 2009**

Program Title:	PWRF Support Program
Sponsoring USAID Office:	USAID Philippines
Contract Number:	EPP-I-00-04-00023 Task Order 02
Contractor:	DAI
Date of Publication:	January 2010

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	7
CHAPTER I: SUMMARY OF PROJECT OBJECTIVES AND RESULTS	12
CHAPTER II: PROGRESS TO DATE AND TARGETS FOR THE NEXT QUARTER	17
CHAPTER III: CONTRACT DELIVERABLES	40

Executive Summary

USAID Mission Goal: Enhanced security, governance and capacities for sustainable, equitable economic growth.

Strategic Objective #4: Management of productive, life sustaining natural resources strengthened.

Intermediate Result 1.2: Urban environmental management improved.

Background:

The PWRF Support Program started as a one-year project with four option years. The first year is for the program's Phase 1 and is focused on the set up and operationalization of the PWRF credit facility in the Development Bank of the Philippines. However, the PWRF set-up is contingent on the availability of the JICA loan to DBP, anticipated in March 2007, but was not signed until September 2008. In view thereof, USAID decided to extend Phase 1 to March 2008, then again to March 2009. It also decided to exercise the option years. USAID's decision to continue the assistance stems from the desire to sustain the momentum gained in financing reforms, favorable response from the PFI market, and the growing interest shown by the Philippine development partners to pursue the reforms in the sector.

While the Option Year 1 or Year 2 work plan focused on capacity and institution building for PFI participation in the sector's financing, policy reforms, and formulation of the long-term financing mechanism with domestic capital market participation, the Year 3 work plan installed the PWRF program in DBP, provided technical assistance to enable local government units (LGUs) and water districts (WDs) develop a pipeline of bankable projects, and started with the development of the long term financing mechanism for water supply and sanitation projects and with the strengthening of selected water and finance sector institutions vital to the water sector reform program as outlined in the Philippine Water Sector Roadmap.

The Year 4 work plan maintained the key components of the PWRF Support Program, but adjusted the program activities to account for constraints and current development in its operating environment. Foremost is the moratorium on the enforcement of EO 279, resulting to crowding out of PWRF financing for water district projects; and the elections in May, which will result to a slow down of project development among LGUs. Thus in the Year 4 work plan, the target market for PWRF will shift to private water service providers. Moreover, the team will focus on institutional and capacity building of water service providers and NWRB, and advocacy with key legislative staff on the water sector reform agenda in preparation for the next congress.

This accomplishment report shows the status of deliverables and activities of the first quarter of the Year 4 work plan.

PWRF Targets in support of IR 1.2	Accomplishments for the Quarter (October – December 2009)
A. Year 4 Work Plan	

Component 1: PWRF Set-up and Institutional Development

Targets for the Quarter

- | | |
|---|--|
| <ul style="list-style-type: none"> ▪ Assist DBP strategize on the implementation of the marketing campaign for PWRF ▪ Assist DBP in conducting the PWRF marketing events ▪ Assist DBP identify measures for a more competitive PWRF; as necessary, update and improve OPG ▪ Provide on demand project evaluation and transaction support during loan negotiation and implementation | <ul style="list-style-type: none"> ▪ Delivered to DBP printed marketing materials for PWRF ▪ The first PWRF marketing road show took place on October 23, 2009 in Cagayan de Oro City. |
|---|--|

Component 2: Project Development

Targets for the Quarter:

- | | |
|---|--|
| <ul style="list-style-type: none"> ▪ On demand basis, evaluate level of preparedness of project feasibility studies or assist targeted utilities improve project feasibility studies for financing from the PWRF or assist LGUGC and DBP evaluate projects for financing | <ul style="list-style-type: none"> ▪ The draft FS for Lasam, Cagayan Valley LGU's water supply system was completed in December and was presented to the Mayor on December 16. <i>(The project is lined up for PWRF financing using 100% PFI with a stand-by credit line from MDFO. However, as of this writing the LGU is considering the offer of LWUA for grant financing if it establishes a water district.)</i> |
|---|--|

- Continue assistance to MCWD, SPCWD, and ZCWD in the implementation of Septage Management projects
- Conduct workshops to disseminate Septage Management business model for WDs
- Continue help desk for WDs preparing septage management plans
- Develop sanitation strategies/projects for 10 large LGUs
- Conduct business planning training of selected WDs
- Provide advisory assistance to selected utilities in the preparation of their business plans
- Facilitate institutionalization of business planning among water districts
- Assisted MCWD with MOU signing with Lapu-lapu City and Cordova Municipality for the implementation of the septage management project.
- Presented the study to the ZCWD Board on October 15 and to the Mayor on October 20, 2009. The Board approved the project and the implementation schedule. The mayor also supported the project and agreed to provide the site for the treatment facility. The procurement is expected in January 2010.
- Three regional (Davao, Cebu, Manila) workshops on the Septage Management business model for water districts were conducted in November and December 2009
- PWRF presented the business model for septage management program to Metro Iloilo, Bacolod, and Metro Roxas WDs in December. All three WDs expressed interest in developing their respective septage management FS and requested PWRF SP TA.

Component 3: Policy and Institutional Strengthening

Targets for the Quarter

- Prepare rationalization implementation plan for public resource allocation for water supply and sanitation projects
- A copy of the draft implementation guidelines was submitted to DOF in October 2009 for its review. As advised by the Assistant Secretary Soledad Cruz, the paper will be reviewed by the EO 279 Oversight

- Develop a long term financing mechanism for the sector
 - Organize and conduct meetings and consultations on rationalization of public resources for WSS
 - Provide technical support to facilitate DOF endorsement of requests for incentives for water sector financing
 - Provide technical secretariat support to the PDF sub-Working for Water
 - Backstop DOF in the PDF sub-Working Group for water on the coordination of the sector's reform agenda
 - Conduct of trainings on tariff-setting and review
 - Conduct study and training on outsourcing of asset valuation
 - Conduct assessment of implementation of the regulatory reform agenda
 - Conduct of briefings, seminars and consultations on WSS to congressional staffs and committees
 - Conduct advocacy and activities to improve economic regulation for WSS development
 - Assist DILG and CDA in the implementation of ring-
- Committee first before it gets presented to the PDF sub-working group for water. The paper includes options on the long-term financing mechanism.
- The PDF SWG/WSS met in December to decide the priority agenda for 2010: implementation plan for the rationalization of public resources for WSS projects; follow through of plan to establish independent economic regulation; and identification of champions (executive and legislative) for the WSS reform agenda identified by the PWSSR.
 - The training design and modules were reviewed in December 2009. The training is scheduled in January 2010.
 - The Draft Report on the Study on Outsourcing of Asset Valuation was submitted to NWRB on December 14, 2009 for its comment.
 - Held the culminating workshop for pilot LGUs and coops, which undertook ring-fencing of their water utility accounts, on October 12 and 13. A shortlist

fencing in selected LGUs and cooperatives

of candidate LGUs for ring fencing was completed in December 2009.

- | | |
|--|--|
| <ul style="list-style-type: none"> ▪ Conduct trainings on performance contracting ▪ Assist NWRB advocate corporate governance and performance contracting ▪ Develop model schemes to expand water services in poor communities ▪ Put in place a grant program to pilot model schemes ▪ Link water service provision with microfinance services or other similar types of financing ▪ Develop twinning program for PAWD and for local utilities | <ul style="list-style-type: none"> ▪ Held the training-workshop on performance contracting for trainers and facilitators on November 25-26, 2009 ▪ Identified model schemes and described in the request for application for grants. ▪ Solicited concept papers from 28 water cooperatives, microfinance institutions, and NGOs and received 22 applications. Shortlisted 10 possible grantees who received the Request for Application from PWRF SP in mid December 2009. ▪ Prepared concept note on the twinning program; got PAWD agreement to develop and implement program; got Eco-Asia agreement to collaborate on the development of the program, in particular PAWD's institutional strengthening |
|--|--|

Component 4: Overall program support

Targets for the Quarter:

- | | |
|---|--|
| <ul style="list-style-type: none"> ▪ Steering Committee and TWG meetings | <ul style="list-style-type: none"> ▪ Held the 14th Steering Committee Meeting on November 17, 2009 |
|---|--|

Chapter I: Summary of Project Objectives and Results

A. Project Objectives and Scope

The Clean Water for People Initiative (CWPI), a partnership of the Governments of the United States of America (USG) and Japan (GOJ) to help selected countries achieve their targets for water supply and sanitation under the Millennium Development Goals (MDG) spurred the development of the Philippine Water Revolving Fund. The Philippines is one of the pilot countries of CWPI. Under this program, USAID and JICA have committed to establish the Philippine Water Revolving Fund to help achieve the following goals:

- Improve access to safe drinking water and sanitation through the establishment of a successful PWRF;
- Through the successful utilization of PWRF and subsequent investment in water and sanitation infrastructure, help reduce morbidity and mortality from waterborne diseases and, specifically in the case of sanitation and wastewater treatment, contribute to biodiversity conservation, particularly in coastal areas.

Secondary thereto:

- Attract private sector investment in water and sanitation infrastructure projects thereby enabling the Philippines to meet its MDG commitments; and
- Strengthen the capacity of key institutions in the water and finance sectors – chiefly water utilities – to effectively obtain and utilize funds for infrastructure investments.

A. 1 PWRF Support Program Objectives

The PWRF Program is divided into four components, listed below, and will be implemented in two phases over five years. Phase I “PWRF Establishment” has three objectives:

- Set up the appropriate institutional arrangements for the PWRF, including supporting efforts to secure the JICA loan and its operating and policy guidelines; and USAID’s DCA guarantee agreement;
- Strengthen selected water and finance sector institutions vital to PWRF Program’s success; and
- Assist LGUs and WDs to develop a pipeline of viable projects in anticipation of an operational PWRF.

Phase 2 focuses on the institutional support for the operation of PWRF and maintains the key components under the Phase 1 Work Plan.

A.2 Project Scope and Expected Outputs

Within the Year 3 plan period (October 1, 2008 to September 30, 2009), the PWRF SP encountered setbacks: change in leadership of the Board of LWUA, moratorium on the enforcement of EO 279, cancellation of the 2009 Philippine Development Forum, and the forthcoming national elections.

As these issues will not be resolved any time soon, the PWRF SP team has made adjustments in the Year 4 work plan.

Component 1: PWRF Set-up and Institutional Development – will focus on marketing PWRF to private water service providers outside of Metro Manila; and assisting DBP streamline the PWRF operating guidelines and loan documentation requirements to make the PWRF a more attractive and flexible loan mechanism.

Expected Outputs:

- Identify projects of private water service providers and remove the 25% cap on PWRF lending to private water service providers
- Update and improve the PWRF operating guidelines and loan documentation to streamline the loan process.
- Provide assistance to DBP to implement PWRF marketing plan
- Provide transaction support to DBP and PFI partners

Component 2: Water and Sanitation Project Preparation - involves providing assistance to water service providers in preparing and improving projects for financing; assisting with the capacity building of water districts in strategic planning; and helping 10 big cities and municipalities assess sanitation needs, plan and implement sanitation projects.

Expected Outputs:

- On demand basis, provide technical assistance to water service providers to update or improve pre-investment studies for PWRF funding.
- Train at least 10 WDs on the septage management business model
- On demand basis, assist about 10 big cities and municipalities with assessment of sanitation problems, project identification and preparation for investments
- Maintain Help Desk for septage management planning and implementation
- Institutionalize strategic business plan training in LWUA; support LWUA's adoption of a policy requiring water districts to have business plans before submitting tariff adjustment and loan approval applications
- On demand basis, train and mentor 10 water districts in strategic business planning

Component 3: Water and Finance Sector Strengthening – involves assisting with the financing, regulatory and institutional reform agenda focusing on advocacy with legislators on the reform program; expanding governance reform initiative among LGUs and cooperatives; exploring the feasibility of a private-sector led project development facility; and exploring financing mechanisms to reach poor communities. Related to the latter, PWRFSP will use its small grants program to test some of these mechanisms.

Expected Outputs:

- Implementation plan on rationalization of public resource allocation to WSS projects and long-term financing mechanism
- Support the design of a long-term financing mechanism to implement the rationalization plan.
- Support to DOF to put in place financial incentives for water sector lending
- Technical secretariat support to the PDF's sub-working group on WSS
- Support for institutional and regulatory reform action plan
 - NWRB strengthening/capacity building on WD tariff review, performance contracting
 - Advocacy for financing and regulatory reforms
 - Promotion of ring-fencing, business planning and performance contracting
 - Three (3) more LGUs and cooperative water utilities adopting ring-fencing
 - Training of LWUA, NWRB, DILG, CDA and utilities on performance contracting
 - Pilot testing of performance contracting in two utilities
- Assessment of a private-sector led Project Development Facility
- Development of financing and implementation strategies for reaching poor communities
- Develop twinning program with the Philippine Association of Water Districts and Eco-Asia for institutional strengthening and capacity building of PAWD and local water service providers

Component 4: General PWRF Program Support- involves serving as the technical secretariat to the PWRF Steering Committee and Technical Working Group and supporting USAID in reporting, advocacy, and collaboration with JICA on the PWRF.

Expected Outputs:

- At least one meeting per quarter for the Steering Committee and the Technical Working Group
- Technical papers, presentations, inputs to USAID reports and communication materials on the PWRF, as may be required by USAID
- Maintain PWRF Support Program Website

B. Overview at end of the Quarter (October 1 to December 31, 2009)

On project financing – Given the active marketing of LWUA's concessional financing to water districts PWRF is unable to compete. Only two LGU projects are being processed: i) Lasam water supply project proposed for 100% PFI financing with a stand-by credit line from MDFO for the liquidity and interest rate cover; and ii) Alfonso Lista water supply project planned for a bond issuance. Both are slated for LGUGC/DCA guarantee. PWRF SP provided technical assistance to both projects, by upgrading the feasibility studies. Recently, we were informed that Lasam may withdraw its application for PFI financing in view of LWUA's offer of a grant to the LGU to set up a water district.

Competition from LWUA is not just on the prospective projects. According to LGUGC, LWUA through the bank that it acquired (proposed Water and Energy Bank) re-financed two water district loans with PFIs.

On sanitation project development – We continued to assist five water districts (Metro Cebu, Cabanatuan, Baliwag, Zamboanga City and San Pablo City) with their Septage management projects and a sewerage treatment facility for Zamboanga City. Metro Cebu, Cabanatuan and Baliwag have completed FS but are still working out LGU support. The feasibility study of Zamboanga City WD's sewerage treatment plant will be finalized in January 2010. Meanwhile the project has been approved by its Board and is slated for implementation under a design-build turnkey contract within the first quarter of 2010. The FS for San Pablo WD is being finalized.



Metro Roxas WD officials working on the business model toolkit.

Related to our efforts to build the pipeline of sanitation projects, we completed the Business Model and Toolkit for Septage Management, a planning and project development guide for water districts. We also conducted three regional trainings on the business model in November and December 2009. A total of 33 water districts and from which 103 officials and staff participated in the training. After the training, so far, three water districts, Metro Iloilo, Metro Roxas and Bacolod have requested our assistance for project development.

The Business Model is scheduled to be launched at the Philippine Association of Water Districts Annual Convention in February 2010.

On institutional development – We held the culminating workshop for pilot LGUs and cooperatives that undertook ring-fencing of their water utility accounts on October 12 and 13, 2009. The testimonies and action plans that were prepared by the water utilities based on the ring-fencing results showed that the initiative contributed to improving governance of their utilities. We have already shortlisted candidate LGUs for the roll out of the ring-fencing approach.

We also conducted the training-workshop on performance contracting of water supply and sanitation (WSS) services in November 2009. Mr. John Sitton, international expert on economic

regulation, walked the participants through the process of forging performance agreements and shared related international experiences.

On reaching the poor program – The Request for Application for grants was released in December to 10 short-listed groups, following the review of concept papers submitted by more than 20 applicants. We expect to get the detailed proposals by end of January 2010.

With regard to the Water Alliance between USAID and Rotary International, the project of the Rotary Club of Zamboanga City West was approved in December 2009. The project involves the construction and installation of a Level 3 water supply system that will serve two rural barangays, Lumbangan and Lumayang and will benefit about 3,500 people.

Leveraging resources – The PWRf Support Program project has been able to leverage resources from its project partners (see Table 1 below).

Table 1: Leveraged Resources

Donors/Partners	Activity	Cost (Php)
LGUs: Alburquerque, Jagna, Magallanes, Margosatubig, and Mahayag Cooperatives: O'Donnel, Lamac, and Matanao	Ring fencing of water utility accounts	196,358.40
WSP	Ring fencing training workshop (Book Launching)	34,650
PSA	Social Marketing for Metro Cebu WD Septage Project	99,400
Zamboanga City WD, Baliwag WD, SPCWD, MCWD	Counterpart cost for Septage Management Project	12, 726.54
LGU Guarantee Corporation	PWRf marketing-related services	417,940
DBP	Marketing Roadshow and Review of PWRf Business and Marketing Plan	31,350
TOTAL		PHP792,424.94 or US\$17,226.63

Chapter II: Progress to Date and Targets for the Next Quarter

Component 1: PWRF Set-up and Institutional Support

Assistance to DBP in the implementation of the business and marketing plan for PWRF- PWRF-SP printed and turned over the marketing collaterals of the PWRF, specifically the brochure and folder, to DBP in October 2009. In the same month we helped DBP conduct the first marketing road show for PWRF in Cagayan de Oro City (pictured). The next will be conducted in January 2010 in Manila, targeting mainly private water service providers.



Transaction support- We facilitated discussion of DBP and LGUGC with Manila Water Corporation on the possible PWRF funding of the latter's Boracay Water and Sewerage project. The project is a joint venture undertaking of MWC1 with Philippine Tourism Authority. DBP and LGUGC (representing PFIs) gave the indicative terms of PWRF, but clarified that the terms will be refined once they see the more detailed project profile. MWC1 agreed to share the profile subject to the signing of the non-disclosure agreement required by MWC1 from prospective funders.

Update and Improvement of the PWRF OPG- We have started discussions with JICA on DBP's request to lift the PWRF cap (25%) on loans to private water service providers. JICA agreed to consider the proposal provided DBP is able to show the demand and demonstrate its efforts to sell PWRF to water districts and LGUs.

Component 2: Water and Sanitation Project Preparation

Technical assistance on septage management. The draft sewerage project feasibility study for Zamboanga City WD was presented to the Board on October 15 and to the Zamboanga City Mayor on October 20, 2009. The Board unanimously approved the recommendations, including the proposal of the General Manager to implement the project within 2010. For his part, Mayor Lobregat also supported the plan and agreed to provide the site for the treatment facility. The WD is currently preparing the formal agreements for the use of the site and as soon as done, will start with the procurement using a design-build turn-key arrangement. In this regard, the MOU with ZCWD was amended to include the preparation of design and performance parameters and assistance in the evaluation of bids in our technical assistance with the WD.



As of December, the technical sections of the ZCWD sewerage project feasibility and the financial analysis have been completed. The WD had also requested approval by the Mayor of the use of the preferred site owned by the LGU. The bidding for the project implementation is scheduled in January 2010.

The recommendations for the Baliwag WD septage management program were presented to the Baliwag Municipal Council in November 2009. The Council expressed support for the project and agreed to enter into an MOU with the WD for the promotion of the program and issuance of a septage management-related ordinance. On the other hand, the feasibility study for the septage project of San Pablo City WD is expected to be finished in January 2010.

Together with the Philippine Sanitation Alliance, in October, we assisted Metro Cebu Water District with forging a MOU with Lapu-lapu City and Cordova Municipality to delineate responsibilities for the implementation of the septage management project. The MOU includes agreement of Cordova Municipality to host the site, MCWD's assistance to Cordova to build communal septic tanks, both LGUs assistance on advocacy, mandating through local ordinances and enforcement of septage management.

Business Model for Septage Management of Water Districts. After the Business Model was peer reviewed and finalized in September 2009, it was vetted by 103 top officials from 33 WDs handpicked by the Philippine Association of WDs (PAWD) to participate in three regional trainings on septage management. The Business Model includes a planning and financial analysis toolkit in an excel-based work book. The toolkit was designed to help the water districts identify and cost the technical option, and determine the adequate pricing to make the service self-liquidating.



42 officials from 13 WDs attended this Davao City workshop on septage management

In a meeting with PAWD President Delfin Hilario and PAWD Chair of Training Committee Isauros Gravador in October, PAWD agreed to co-sponsor the conduct of three regional trainings for septage management. The first and second workshops in Visayas and Mindanao were held back-to-back in Davao City (November 10-11) and Cebu City (November 12-13). A total of 75 officials from 23 WDs participated in the training-workshops. The third was conducted in Manila on 3-4 December 2009 with 38 officials from 10 WDs in Luzon. The Luzon training included a visit to the MWCI's Septage Treatment Facility at FTI (pictured).

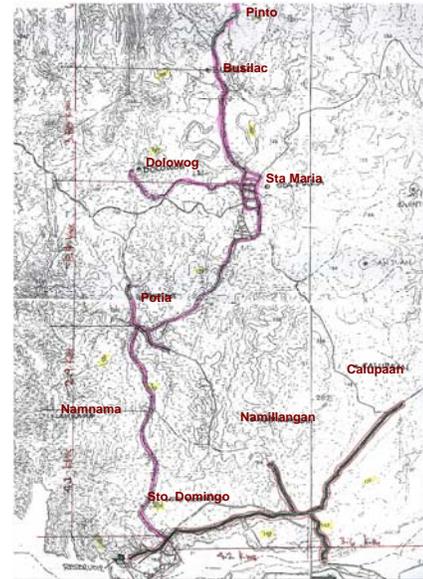


The two-day training workshop was intended to inform and be the first step toward building capacity of water districts to plan for, implement, and operate septage management services. It included lectures by sanitation experts and practitioners, case studies, and exercises using an excel-based toolkit.

As an offshoot of the training workshops, three WDs signed up for the PWRF SP TA on the preparation of septage management feasibility study: Metro Iloilo, Bacolod City, and Metro Roxas. We are now awaiting the board resolutions from each of these WDs to formalize their TA request.

LGU projects for PWRF financing. We provided technical assistance to Lasam, Cagayan Valley LGU in the upgrading of its Feasibility Study for its municipal water supply system. We have completed the Feasibility Study and presented the same to the Municipal Mayor, Hon. Eulogio Agatep, on 16 December 2009 with MDFO and LGUGC representatives. The Mayor informed the group that LWUA recently offered the municipality a Php25 Million loan to revive the non-operational WD formed by the LGU in the 1990s.

In October, we presented the Final Technical Feasibility Study for the Alfonso Lista water supply system to LGUGC and to the LGU representatives. Alfonso Lista Municipality agreed to the recommendations of the study and approved its implementation and funding through the issuance of a municipal bond. The bond will be guaranteed by LGUGC. In December, we reviewed the TOR for a Works Engineer for the Alfonso Lista LGU water supply system; the works engineer will be an independent construction monitor reporting to the Project Monitoring Board. We agreed to provide the works engineer and support up to 30 days of his level of effort.



**Proposed Service Area of
 Alfonso Lista**

Component 3: Water and Finance Sectors Strengthening

Support to the Rationalization of Public Resource Allocation for Water Supply and Sanitation. We submitted the report on the rationalization implementation plan to DOF on October 12, 2009. As advised by DOF Assistant Secretary Joji Cruz, the EO 279 Oversight Committee should review the report first before it is presented to the PDF sub-working group on water. She said she will convene the OC in February 2010.

The implementation plan includes: criteria for prioritizing/allocating public resources based on affordability (poverty incidence and tariff level) and water quality; three (3) financing options and initial recommendations on the administration of the government fund.

Support for the Implementation of the Regulatory Reform Action Plan.

NWRB Strengthening. The Draft Report on the Study on Outsourcing of Asset Valuation was submitted to NWRB on December 14, 2009. The report established that NWRB can prescribe accreditation of independent appraiser firms and enforce guidelines on asset valuation in the exercise of its regulatory functions and quasi-legislative power. It recommended the following: a) a modified ERC asset valuation approach for NWRB, b) accreditation of DTI-accredited

independent appraisers, and c) formulation of operating guidelines that the independent appraisers should adhere to. The Study on Outsourcing of Asset Valuation is an input to NWRB's exercise of tariff regulation. Corollary to this, we have completed the preparations for the conduct of trainings on water district tariff methodology for NWRB personnel and 5-year tariff methodology for CDA staff members. The trainings will be conducted in January and February 2010, respectively.



Performance Contracting- The training-workshop on performance contracting for trainers and facilitators led by John Sitton (pictured) was held on November 25-26, 2009 at the Richmond Hotel in Pasig City. The workshop was attended by officers and staff members from NWRB, CDA, MDFO, NEDA, DILG, LGA and the BOT Center. The workshop served as a venue for an exchange of experiences on various contracting arrangements implemented by LGUs, WDs and private utilities; discussion of issues and concerns; drafting of sample agreements or templates; and the formulation of next steps to promote

the concept to LGUs, WDs, and cooperative-run utilities. The workshop will be followed by the identification of pilot implementers and preparation of the implementation guide.

TA to DILG on Ring Fencing- The culminating workshop for pilot LGUs and cooperatives that undertook ring-fencing of their water utility accounts was held on October 12 and 13. The LGUs and cooperatives who came were: Alburquerque, Jagna, Antequera, Magallanes, Margosatubig, Mahayag, Lasam LGUs and O'Donnell, Lamac, and Matanao Cooperatives. These utilities were represented by mayors, chairpersons, general managers and staff members. Officials from concerned national government agencies and members of the donor community also attended the activity. The workshop capped almost three months of training and intensive hands-on mentoring. It showcased the participants' experiences on and results of the ring-fencing of their water utilities' accounts. The ring-fencing of water utility accounts, a joint collaboration of USAID's Philippine Water Revolving Fund Support Program, Water and Sanitation Program, the Department of the Interior and Local Government and the Cooperative Development Authority underpinned the technical assistance provided to the LGUs and Cooperatives. All participants were sent a copy of the proceedings of the workshop.



The culminating workshop on ring fencing for pilot LGUs and cooperatives.

Riding on the pilot water utilities' commitment to pursue water utility reforms, we continued to mentor them on the preparation of financial guidelines for the ring-fencing and drafting of required issuances to institutionalize the process in their financial management system throughout November and December. We assisted them in their presentation of the financial management policy to their respective mayors and Sanggunians (LGUs) and to the Board of Directors (cooperatives) as part of the institutionalization of ring-fencing process.

Strategic Business Planning for Water Districts- In a meeting with LWUA Acting Administrator Danny Landingin and Mr. Tony Magtibay to follow up institutionalization of business planning in LWUA, the Administrator said LWUA's management will discuss internally issuance of directive to WDs to prepare business plans. Mr. Magtibay said there may be a need to train another cadre of trainers. The first training of trainers was conducted in December 2008.

Strategies to Reach Poor Communities- The grant application of the Rotary Club of Zamboanga City West for the installation of Level 3 water supply system for two rural baranggays in Zamboanga City was approved in December. The signing of the agreement will be held in early January 2010. The Request for Application for shortlisted grantee candidates was also issued in December 2009. The deadline for application is end January.

Technical support to DOF for the PDF sub-working group for water- The PDF/SWG WSS met in December to discuss the accomplishments under the 2008-2009 Action Plans of the four task forces (see Table 2) and their proposed 2010 Action Plans (see Table 3). The priority agenda for 2010 includes: enforcement of EO 279; implementation plan for the rationalization of public resources for WSS projects; follow through of plan to establish independent economic regulation; and identification of champions (executive and legislative) for the WSS reform agenda identified by the PWSSR.

Aside from regularly facilitating the meetings and documentary requirements of the PDF/SWG WSS, we also updated and compiled the "Existing and Planned ODA Programs for Water Supply and Sanitation" which may be used as a planning and monitoring tool of the PDF/SWG WSS. Likewise, we provided inputs to the ongoing formulation of the Philippine Sustainable Sanitation Roadmap (PSSR) which outlines the policies, objectives, strategies including the investment requirements for the priority activities that will be pursued for the development of the sanitation sector. The draft PSSR is expected to be presented to the Sub-Committee on Water Resources in January 2010.

We also coordinated the meeting among MWSS and donor institutions (ADB, AusAID, JICA, KfW, WB, WSP-WB, WHO, UNDP and USAID) to discuss possible assistance to Metro Manila's water supply and sanitation concerns in the aftermath of typhoon Ondoy. It coincided with the NDCC WASH (water, sanitation and hygiene) cluster meeting which took stock of the situation in the areas affected by typhoons Ondoy and Pepeng and the efforts of the various humanitarian and development-oriented groups working in the area in order to identify that need urgent action and to have coordination of all the ongoing efforts.

Under the auspices of the Strategic Alliance Task Force, the members agreed to assist the Department of Health with the East Asia Ministerial Conference on Sanitation and Hygiene 2010 (EASAN 2010). The conference will be held on January 27-29, 2010 in Manila. EASAN 2010 will advocate for strong commitments to accelerated national action by country governments for reaching the sanitation MDG. It will promote commitments to the development and implementation of effective policies, programs and partnerships aimed at meeting the sanitation and hygiene objectives for East Asia that are shared by countries around the region. Among the expected results are identification of potential areas for regional plan and program of cooperation on sanitation and the recognition of a core group of sanitation champions who will drive the regional sanitation cooperation program. The theme will of the conference is "Building Regional Cooperation to Accelerate Progress towards Sanitation." The participants of the conference

Key Result Areas (KRA)	Accomplishments
<p>Develop National Sustainable Sanitation Policy Initiatives</p> <p>Consolidated database on Water Supply, Sanitation and Sewerage (WSS)</p>	<ul style="list-style-type: none"> ▪ The formulated National Sustainable Sanitation Framework was incorporated in the Philippine Sustainable Sanitation Roadmap ▪ Local sanitation plans and codes have been adopted by 7 provinces/cities (Mt. Province; Dagupan City; Eastern Samar; South Cotabato; Gen. Santos City; Saranggani; San Fernando, La Union) ▪ The WSS Portal was launched on 12 September 08 and is maintained by NWRB
<p>KRA 2: Capacity Development</p>	
<p>Framework on Capacity Development</p> <p>Develop capacity of LGUs and cooperatives on ring-fencing, benchmarking, master planning, performance contracting and sustainable sanitation</p>	<ul style="list-style-type: none"> ▪ Capacity development framework has been developed with technical assistance from GTZ Study Team. However, due to time constraints, only four agencies at the national level (NEDA, DILG, NWRB and CDA) were assessed in terms of their capacities and mandates. ▪ To complement this activity, a capacity assessment framework will be developed focusing on local LGUs and WSPs under the MDG-F 1919 in the 36 waterless municipalities in 12 provinces in 5 regions (Regions 2, 5, 9, 10 and 13) ▪ Ring-fencing for the 7 pilot LGUs and 3 cooperatives was completed with the presentation of outputs, lessons learned/experiences during the Learning Event Session held on 12-13 Oct 2009 at Discovery Suites, Ortigas Center, Pasig City.

Key Result Areas (KRA)	Accomplishments
<p>Institutionalize WATSAN sector assessment process</p>	<ul style="list-style-type: none"> ▪ Desk review of the data collected at the national level ▪ Data gaps identified and priority data collected at the local levels have been analyzed ▪ Prepared guidelines in the design of the survey questionnaires. <p>Conducted regional consultation workshop for regions 6, 7 & 8 in Cebu</p>
<p>KRA 3: Strategic Alliance Building</p>	
<p>Develop advocacy program and identify appropriate champions</p> <p>Develop National Sustainable Sanitation Communication Plan (SSCP)</p> <p>Formulate a Philippine Sustainable Sanitation Sector Roadmap (PSSSR)</p>	<ul style="list-style-type: none"> ▪ Conducted consultation conference on regulations with key stakeholders in July and August 2008 ▪ Established an academic consortium on sustainable sanitation ▪ Local SSCP for 6 LGUs were completed under the SuSEA Program ▪ Sanitation summit/conference/symposium were conducted ▪ Conducted series of IYS launching (2008) and Global Hand-washing Day celebration (2008 and 2009) ▪ Organized the EASAN 2010 Conference (preparation still ongoing) ▪ The first draft has been subjected to consultations prior to its presentation to the Sub-Committee on Water Resources in January 2010 ▪ Procurement of consultancy services by UNICEF for the drafting of national water, sanitation and hygiene operation guidelines has commenced

Key Result Areas (KRA)	Accomplishments
KRA 4: Financing and Infrastructure Investments	
<p>Implementation plan on the rationalization of public resource allocation for WSS prepared</p> <p>Develop financing mechanisms to leverage public resources with private financing in WSS</p> <p>Implement financing facilities for project preparation, pre-investment studies, efficiency improvement support</p>	<ul style="list-style-type: none"> ▪ Draft National Rationalization Program for Water Supply and Sanitation Investments in the Philippines was submitted to the DOF in October 2009. The paper proposes the implementation framework for allocating subsidies for WSS projects. ▪ PWRf was launched on 20 October 2008 ▪ Project Technical Assistance Contingency Fund of the Municipal Development Fund Office and Project Development Efficiency and Improvement Fund of the Local Water Utility Administration have commenced implementation/operation.

Table 3: PDF Sub-Working Group on Water Supply and Sanitation Action Plan 2010

Agreed Action Agenda (1)	Identified Measures/Outputs (2)	Status (3)	Targets (4)
Key Result Area (KRA) 1. Institutional Strengthening			
1. NWRB Strengthening	<ul style="list-style-type: none"> • Continue and expand undertaking on WSP performance benchmarking <ul style="list-style-type: none"> ○ Regular updating of the original 45 WSPs' performance ○ Presentation of results of study ○ Formulation of policy proposal to integrate performance reporting in regulatory requirements and the identification of incentives for compliance 		<p>Additional 50 utilities benchmarked</p> <p>Benchmarked utilities formulated performance improvement plan</p> <p>Community of practice established</p>
	<ul style="list-style-type: none"> ▪ Study on outsourcing of asset valuation 	<i>Ongoing</i>	Assessment of feasibility/viability of outsourcing

Agreed Action Agenda (1)	Identified Measures/Outputs (2)	Status (3)	Targets (4)
	<ul style="list-style-type: none"> ▪ Training on water district tariff methodology in support of NWRB's appellate functions (i.e., tariff appeals) 	<i>Preparations ongoing</i>	NWRB staff trained
	<ul style="list-style-type: none"> ▪ NWRB guidelines on light-handed regulation finalized 	<i>Further study on the appropriate type of regulation for SSWSPs currently undertaken under WSP TA and MDG-F projects</i>	Guidelines for LHR for coops adopted
	<ul style="list-style-type: none"> • Rationalization of NWRB's organization 	<i>Rationalization plan is under evaluation by DBM</i>	Secure approval and resources to implement Rationalization Plan
	NWRB and LWUA regulatory roles delineated and guidelines harmonized; facilitated by the completion of the study started in 2009, among others		Uphold EO 123, InfraCom/NEDA Board to resolve issue

Agreed Action Agenda (1)	Identified Measures/Outputs (2)	Status (3)	Targets (4)
2. Resolution of injunction of EO 279	<ul style="list-style-type: none"> • Court resolution 	<p><i>Decision pending with the Regional Trial Court of Quezon City.</i></p> <p><i>Office of Government Corporate Counsel has advised that implementation of the other provisions of EO 279 which have no implications on LWUA personnel can continue.</i></p>	Uphold EO 279
1. Update the Philippine Water Supply Sector Roadmap (PWSSR)	<ul style="list-style-type: none"> • PWSSR updated 		Updated PWSSR published
2. Prepare the National Water Resources Policy (NWRP)	<ul style="list-style-type: none"> • NWRP approved by Infracom 	<p><i>PhP6 M funding needed for the study</i></p>	National Water Resources Policy
3. Develop National Sustainable Sanitation Policy Initiatives	<ul style="list-style-type: none"> ▪ National Sewerage and Septage Management Program approved by Infracom 	<p><i>NSSMP documents have gone through all the TWG meetings and subsequently discussed and adopted by the Inter-Agency Steering Committee (ISC) headed by DPWH. While these, including the final details, such as oversight, sustainability and regulatory concerns were presented to the Sub-Committee on Water Resources on 10</i></p>	NSSMP approved and implemented

Agreed Action Agenda (1)	Identified Measures/Outputs (2)	Status (3)	Targets (4)
		<i>November 2009, approval and endorsement to Infracom was deferred pending the resolution of issues/concerns raised during the meeting.</i>	
	<ul style="list-style-type: none"> ▪ Philippine Sustainable Sanitation Roadmap 		Implementation of 2010 programmed activities pertaining to institutional strengthening
4. Policy research on economic regulation for LGU-run utilities, water districts and small water service providers, including proposing amendments to policies on economic regulation	Policy recommendation on independent economic regulation prepared	<i>Draft bill on WRC prepared under the PWSSR Inter-Agency Steering Committee</i>	Policy proposal

Agreed Action Agenda (1)	Identified Measures/Outputs (2)	Status (3)	Targets (4)
KRA 2. Capacity Development			
1. Framework on Capacity Development	<ul style="list-style-type: none"> List of capacity development needs of WDs, LGUs, coops, WATSANs 	<p>Capacity assessment framework will be conducted at the local level targeting the 36 waterless municipalities under the MDG-F 1919 “<i>Enhancing access to and provision of water services with the active participation of the poor</i>”</p> <p>Prepare program proposal for capacity assessment (national)</p>	Framework and capacity program for implementation
	<ul style="list-style-type: none"> Inventory of all training programs and activities in the water supply and sanitation sector 	<p><i>LGA has existing regional training resource centers- Local Governance Resource Centers</i></p> <p><i>Inventory of trainings on-going</i></p>	Incorporate water supply and sanitation training programs in the LGRCs
	<ul style="list-style-type: none"> List of training/knowledge development centers 	<p><i>6 academic institutions identified for the Water Safety Plans</i></p>	
2. Build capacity of water service providers on	<ul style="list-style-type: none"> Institutionalize benchmarking 		Policy issuances (MOUs) to institutionalize benchmarking and business planning

Agreed Action Agenda (1)	Identified Measures/Outputs (2)	Status (3)	Targets (4)
<ul style="list-style-type: none"> - benchmarking - ring-fencing - strategic business planning - performance contracting - efficiency improvement - sustainable sanitation - project preparation 	<p>Institutionalize strategic business planning</p> <ul style="list-style-type: none"> • Joint Circular from DILG, CDA and NWRB requiring the ring-fencing of accounts 		<p>Roll out of ring fencing to 10 additional WSPs (LGUs and cooperatives)</p>
	<ul style="list-style-type: none"> • Formulation and institutionalization of provincial and municipal sector plans 		<p>Completion of the sector plans for the 36 waterless municipalities by end 2010</p>
			<p>Proposal for PW45P updating</p>

Agreed Action Agenda (1)	Identified Measures/Outputs (2)	Status (3)	Targets (4)
			Integration of sustainable sanitation lessons learned/best practices and module development in the WatSan toolbox (MDG-F 1919)
3. Institutionalize WATSAN sector assessment process	<ul style="list-style-type: none"> • Institutionalized national and local process of data collection, systematic data scrutiny, data analysis, and updating for continuous and periodic assessment • Sector assessment reports 	<i>The preparation phase (development of forms, data gathering, etc.) slated in November-December 2009; implementation phase (conduct of regional/ provincial consultations in 10 pilot provinces in Luzon, Visayas and Mindanao, consolidation/ validation of data as well as data processing and analysis, etc.) in December 2009-February 2010; writeshop and drafting of the Sector Assessment Report by end of April 2010</i>	Design the sector assessment process Standardize data gathering processes, definitions and indicators Research and consolidation of sector data Development of a database Roll out of sector assessment process to the other regions (DOH and DILG to prepare proposal for funding assistance by donor agencies)

Agreed Action Agenda (1)	Identified Measures/Outputs (2)	Status (3)	Targets (4)
	<ul style="list-style-type: none"> WSPs (non-WD) registered 	<i>Selection of consultants ongoing</i>	Registry of WSPs/ mapping out all over the country
<i>KRA 3. Strategic Alliance Building</i>			
1. Pursue advocacy program	<ul style="list-style-type: none"> Advocacy programs to expand and improve WSS services for LGUs, water districts, legislators 		Legislators' briefings EASAN 2010 Sanitation symposia
	<ul style="list-style-type: none"> Awareness programs for the general public 		Global Handwashing Day National search for barangays with best sanitation practices
	<ul style="list-style-type: none"> Champions (GRP champion for water and GRP champion for sanitation) and support groups from the 	<i>Support groups: academic consortium on sustainable sanitation formed</i>	Executive and legislative champions identified

Agreed Action Agenda (1)	Identified Measures/Outputs (2)	Status (3)	Targets (4)
	government, NGOs, private sector		
2. Formulate the Philippine Sustainable Sanitation Roadmap (PSSR)	<ul style="list-style-type: none"> PSSR approved by Infracom 	<p><i>Formulation of the Roadmap is ongoing.</i></p> <p><i>First draft for presentation to Sub-Committee on Water Resources in January 2010</i></p>	PSSR published and programmed activities for 2010 implemented
	<ul style="list-style-type: none"> National Sustainable Sanitation Communication Plan 	<i>Drafting of the NSSCP is ongoing</i>	NSSCP implementation
	<ul style="list-style-type: none"> Drafting of National Water Sanitation and Hygiene Operation Guidelines 	<p><i>Terms of reference for the consultancy service has been prepared.</i></p> <p><i>Awaiting UNICEF action/approval</i></p>	
KRA 4. Financing and Infrastructure Investment			
1. Implement GOP WSS financing policy	<ul style="list-style-type: none"> Implementation plan on the rationalization of public resource allocation for WSS 	<p><i>Draft National Rationalization Program for Water Supply and Sanitation Investments in the Philippines was submitted to the DOF in October 2009. The paper proposes the</i></p>	Enforcement instruments

Agreed Action Agenda (1)	Identified Measures/Outputs (2)	Status (3)	Targets (4)
	prepared	<i>preparation of a detailed rationalization implementation plan.</i>	
	<ul style="list-style-type: none"> Financing programs for WSS identified 	<p><i>ADB-PPTA for the Water District Development Sector Project, which commenced in Feb 2009, is still ongoing</i></p> <p><i>Final Report on the ADB TA on developing models for financing small scale water service providers was submitted by Streams of Knowledge, Philippine Water Partnership and NWRB in November 2009.</i></p> <p><i>WB is currently undertaking a study on the establishment of a concessional loan facility for water and sewerage infrastructure. The facility is proposed to be a mix of loan and grant funds to provide soft financing for the less creditworthy water service.</i></p>	WSS financing programs/facilities
2. Develop financing mechanisms to leverage public resources with private financing in water supply and sanitation	<ul style="list-style-type: none"> Financing Strategy and Long-term mechanisms 	<i>Concept paper on bond financing has been prepared</i>	Long-term revolving fund mechanism

Agreed Action Agenda (1)	Identified Measures/Outputs (2)	Status (3)	Targets (4)
3. Adopt an incentive system to catalyze investments for WSS development	<ul style="list-style-type: none"> Eligibility of water and sanitation projects for incentives such as lower risk weights 	<i>Proposal to lower risk weights of loans guaranteed by LGUGC/DCA is under evaluation by BSP</i>	BSP approval

Component 4: General PWRF Program Support

Participation in conferences - PWRF-SP participated in the following meetings:

- Attended Philippine Sanitation Symposium held on October 14 and 15, 2009
- Assisted with the site visit of the Rotary International (RI) technical expert that appraised the project for the grant committee; the site visit was held on October 20, 2009.
- Participated in the launch of RI and USAID's Water Alliance in December 2009
- Held a work planning session with Rotary Club of Zamboanga City West and The Rotary Foundation on 15 December.

We conducted the 14th PWRF Steering Committee meeting in November 2009.

Issues and New Development

1. Box 1 shows the reported issues in the June 2009 Quarterly Report. These issues remain unresolved and are not expected to be resolved in the near future. Moreover, the elections in May will affect the project development appetite of LGUs. As such the only opportunity left for PWRF, at least within the first half of this year, will be the private water service providers. We have identified full scale level 3 system operators under own franchises or concession agreements with LGUs, as well as bulk water suppliers.

In its last meeting, the PWRF Steering Committee approved in principle lifting the 25% cap for lending to private water service providers, provided the concerned projects are outside Metro Manila, and they serve the need of an LGU or WD. Moreover, the private WSP is required to have a formal agreement with the LGU or WD on the service provision.

Box 1: Issues and New Development (reported in the June 2009 Quarterly Report)

1. LWUA continues to be a hurdle for PWRF financing, on two points: it has not been forthcoming with the issuance of financing waivers and approval of tariffs, both critical conditions for loan approval; and it competes for the same target clientele. DBP, LGUGC and the BAP representative (PNB) voiced this concern in the last PWRF Steering Committee meeting.

The competition from LWUA is expected to get worse in view of the new money it is expected to get in July or August this year (2009). This refers to the transfer of the PhP 1.5 billion budgetary appropriation from DOH and the PhP 600 million equivalent new loan from KfW. LWUA has reportedly been offering concessional financing, even grants, to even the creditworthy WDs.
2. Land Bank also competes for the PWRF market, and is able to offer more concessional terms, in view of its ODA funded programs.
3. Unresolved Injunction of EO 279 – The court case remains unresolved; hence, the policy implementation plan is also on hold. In particular, LWUA financing policy is still not aligned with the EO, graduation program has not been formulated, and LWUA has not been re-engineered yet according to the ascribed mandate from the EO.

In this regard, PWRF SP will assist DBP with the request for JICA approval to change the OPG, and thereafter draft the relevant revisions of the OPG.

A side note as regards DBP is yet again the change in the PWRf point person. The officer handling day to day PWRf matters retired in December 2009. The replacement has not been named yet.

2. Progress on the institutional and regulatory reform initiatives are expected to slow down due to the elections. With the anticipated change in administration and leadership in key agencies, incumbent decision-makers will likely hold off making any major policy or institutional changes. Hence we intend to use the hiatus to work on technical level activities.

Major Activities and Targets for the Next Quarter

Table 4 shows the major activities of the project for the next quarter (January–March 2010). The targets are:

Table 4: Major Activities for the Next Quarter

Project Component	Targets for the Next Quarter
Component 1: PWRf Set up and Institutional Support	<ul style="list-style-type: none"> ▪ Assist DBP in conducting the PWRf marketing events ▪ Conduct marketing road shows for PWRf potential borrowers and PFIs ▪ Monitor progress of marketing campaign ▪ Identify projects for PWRf financing ▪ Assist DBP identify measures for a more competitive PWRf ▪ Provide on-demand project evaluation and transaction support during loan negotiation and implementation
Component 2: Water Supply and Sanitation Project Preparation	<ul style="list-style-type: none"> ▪ Provide assistance on project development (on demand) ▪ Continue assistance to MCWD in the implementation of septage management projects ▪ Continue assistance to San Pablo City WD and Zamboanga City WD in the preparation of FS for septage management and sewerage treatment facility, respectively ▪ Assist Metro Iloilo, Metro Roxas and Bacolod with the preparation of septage management projects ▪ Facilitate institutionalization of business planning among water districts
Component 3: Water and Finance Sector Strengthening	<ul style="list-style-type: none"> ▪ Conduct consultations on the rationalization implementation plan for public resource allocation for water supply and sanitation projects ▪ Provide technical secretariat support to the PDF sub-Working Group for water ▪ Conduct trainings on tariff-setting and review ▪ Subject to agreement of the InfraCom sub-committee on WSS, conduct briefings, seminars and consultations on WSS to congressional staffs and committees ▪ Continue assistance on ring-fencing and performance contracting

Project Component	Targets for the Next Quarter
	<ul style="list-style-type: none"> ▪ Assess the feasibility and prepare design of private sector-led PDF ▪ Evaluate/award small grants related to pilot of model schemes to expand water services in poor communities ▪ Monitor implementation of the Rotary Club Zamboanga West water supply project (under the Water Alliance) ▪ Forge formal agreement with PAWD on the twinning program and prepare implementation plan
Component 4: Overall Program Support	<ul style="list-style-type: none"> ▪ Hold Steering Committee Meeting ▪ Provide technical secretariat support to the PDF Sub-Working Group on WSS; relatedly continue technical assistance to Usec Paul on water related matters ▪ Provide technical support to the East Asian Ministerial Conference on Sanitation and Hygiene 2010

Chapter III: Contract deliverables (Overall Status of Accomplishment)

The status of the contract's expected outputs is shown below:

Table 5: Overall Status of Accomplishment

Component 1: PWRf Set-up and Institutional Support	
Updated financial model for the PWRf	Completed and submitted to DBP
Information memorandum for ICC	Completed; ICC approval of PWRf obtained
PWRf Operating Policy Guidelines of the JICA loan to DBP	Completed; Submitted final draft of integrated EDP and PWRf OPG to DBP
MOA between DBP and PFIs and inter-creditor agreement	<i>Dropped.</i> In lieu thereof, solicited comments of PFIs on the standard loan agreement, including the creditor agreement and incorporated them in the final documents.
Draft Operating Guidelines and Manual of Operations	<i>Dropped.</i> DBP said the OPG will suffice as its existing credit manual will be applied to PWRf.
Business plan and marketing strategy of the PWRf	Completed and accepted by DBP; team has printed the marketing collaterals and finalizing the audio visual presentation and the marketing implementation program
PWRf marketing events	Held the first marketing road show in Cagayan de Oro City in October 2009; two more to be held within the year
Finalized standard loan agreement, guarantee agreement, MDFO loan agreement	Completed; Consolidated the comments of the various PFIs on the standard loan documents on the PWRf. The following PFIs have submitted their respective comments on the standard loan documents: Bank of the Philippine Islands, Allied Bank, Banco de Oro.
Draft guidelines for the Standby Credit Line	Completed. Submitted final draft of the guidelines to MDFO
Credit rating manual for water districts	Completed; submitted final copy to LGUGC in May 2008

Training of PFIs, DBP and other PWRf Stakeholders on Water Project Appraisal	Completed. Conducted training seminars in Manila, Cebu, Davao and Clark, Pampanga to cover participants from North Luzon.
Study tour for 8-10 participants to examine US experience with pooled financing mechanisms	Completed.
Reform program and action plan of the US SRF Study Tour Group	Completed. The action plan includes: setting up of a project development facility; more comprehensive rationalization of credit programs, capacity building assistance and support for regulatory reforms. The convening of the sub-committee under the PDF will be the first step in getting consensus on the overall reform agenda for the sector.
Inputs to the USAID Philippine Mission Action memo to the Development Credit Authority for the new guarantee agreement with LGU Guarantee Corporation	Completed. Agreement has been signed.
Briefing of DBP Regional Marketing Centers on the PWRf	Completed. Conducted 5 regional consultative meetings, coinciding with the training seminars on project appraisal.
Internal marketing of PWRf to DBP account officers and training on the PWRf OPG and project appraisal	Completed
Water Project Appraisal Guidebook	Published and launched in May 2009
Reform program and action plan of the US SRF Study Tour Group	Completed. The action plan includes: setting up of a project development facility; more comprehensive rationalization of credit programs, capacity building assistance and support for regulatory reforms. The convening of the sub-committee under the PDF will be the first step in getting consensus on the overall reform agenda for the sector.
Concept and framework of bond issue for	Completed

WSS project financing	
Assistance to LWUA's securitization exercise	<i>Dropped upon advise from LWUA</i>

Component 2: Water Supply and Sanitation Project Preparation

Prioritization criteria developed and approved by the PWRf Steering Committee and DBP	<i>Dropped. Deemed not necessary; prioritization criteria has been included in the DBP's OPG for PWRf</i>
At least 7 and up to 10 projects are ready for PWRf funding	Completed. Three projects with financial closing; three projects with loans in process; and six projects ready for PWRf financing.
Credit ratings completed for at least two projects	Completed; final report submitted to LGUGC in May 2008
Plan developed for establishing a Project Development Facility	Completed; final report submitted in December 2008
Establishment of procurement mechanism for providing technical assistance needs to utilities	<i>Dropped upon advice of LWUA</i>
TA for project feasibility update	On demand; reviewed/ improved 6 FS: San Pedro, San Jose, Subic Water, Bolinao, Lasam and Alfonso Lista
Training for selected WDs on business planning	
Trainings, TA to LGUs on sanitation projects	
FS for Septage Management Project and Business Model for Metro Cebu Water District, Cabanatuan City Water District and Baliwag Water District	Completed FS of MCWD, CCWD and Baliwag WD The draft technical sections of the ZCWD feasibility were completed in November. The SPCWD feasibility study on the other hand is expected to be completed in January 2010.
Two regional workshops on septage management business model with local association of WDs	Completed. 33 WDs from Luzon, Visayas, and Mindanao regions attended 3 regional training workshops in November and December
Training course for LGUs for project	<i>Dropped as similar training programs are</i>

development, financing, and utility operations	<i>already being provided by other donor programs.</i>
Implementing guidelines of the LWUA-administered Project Development and Efficiency Improvement Facility	Completed. Operating guidelines accepted by LWUA; the Facility is now operational
Assistance to LWUA on the marketing of PDEIF	<i>Dropped upon advise from LWUA</i>

Component 3: Water and Finance Sector Strengthening

Implementing guidelines to rationalize credit programs and draft ICC resolution adopting guidelines	<i>Dropped. This has been superseded by efforts to prepare rationalization plan.</i>
Rationalization implementation plan for public resource allocation for water supply and sanitation projects	A copy of the draft implementation guidelines was submitted to DOF in October 2009 for its review. A meeting with DOF-CAG Director Soledad Cruz has been set for January 2010
Position Paper for Central Bank on eligibility of water projects for Agri-Agra Law compliance/ Incentives for private sector lending to WSS projects	Position paper was submitted to DOF and discussed with BSP. BSP declined the application for agri agra eligibility of water projects in view of lack of explicit legal basis, and instead agreed to consider lower risk weights (50%) for LGUGC guaranteed loans and bonds. PWRfSP continues to provide TA to DOF for BSP approval of the latter alternative incentive.
Pilot ring-fencing of LGU-water utility account	Completed. Five LGUs and three cooperatives were part of the pilot program.
Recommendations on segmentation of the market based on credit classification criteria consistent with international standards	Will be considered in the rationalization guidelines
Recommendations on short-term credit program to assist non-creditworthy utilities to reform and restructure operations to improve creditworthiness	Will be considered in the rationalization guidelines
Trainings for NWRB and CDA staff on tariff-setting and review	
Harmonization of NWRB's and LWUA's regulatory roles	Held in abeyance.
Conduct of study, operation manual, and	Draft report submitted to NWRB in December

orientation seminar on outsourcing of asset valuation	2009
Report on Sustainable Financing Plan for NWRB	Completed; submitted final report in May 2009.
Paper on Performance Contracting	Study was finalized and submitted to NWRB in November 2009; training on performance contracting for government agencies conducted also in November; training of water utilities and pilot testing to be done after May 2010 elections
Performance Contracting Guide	
Briefings, seminars and consultations on WSS to congressional staffs and committees	
Advocacy seminars and workshops activities to improve economic regulation for WSS development	
Study on private sector-led Project Development Facility	
Model schemes to expand water services in poor communities	
Study on the conceptual and operational design of a microfinance facility	
Long-term business planning guide for water districts	Completed and accepted by LWUA; TOT of LWUA and Regional Training Centers of WDs conducted; 10 pilot WDs trained and mentored on respective business plans. All 10 are completing their strategic business plans
Business Planning Guidebook for LGUs	
Recommendations on the long term financing policy mechanism for water supply and sanitation projects	<i>Will be tackled in the rationalization plan.</i>
LGUGC Pricing Policy and Framework	Completed. USAID has submitted the final report to LGUGC.
Concept paper and design framework for a twinning program	

Component 4: Overall Program Support

At least one meeting per quarter for the Steering Committee and the Technical Working Group	The 14 th Steering Committee Meeting was held in November 2009.
Technical papers, presentations, inputs to USAID reports and communication materials on the PWRf as may be required by USAID	On demand
Small Grants Program	The Request for Application for shortlisted grantee candidates was released in December 2009.
Set up PWRf Website	The website is operational. It is continually updated.
Meetings and consultations with the key implementing agencies as necessary	Periodically holding meetings with key implementers to resolve emerging issues
PWRf Performance Monitoring Plan	The PMP has been finalized. PMP reports will accompany the project's annual report to USAID.
Technical Secretariat Support to the PDF Sub-Working Group on Water Supply and Sanitation	Sub-working Group now operational. The four Task Forces, i.e., Institutional Strengthening, Capacity Development, and Strategic Alliance Building, Financing and Infrastructure Investments have been conducting their own meetings to achieve their respective action agenda.