

PHILIPPINE WATER REVOLVING FUND FOLLOW-ON PROGRAM

FINAL REPORT



USAID
FROM THE AMERICAN PEOPLE

Philippine Water Revolving Fund Follow-on Program — FINAL REPORT

Published with the assistance from the United States Agency for International Development's Philippine Water Revolving Fund (PWRF) Follow on Program. Month and year of publication: May 2013.

The views expressed here do not necessarily reflect the views of the USAID or the United States Government.

The PWRF Follow-on Program is implemented by Development Alternatives, Inc. in association with CEST, Inc., a Philippine engineering firm.

PHILIPPINE WATER REVOLVING FUND FOLLOW-ON PROGRAM

FINAL REPORT

TABLE OF CONTENTS

List of Tables.....	ii
List of Figures	ii
List of Boxes	iii
List of Annexes.....	iii
ACRONYMS	iv
EXECUTIVE SUMMARY	vii
I. INTRODUCTION.....	1
Follow-on Program Objectives.....	1
Scope of Work	1
Performance Targets	2
Summary of Accomplishments and Impact	3
II. PROGRAM ACTIVITIES	9
Task A: Technical Assistance to Water Utilities on Project Development for the Accelerated Utilization of the PWRF and DCA Guarantee.....	9
Task B. Support for the Implementation of the Program for Waterless Municipalities.....	17
Task C. Technical Assistance for the Adoption of a Public Investment Policy on Universal Access to Water and Sanitation	25
Task D. Continued Technical Assistance on the Proposed Legislation on Economic Regulation of the WSS Sector	35
Task E. Support to the Philippine Development Forum’s Agenda to Expand Access to Safe Water and Basic Sanitation.	39
Task F. Special Studies Addressing Priority Concerns	42
Task G. Technical Assistance on the Water Operators’ Partnership Program for the Philippine Association of Water Districts (PAWD)	46
Way Forward	51
III. PROGRAM MANAGEMENT AND OPERATIONS	55
A. Team Organization.....	55
B. Use of Sub-contractors	56
C. Monitoring and Evaluation	57
D. Gender Action Plan	58
E. Leveraging of Resources.....	60
IV. FUND UTILIZATION.....	61
ANNEXES	63

LIST OF TABLES

Table 1. Summary of PWRF FP Life of Project Work Plan and Accomplishments	3
Table 2. Training Workshops on WSS Project Appraisal	10
Table 3. PWRF/PFI Approved Loans under the Follow on Program	11
Table 4. Projects in the Pipeline Nearing Financial Closure.....	12
Table 5. Number of People Served by PWRF/PFI-funded Projects	13
Table 6. Status of the Salintubig & BUPB Programs	21
Table 7. PDF Sub-Working Group on Water Supply and Sanitation Action Plan	40
Table 8. Gender Action Plan (December 2011-May 2013)	58
Table 9. Resources Leveraged from Project Partners	60
Table 10. PWRF FP Budget Status	61

LIST OF FIGURES

Figure 1. <i>Salintubig</i> -funded water supply facilities in Kabugao Municipality, Apayao.....	20
Figure 2. Summary of Framework and Guidelines for the Rationalization of Public Resource Utilization for the WSS Projects	28
Figure 3. Coverage of the Financing Scheme for <i>Salintubig</i> Graduates.....	31
Figure 4. PWRF Follow on Program Organizational Chart.....	55

LIST OF BOXES

Box 1. Boracay Island Water Supply and Sewerage Project	15
Box 2. San Pedro Water Supply Expansion Project	16
Box 3. PWRFFP Capacity Building Support to the Salintubig Program (Grant Program for Waterless Municipalities)	23
Box 4. PWRFFP Work on the Water Regulatory Commission Bill	38
Box 5. Philippine Development Forum Sub-Working Group on Water Supply and Sanitation	41
Box 6. Highlights of the Sanitation Pricing Study	44
Box 7. Summary Content of Training Programs	47

LIST OF ANNEXES

Annex 1. PWRF/PFI Project Pipeline (as of May 2013)	65
Annex 2. Salintubig LGUs and Status of Projects	70
Annex 3. List of Salintubig Training	74
Annex 4. Estimated of Beneficiaries of Projects funded by PWRF/PFIs	75
Annex 5. List of PWRF Follow-on Program Meetings	80
Annex 6. List of PWRFFP Consultations and Training Workshops	81
Annex 7. List of Reports by Task	83
Annex 8. Project Monitoring Plan (PMP) Targets and Accomplishments	87

ACRONYMS

ADB	Asian Development Bank
ARMM	Autonomous Region of Muslim Mindanao
BIWC	Boracay Island Water Company
BSP	Bangko Sentral ng Pilipinas
BUPB	Bottom-up Planning and Budgeting Program
DBM	Department of Budget and Management
DBP	Development Bank of the Philippines
DCA	Development Credit Authority
DED	Detailed Engineering Design
DENR	Department of Environment and Natural Resources
DILG	Department of Interior and Local Government
DOF	Department of Finance
DOH	Department of Health
DPWH	Department of Public Works and Highways
DSWD	Department of Social Welfare and Development
EO	Executive Order
ERC	Energy Regulatory Commission
FGD	Focus Group Discussion
GCG	Governance Commission for GOCCs
GFI	Government Financial Institutions
GOCC	Government Owned and Controlled Corporation
GPH	Government of the Philippines
GSIS	Government Service Insurance System
HB	House Bill
HH	Household
HOR	House of Representatives
IEC	Information, Education and Communication
IQC	Indefinite Quantity Contract
IRR	Implementing Rules and Regulations
JICA	Japan International Cooperation Agency

LEDAC	Legislative-Executive Development Advisory Council
LGU	Local Government Unit
LGUGC	LGU Guarantee Corporation
LPRAP	Local Priority Action Plan
LRI	Local Resource Institute
LWUA	Local Water Utilities Administration
MB	Monetary Board
MDG	Millennium Development Goals
MDGF	Millennium Development Goals Fund
MLD	million liters per day
MWSS-RO	Metropolitan Waterworks and Sewerage System-Regulatory Office
NAPC	National Anti-Poverty Commission
NEDA	National Economic and Development Authority
NG	National Government
NHTS	National Household Targeting System
NRW	Non Revenue Water
NSSMP	National Sewerage and Septage Master Plan
NWRB	National Water Resources Board
NWRMO	National Water Resources Management Office
O&M	Operations & Maintenance
ODA	Official Development Assistance
PAWD	Philippine Association of Water Districts
PBC	Performance Based Contract
PDF	Philippine Development Forum
PDMU	Project Development and Monitoring Unit
PDP	Philippine Development Plan
PFI	Private Financing Institution
PhP	Philippine Pesos
PPP	Public Private Partnership
PTA	Philippine Tourism Authority
PWRF FP	Philippine Water Revolving Fund Follow On Program
PWRF	Philippine Water Revolving Fund
Salintubig	<i>Sagana at Ligtas na Tubig sa Lahat</i>
SCWR	Sub Committee on Water Resources

SGL	single guarantee limit
SPE	special purpose entity
SpTP	Septage Treatment Plant
SPWD	San Pedro Water District
SSS	Social Security System
SWGSS	Sub Working Group on Water Supply and Sanitation
TIEZA	Tourism and Infrastructure Enterprise Zone Authority
TOT	Training of Trainers
USAID	United States Agency for International Development
USD	US Dollar
WD	Water District
WQMA	Water Quality Management Area
WRC	Water Regulatory Commission
WSRA	Water Sector Reform Act
WSS	water supply and sanitation
WSSRA	Water Supply and Sanitation Regulatory Authority
WSSU	Water Supply and Sanitation Unit

PWRF FOLLOW-ON PROGRAM

FINAL REPORT

EXECUTIVE SUMMARY

The United States Agency for International Development (USAID) Mission has been a strategic partner of the Philippine Government (GPH) in the water and sanitation sector development since early 2000. Prompted by declining coverage in safe water supply services resulting to annual economic losses estimated at PhP78 billion from incidence of water borne diseases and productivity losses, USAID designed its assistance program to GPH on expanding access to financing for investments in water supply and sanitation projects, and complemented this with project development, policy and institutional reform at the national and utility level.

Enabled by the Memorandum of Understanding between the US and Japanese Governments on *Clean Water for People Initiative (signed in 2002)*, the intent of which is help selected countries achieve Millennium Development Goals (MDG) for water supply and sanitation, USAID and JICA forged a partnership to jointly develop a financing assistance program for the Philippines. This partnership led to the creation of the Philippine Water Revolving Fund (PWRF), an innovative lending program that leveraged public (ODA/JICA funds) with private financing for water and sanitation projects. USAID brought to bear its technical assistance to design, assess feasibility of and structure the Fund; build capability among market players; and provide marketing and institutional support at operational stage. It also provided credit enhancements to private investors through **Development Credit Authority's commercial guarantee**. **JICA on its part** provided the capital resources for the credit program that was used to leverage funds from private financing institutions.

The core objective of the program is simple: provide access to funds for water supply and sanitation projects to increase number of people with safe water supply or improved services. However, the development of the PWRF also provided an opportunity to be the lever of change in other key areas of concerns in the sector, such as utility governance or regulatory reforms. Thus **USAID's PWRF Support Program (October 2006 to November 2011) and the PWRF Follow-on Program (December 2011 to June 2013)** adopted a work plan that included initiatives to enable transformational reforms and empower water utilities for better and sustainable operations. The work plan consists of the following components:

PWRF development and utilization	Project development	Policy, institutional and regulatory reforms	Utility capacity building and governance reform
<ul style="list-style-type: none"> Marketing Transaction support Training of banks on project appraisal Facilitation of deal flow 	<ul style="list-style-type: none"> Project preparation project appraisal support Development of business model for septage management Feasibility studies for septage management 	<ul style="list-style-type: none"> Financing policy reforms Institutional strengthening of regulatory agencies Draft legislation for an independent economic regulatory body 	<ul style="list-style-type: none"> Training on ring-fencing and strategic business planning Training and development of knowledge products on operating concerns Water Operators Partnership Program

The technical assistance team deliberately adopted a participatory and collaborative approach in the execution of the program. In particular, we pro-actively engaged government partners in the development of the work plan and in the formulation of policy papers, training programs and knowledge products. We also supported the organization of a forum among government agencies and donors to coordinate **the sector's** development initiatives. The forum is the Sub-working Group for Water Supply and Sanitation under the Infrastructure Working Group of the Philippine Development Forum. USAID and JICA co-chair the Sub-working Group with the National Economic and Development Authority. As the technical secretariat of the Sub-working Group, we are in the forefront of discussions of issues, analysis of strategic and tactical solutions, **and prioritization of the sector's action plans**. We also have a venue to advocate and build consensus for critical policy and institutional reforms.

To better appreciate the impact of USAID's assistance, we present below the major accomplishments of the PWRF Support and Follow on Programs:

Key Result Areas	PWRF Support Program (Oct. 2006 to Nov. 2011)	PWRF Follow-on Program (Dec. 2011-Jun. 2013)
PWRF-funded water supply and sanitation projects		
<ul style="list-style-type: none"> Total 	19 projects \$100 million	7 projects \$79 million
<ul style="list-style-type: none"> PFI contribution 	\$60 million	\$42.5 million
<ul style="list-style-type: none"> DCA guarantee 	About \$3.66 million	\$1.3 million (to be enrolled)
<ul style="list-style-type: none"> No. of beneficiaries 	Projected: 2 million Actual: 1.3 million (2009 to March 2013)	Projected: 1.8 million Actual: 55,171 (Feb.-May 2013)
Projects approved for grant funding under the <i>Salintubig</i> (program for waterless municipalities)		
<ul style="list-style-type: none"> Total 	161	164 projects
<ul style="list-style-type: none"> ARMM 	Not tracked	69 of which in ARMM
<ul style="list-style-type: none"> No. of beneficiaries 	600,000	612,000
Policy/institutional reform initiatives	<ul style="list-style-type: none"> Rationalization Policy for Public Resource Allocation Water Regulatory Commission Bill Lower risk weights for loans guaranteed by LGUGC 	<ul style="list-style-type: none"> Guidelines for grant program for waterless municipalities Financing model for "graduating" waterless municipalities Revised WRC bill Sanitation pricing policy and framework

Key Result Areas	PWRF Support Program (Oct. 2006 to Nov. 2011)	PWRF Follow-on Program (Dec. 2011-Jun. 2013)
Capacity building	<ul style="list-style-type: none"> • PFIs on project appraisal • Project preparation on septage management • Ring-fencing • Strategic business planning • Three twinning partnerships 	<ul style="list-style-type: none"> • PFIs on project appraisal • Project preparation and O&M- for LGU water supply • Ring fencing • Strategic business planning • NRW management • Water quality management • Three twinning partnerships
Special Studies	<ul style="list-style-type: none"> • Financing models for reaching poor communities • Utility performance contracting 	<ul style="list-style-type: none"> • Sanitation pricing framework • PPP Model for Septage Management • NRW Performance-based Contracting

USAID assistance achieved several transformational reforms in the sector’s financing. Private financing institutions continue to aggressively originate loans and offer competitive rates¹. This development becomes even more significant in the light of the limited ability of LWUA to raise loan funds for water district projects. However, PFIs remain limited to a 10-year market tenor; hence, the need still for the longer-term funds that can provide the liquidity cover for projects that require 15 to 20 year financing. In the past year, we have witnessed less interest in credit risk enhancements as more and more PFIs decline LGUGC guarantees. This reflects their growing confidence in assessing project and borrower risks, as well as their efforts to offer highly competitive rates. Although this reflects a very positive development in the domestic financing sector, ironically it made the Follow-on Program miss the target for utilization of the DCA guarantees.

We attempted to help the Department of Finance (DOF) put in place an overall policy for how national government resources would be allocated to the sector. The underlying objective was to target government grants and subsidies for projects that may require less than commercial financing to be financially viable yet will achieve socio-economic objectives; and leave economically and financially viable projects to private commercial banks or the capital market. Unfortunately, with the change in DOF leadership and competing issues that required the new **leadership’s attention**, we lost our champion for this policy reform. Notwithstanding, we were able to advocate for the adoption of the criteria we have put forth to guide the prioritization and allocation of national government grants (level of access, poverty incidence and incidence of water borne diseases) to “waterless” municipalities. We also used the principles of the rationalization framework in developing a **financing model for “graduating” waterless** municipalities, or those that have achieved 50% coverage of safe water supply and thus, would no longer be eligible for grant funding. The model is designed to use national government funds to provide zero percent loans that can be blended with commercial funding depending on the financial projections for each project. These zero percent loans would be subject to output-based aid conditions – if the water service provider fails to complete the project as planned, the **government’s contribution reverts to a commercial rate loan**. The Department of Interior and Local Government (DILG) accepted the proposal and is shepherding the approval process for the adoption of the financing model.

¹ Private banks usually offer variable interest rates, but with one time option to fix. This allows borrowers to enjoy the low interest rates of short term lending, and hedge for future increases in the interest rates.

We have also drafted and supported the stakeholder consultations and advocacy for the Water Regulatory Commission bill that will establish an independent economic regulatory agency. The WRC consolidates economic regulation under a single institution and resolves the conflict of interest issue that LWUA and LGUs now have in their roles as owners, financiers and regulators of water service providers. Key stakeholders have openly expressed their support for the draft bill, including the Philippine Association of Water Districts (PAWD) and MWSS. Unfortunately, the Metro-Manila private concessionaires opined that the transfer constitutes impairment of their contracts, and their strong lobby stalled Congressional hearings on the draft bill. Once the final issues are resolved with the concessionaires, the bill can be re-filed with Congress as economic regulatory reform for the sector remains a priority agenda item of the Congressional planning office.

Other efforts such as the training, special studies and development of knowledge products achieved pilot level or direct beneficiary level successes. Through these efforts, we have built the capacity of DILG, PAWD and LWUA staff, enabling them to scale-up training and reforms. The knowledge products serve as effective guides to water utilities in their formulation of strategic plans, septage feasibility studies, and ring-fencing of LGU water utilities into distinct economic enterprises. The latest special study on the sanitation pricing framework for LWUA rationalizes tariff setting and will facilitate the preparation of guidelines on septage service pricing that currently do not exist. The PPP model we prepared for septage management and the training, planning guides and model contract we prepared for using performance-based contracts to reduce NRW provide water utilities with alternatives to using in-house capacity and funds to carry out such programs – both scarce commodities in many water service providers.

Future USAID assistance can sustain the gains of the reforms initiated and help institutionalize the pending reforms; continue the capacity building efforts on both water supply and sanitation services, and incubate innovative ideas to address emerging needs; in particular:

1. Continue to promote financial reforms that will improve the allocation of public funds, and expand private sector investments in the sector. Specifically,
 - a. Pursue a long-term financing policy for the rational allocation of public resources, and develop financing mechanisms for projects that are economically viable but which cannot afford pure commercial financing terms;
 - b. Develop the market for pension fund investments in the sector to replace long-term ODA money and to provide liquidity cover for PFIs;
 - c. Address bureaucratic constraints to PFI financing such as requirements that water districts and LGUs only use GFIs as depository banks, the lack of clear policies around the issuance of LWUA waivers, and streamline the process to secure Monetary Board opinions.
 - d. Extend the USAID-DCA co-guarantee agreement with LGUGC. The guarantee agreement between LGUGC and DCA that currently expires in September 2013. The utilization has declined as some banks have become more confident of their ability to assess project risks. However, LGUGC will request for a 5 year extension because they anticipate demand for guarantees for existing and upcoming bulk water supply projects, as well as other PPP projects such as septage management and NRW

management. Guarantees are sought on the private proponent loan and/or on the prompt payment obligation of the off-taker. Moreover, the DCA co-guarantee enables it to increase its single guarantee limit (SGL) (set not to exceed 25% of its net worth, currently at PhP120 million but with DCA co-guarantee, this could go up to PhP200 million). This function of the DCA guarantee will be critical to LGUGC by January 2014 as the ADB equity will be converted to a loan. This will lower its capital base and will result to a SGL of PhP90 million.

2. Continue assistance to DILG on the *Salintubig* program, especially on the implementation of the financing model for graduating municipalities and capacity building of Regional Training Hubs to serve training needs of LGUs and small-scale water service providers.
3. Support for the creation and establishment of an independent economic regulatory body. If the National Water Resources Management Office is established, provide technical assistance in its organization, installation of systems and capacity building of its staff.
4. Continue promotion of sanitation investments - Build on the gains of the PWR Support and Follow-on Program on advocacy and capacity building of water districts for septage management services. The momentum can be sustained by adopting a more holistic strategy and systematic approach by extending advocacy to LGUs, setting up a technical assistance group (see #6) for project preparation and operation, and enforcement of regulations.
5. Complement the PWRFFP pricing policy framework for septage management with a manual for rate setting and adjustment. In addition, provide assistance to LWUA in setting the standards of service that should be factored in the economic regulation of septage management service.
6. Strengthen other institutions to provide training to address special needs of water districts currently not covered by LWUA. For **example: DPWH's office in charge of the National Sewerage and Septage Master Plan**, individual water districts (such as Baliwag, which has experience on septage management), academic and other development institutions. In a needs assessment survey of PWRFFP, WDs identified training needs on NRW management, water quality management, strategic business planning, sanitation planning and water security planning.
7. Continue providing technical secretariat support to the PDF Sub-working Group on Water Supply and Sanitation as this group provides an excellent venue for stakeholder consultations, coordination of agency and donor initiatives in the WSS sector, consensus building and priority setting.
8. Develop the capacity of water service providers in water safety and water security planning, especially in the light of depletion or contamination of groundwater sources (84% of water supply sources is from groundwater).

I. INTRODUCTION

USAID supported the development and establishment of the PWRF through the PWRF Support Program, which ran from 2006 to 2011. At the conclusion of PWRF SP in November 30, 2011, PWRF funded projects, totaled more than PhP4 billion in investments that potentially will benefit two (2) million Filipinos with new access to piped water supply or improved service. The Program was implemented through a Task Order issued to DAI under the Water IQC. When the Task Order reached the limitation on period of performance, USAID decided to execute a follow-on program to sustain the gains in financing of new projects and on-going critical reform efforts in the water sector. The follow-on TA aimed to accelerate the utilization of PWRF and its Development Credit Authority (DCA)-supported credit guarantee. It also allowed USAID to have technical advisors in place to respond to on-going technical assistance requirements of the GPH.

FOLLOW-ON PROGRAM OBJECTIVES

Still anchored on the principal objective of improving access to safe drinking water and sanitation, and at the same time bringing the GPH closer to the attainment of its Millennium Development Goals for water and sanitation, the specific objectives of the follow-on program are:

- To facilitate loan transactions under the PWRF;
- To generate well developed projects for funding under the *Sagana at Ligtas na Tubig Sa Lahat Program* or Salintubig (Safe Water for All Program), a grant program for waterless municipalities;
- To advance the on-going long-term transformational water sector reform initiatives of the GPH;
- To continue technical secretariat support to the Sub-Working Group for Water Supply and Sanitation of the Philippine Development Forum.

SCOPE OF WORK

- A. Technical Assistance to Water Utilities on Project Development for the Accelerated Utilization of the DCA Guarantee-** Facilitation of loan transactions under PWRF by identifying potential borrowers and linking them directly to the lenders (i.e., Development Bank of the Philippines and the PFIs) and to LGUGC for the credit guarantee; includes project appraisal, review of feasibility studies and engineering designs and assistance in completing loan documentation requirements.
- B. Technical Assistance to Support the Implementation of the Program for Waterless Municipalities-** support to DILG for the roll out of the grant program, *Sagana at Ligtas na Tubig sa Lahat* (Safe Water for All) for 455 waterless communities; and provision of capacity building support to DILG staff on project evaluation and on other

needs such as procurement, as well as to priority LGUs on project proposal writing, procurement of services for design and construction and improved utility governance. **Given the Mission's focus on providing social services in conflict-affected areas in Mindanao**, waterless municipalities in these areas were given the highest priority for training.

- C. Financing Policy Support: Preparation of a financing model for “graduating” waterless municipalities-** The project initially programmed continuing technical assistance to DOF to effect, through an Executive Order, a public resource allocation policy for water supply and sanitation (WSS) investments in support of the goal of universal access to WSS services. However, with the change in DOF leadership, this reform agenda was not prioritized. In lieu of this task the project prepared a financing model for graduating waterless municipalities, i.e., those that would have achieved at least 50% coverage of population with safe water supply, thereby making them ineligible for grant financing.
- D. Continued Assistance to NEDA and NWRB on the Proposed Legislation on Economic Regulation of the Water Sector-** assistance to NEDA and NWRB on briefings, conduct of technical analysis and stakeholder consultation to advocate for the passage of the economic regulation bill.
- E. Continued Technical Secretariat Support to the Sub-working Group on Water Supply and Sanitation under the Philippine Development Forum -** USAID co-chairs the sub-working group and PWRF SP has provided the secretariat support under the guidance of DOF. The project continued secretariat support to the sub-working group, covering preparation of agenda and minutes, follow-through of agreements made during meetings and logistical support.
- F. Special Studies Addressing Priority Concerns –** Three special studies were undertaken: pricing policy framework for septage management projects, a public private partnership (PPP) model for a septage management project, and non-revenue water performance-based contract framework.
- G. Institutional strengthening of the Philippine Association of Water Districts (PAWD) –** The technical assistance to PAWD focused on strengthening its capacity to implement the Water Operators Partnership (WOP) Program. PAWD adopted WOP as its platform to address the capacity building concerns of its members.

PERFORMANCE TARGETS

- At least \$25 M private funds mobilized, and at least \$ 8.5 M of which will be guaranteed by LGUGC-DCA
- At least 25 proposals approved, 25% (or 6) of which are focused in conflict areas in Mindanao
- At least 50 LGUs (and national government agencies) trained on improving water utility operations, including LGUs in conflict areas in Mindanao

- With focus on Mindanao, at least two twinning partnerships between LGUs and WDs
- At least two (2) policies adopted for improved financing and regulation of water sector
- At least two (2) Special studies addressing priority needs of water districts
- Under the Philippine Association of Water District’s Water Operators’ Partnership Program, at least two (2) domestic twinning partnerships and training of members on top priority area of concern, e.g., NRW

SUMMARY OF ACCOMPLISHMENTS AND IMPACT

Table 1 summarizes the life of project outputs, outcomes and impact.

Table 1. Summary of PWRF FP Life of Project Work Plan and Accomplishments

Task A. Technical Assistance to Water Utilities on Project Development for Accelerated Investments and Utilization of the DCA Credit Guarantee		
Priority Activities	Life of Project Deliverables	Accomplishments
1. Undertake intensive marketing with focus on WDs with viable water supply projects, private water developers, and WDs with completed septage FS	At least \$25 million private funds mobilized for water and sanitation projects, and at least \$8.5 M of which will be guaranteed by LGUGC-DCA	<p>Exceeded target on private funds mobilized, i.e., \$42.5 million.</p> <p>However, fell short on the target for DCA guarantee, i.e., \$1.31 only</p> <p>Seven projects, with total value of PhP3.2 billion have reached financial closure. Private contribution is at 54% or PhP1.7 billion.</p> <ol style="list-style-type: none"> 1. San Pedro WD water supply expansion project, with a project cost of PhP250 million, PhP150million of which was financed by a PFI; 2. the bulk water supply project for Dasmariñas WD, with a project cost of PhP150 million, PHP120 million, of which is financed by a PFI; 3. PhP122 million loan of Sta. Maria WD for water system expansion from PNB; 4. bulk water supply for San Jose Del Monte WD in the amount of Php56 million financed by Allied Bank; 5. Primewater PHP 300 million loan from BPI, to finance its bulk water supply to Metro Iloilo WD; and 6. Php120 million bulk water supply project of San Pedro Water Resources with San Pedro WD, Php70 million of which was taken out as a loan from Metro Bank. 7. PhP 2.1 billion total project cost of Manila Water’s Laguna AAA project; PhP

Task A. Technical Assistance to Water Utilities on Project Development for Accelerated Investments and Utilization of the DCA Credit Guarantee		
Priority Activities	Life of Project Deliverables	Accomplishments
		<p>1.3 billion from DBP and the remainder from Manila Water's funds.</p> <p>Eighty-five percent (85%) of the following loans by PFIs are guaranteed by LGUGC, 30% of which will be enrolled with DCA:</p> <ul style="list-style-type: none"> • San Pedro WD water supply expansion project- PhP150 million; of which PhP38.25 will be enrolled with DCA • Bulk water supply for San Jose Del Monte WD- PhP56 million, of which PhP14.30 will be enrolled with DCA • Indang WD water supply expansion project-PhP16 million, of which PhP4.08 million will be enrolled with DCA
<p>2. Provide advisory services for the updating of water supply and sanitation feasibility studies</p> <ul style="list-style-type: none"> ▪ Update water supply and sanitation feasibility studies ▪ Assist WDs in packaging and preparing septage management projects especially areas under the Manila Bay Mandamus 		<ul style="list-style-type: none"> • Updated septage management FS of San Pablo WD and Isabela City WD; sewage treatment plant of Zamboanga City WD. • Assisted the following water districts prepare septage management FSs: Orani Bataan, Tagaytay, Angeles City and Davao City
<p>3. Orient and train PFIs on water supply and septage management project appraisal; organize and conduct orientation and training workshops for PFIs</p>		<p>Done. Conducted the first training workshops on WSS project appraisal for PFIs in Manila on Sept. 26-27; attended by 58 senior manager and account officers from the head offices of 9 PFIs, DBP and LGUGC. Conducted the second training workshop on WSS project appraisal on Nov. 20-21 in Davao City for PFI regional and branch offices. Twenty two (22) participants from different branches of 6 PFIs participated in the workshop.</p>
<p>Impact:</p> <ul style="list-style-type: none"> • Deepened private banks and private equity participation in financing water projects; septage projects also coming on line with Baliwag, now operational and Cabanatuan and San Jose del Monte near financial close • Use of credit risk guarantee has tapered off because banks have become more confident on WSS project risk management; and they need to increase head room for competitive rates. 		

Task B. Technical Assistance for the Implementation of Water Program for Waterless Municipalities		
Priority Activities	Life of Project Deliverables	Cumulative Accomplishments
1. Assist DILG in LGU capacity assessment and development of guidelines for the allocation and disbursement of grant funds		Done. Reviewed and proposed improvements to the Salintubig 2012 implementation guidelines and the corollary policy guidelines contained in DILG Memorandum Circular for LGUs and concerned DILG Offices.
2. Assist DILG in project appraisal of proposals for funding	At least 25 proposals for Safe Water for All Program approved, 25% of which is focused in conflict-affected areas in Mindanao	Target exceeded; As of March 2013, 164 projects approved, 69 of which are in ARMM
3. Assist DILG with the marketing of the program and orientation of LGUs on proposal preparation		Provided resource person in the orientation workshops of DILG, covering 188 LGUs and about 700 participants.
4. Conduct TOT on project appraisal, utility governance, cost-based tariff setting and procurement and construction supervision		Conducted mentoring workshops for DILG and PDMU Region 3, Region 4-A, Region 6 and DILG-ARMM staffs on project and DED appraisal, construction supervision and O&M
5. Conduct training of target LGUs under the 2012 program as well as LGUs provided with grant funding on project packaging, ring-fencing and business planning, O&M and cost-based tariff	At least 50 LGUs and national government agencies trained on improving water utility operations, including LGUs in conflict areas in Mindanao	Target exceeded. As of October 31, 2012, a total of 79 LGUs have been trained in O&M; 16 of these LGUs are located in conflict areas in Mindanao
6. Conduct training of LGUs on utility governance and efficient operations		Conducted 3 training workshops on ring-fencing and business planning for LGUs from October – November; A total of 155 participants from 70 LGUs and 8 LRIs attended the trainings.
7. Facilitate twinning or internship partnership between LGUs and water districts	With focus on Mindanao, at least two twinning or internship partnerships between LGUs and water districts.	Target Achieved. Three (3) twinning partnerships forged and training programs completed: Zamboanga City WD with Sulu LGUs (Siasi, Parang and Pangutaran); Isabela City WD with Maluso WD; and Metro Kidapawan WD with North Cotabato LGUs (Alamada, Pikit and Midsayap)
8. Institutionalize capacity development services		Facilitated the conduct of the organizational meeting of the Northern Mindanao WatSan Training Hubs.
<p>Impact:</p> <ul style="list-style-type: none"> • <i>Projects approved for grant funding will provide mostly level 2 (communal faucets) to about 600,000 beneficiaries, 60% of which are in ARMM</i> • <i>Capacitated DILG regional staff with project appraisal, which facilitated the approval of projects for funding</i> • <i>Capacitated LGUs with sustainability elements of water service operation</i> 		

Task C. Technical Assistance in the Adoption of a Public Investment Policy Supporting the Objective of Universal Access to Water and Sanitation Services		
Priority Activities	Life of Project Deliverables	Accomplishments
Provide assistance for the adoption of a public investment policy on the universal access to water and sanitation	At least one policy adopted for improved financing of the water sector	<p>Target achieved. Rationalization framework and prioritization guidelines developed under PWRFSP; PWRFFP provided technical assistance for its discussion in SCWR and Infra Com Technical Board. EO prepared to effect adoption of the rationalization framework submitted to DOF for review and subsequent endorsement to the Office of the President. However, with the change in DOF leadership in August 2011, this reform agenda was not prioritized.</p> <p>Prioritization criteria adopted in Salintubig Implementing and Policy Guidelines; used in identification of 455 waterless municipalities for the annual government grant allocation for water supply</p> <p>DILG Memo Circulars on the implementation mechanics of the Salintubig Program for 2012 and 2013 were issued and disseminated to concerned central and regional offices of the DILG.</p>
Develop financing model for “graduated waterless” municipalities	Financing model for graduated waterless municipalities	<p>Done. The framework has been prepared and presented to concerned institutions, submitted to DILG and presented to Infrastructure Committee’s Sub-committee on Water Resources. DILG will follow through policy issuance adopting the financing model.</p>
<p>Impact:</p> <ul style="list-style-type: none"> Though the rationalization policy has not been effected, the prioritization criteria was adopted in Salintubig Implementing and Policy Guidelines and used in identification and ensured coverage of 455 waterless municipalities for the annual government grant allocation for water supply. Inputs to the DILG Memo Circulars helped DILG firm up the technical and institutional aspects of Program implementation and facilitated utilization of Salintubig grants and monitoring of implementation progress 		

Task D. Continued Technical Assistance on the Proposed Legislation on Economic Regulation of the WSS Sector		
Priority Activities	Life of Project Deliverables	Accomplishments
1. Provide technical support to NEDA or NWRB and Congressional staffs on the WRC	At least one policy adopted for improved regulation of the water sector	<p>Target achieved. Revised draft WRC bill consolidating comments of DOF submitted to NEDA and members of small group on econ. regulation; consolidated draft bill based on comments during discussions in the House Committee on Reorganization submitted to the Committee Secretariat</p> <p>Prepared the following papers/policy briefs in support of the expected outputs for this task:</p> <ul style="list-style-type: none"> aide memoire on why water regulator should be independent; comments on the WSRA bills (HB 5497 & SB 2997); discussion papers for Congressional hearings (especially for the HOR Committee on Reorganization);
<ul style="list-style-type: none"> Prepare policy briefs/papers related to WRC and economic regulation Backstop meetings and consultations Provide technical inputs 	At least five (5) technical papers/ policy briefs related to the proposed WRC and economic regulation in the water supply and sanitation sector	
2. Support advocacy on economic regulation	Technical consultations and seminars on the WRC and related economic	

Task D. Continued Technical Assistance on the Proposed Legislation on Economic Regulation of the WSS Sector		
Priority Activities	Life of Project Deliverables	Accomplishments
	regulatory issues and concerns	<ul style="list-style-type: none"> ▪ comments on the NWRMO (for NWRB); ▪ inputs to the NWRMO operational plan; ▪ comparison of WRC and ERC (submitted to DOF); and ▪ paper on LGU-run water utilities and role of economic regulation. <p>Participated as technical backstop in briefings, stakeholder consultations and House/Senate meetings on the draft bills</p>
<p>Impact:</p> <ul style="list-style-type: none"> • <i>No impact yet, since the WRC has not been enacted yet. However the project effort contributed to the critical steps toward passage of a bill. The establishment of an independent economic regulator is still in the priority legislative agenda being prepared for the next Congress.</i> 		

Task E. Secretariat Support to the Sub-working Group on WSS under the Philippine Development Forum		
Priority Activities	Life of Project Deliverables	Accomplishments
1. Convene/obtain decisions for follow through action, as needed, from SWG WSS regular meetings		<p>Convened two meetings of the Sub-Working Group on Water Supply and Sanitation. The SWG last met in 7 December and firmed up its top three priorities that were presented in the 12 December meeting of the Working Group on Infrastructure.</p> <p>The Philippine Development Forum adopted the following water related recommendations: “expand water supply and broaden programs beyond the Salintubig areas; and take advantage of the sustainable sanitation models that require less subsidies”.</p>
2. Prepare 2012/2013 Action Plans		<p>Coordinated the preparation of the 2012 action plans of the SWG WSS, which includes the following priorities: support for the establishment of the National Water Resources Management Office, enactment of the bill establishing an independent economic regulator for WSS; strengthening of institutional capacities through various water governance and performance improvement initiatives, focusing on the 455 waterless municipalities of the <i>Sagana at Ligtas na Tubig sa Lahat</i> Program to enable them to graduate by end of 2016, and implementation of the Philippine Sustainable Sanitation Roadmap, including the National Sustainable Sanitation Program.</p>
3. Monitor/prepare milestones to PDF/SWG WSS on the progress of Action Plans		
<p>Impact:</p> <ul style="list-style-type: none"> • <i>The Sub-working Group for Water Supply and Sanitation (SGWSS) is one of 5 sub-working groups of the Infrastructure Working Group of the PDF. The SGWSS is the most active among the sub-groups and has been a regular forum for discussion of issues and recommendation and coordination of agency and donor programs.</i> 		

Task F. Special Studies		
Priority Activities	Life of Project Deliverables	Accomplishments
1. Sanitation Pricing Policy Framework	Sanitation Pricing Policy Framework	Done. The Final Report was submitted to LWUA on April 22, 2013
2. PPP Model for Septage Management Services	Public Private Partnership (PPP) model contract for septage management services	Done. Final report on the business case and model contract was finalized and disseminated to PAWD, LWUA, LGUGC, PPP Center, and the following WDs: Metro Iloilo, Mabalacat, Bacolod, and Baliwag
3. Model NRW Performance-based Contract	NRW PBC model contract framework	Done. Completed the report on the review of international experiences; conducted training on performance-based contracting and currently finalizing the report on the model contract framework.
<p>Impact:</p> <ul style="list-style-type: none"> • Presently, LWUA has no pricing guidelines for sanitation services. The sanitation pricing framework provides it with the pricing principles and tariff structure for septage management services. The LWUA management has accepted the recommendations and is ready to present it to the Board; once it is constituted (there is presently a vacuum at the LWUA Board, with 3 of 5 seats still vacated). • The PPP model for septage management provides an alternative implementation strategy for water districts. • The NRW PBC model also gives WDs an alternative to in-house NRW management. 		

Task G. Technical Assistance to the Philippine Association of Water Districts for WOP Program		
Priority Activities	Life of Project Deliverables	Accomplishments
1. Conduct in depth needs assessment		Done. Conducted WD needs and strength survey. NRW Management, Drinking Water Quality and Treatment, and Strategic Business Planning turned out to be priorities of about 100 WDs that participated in the survey.
2. Provide training on identified needs		Done. Conducted the following training programs for water districts: <ul style="list-style-type: none"> • NRW management- 10 WDs; 28 participants • Water Quality- 11 WDs; 22 participants • Strategic Business Planning- 10 WDs; 29 participants
3. Assist with PAWD institutional strengthening	Facilitation of 2 twinning partnerships Mentoring of PAWD Executive Director	Done. Facilitated two twinning partnerships: Isabela City WD & Maluso (Category D) for strategic business planning & preparation of POW for Salintubig grant; and between Kabacan WD (Category C) & Surigao City WD for strategic business planning. Done. The mentoring of the PAWD Interim Executive Director through attendance in various executive training courses to equip her to fulfill her responsibilities capably ended in April 2013. The mentoring report has been prepared and submitted by the consultant citing the improvements, including suggestions on how to further improve Ms. Combatir's capacities to manage and oversee the PAWD Secretariat.
<p>Impact:</p> <ul style="list-style-type: none"> • PAWD has institutionalized strategic business planning and adopted improved operating systems. The appointment of an Executive Director has also helped in the management of its capacity building program for members, and responses and initiatives to address critical policy concerns, such as income taxation issues. 		

II. PROGRAM ACTIVITIES

This section presents the life-of-project work plan activities, outputs, outcomes or impacts for each Task.

TASK A: TECHNICAL ASSISTANCE TO WATER UTILITIES ON PROJECT DEVELOPMENT FOR THE ACCELERATED UTILIZATION OF THE PWRF AND DCA GUARANTEE

Summary of Task A Targets, Expected Outputs & Outcomes

<i>Deliverable/Target:</i>	<i>Outputs:</i>	<i>Outcomes:</i>
<i>At least \$25 M private funds mobilized, and at least \$ 8.5 M of which will be guaranteed by LGUGC-DCA</i>	<i>Marketing and loan transaction support</i>	<i>7 projects funded with a total loan volume of USD79 million; of which USD 42.5 million came from private funds</i> <i>Only USD6.8 million guaranteed by LGUGC; USD1.3 million will be enrolled with DCA</i>
	<i>9 private banks, DBP and LGUGC and 77 senior managers and account officers trained on water supply and septage management project appraisal</i>	<i>New senior managers and account officers familiar with the policy, regulations and operation of water utilities; project evaluation and risk analysis</i>
	<i>Feasibility Studies for septage management</i>	<i>Five (5) more water districts with septage management projects ready for implementation</i>

The team assisted with the marketing of the PWRF among potential borrowers, including private developers. We presented PWRF in WD fora including the annual PAWD convention and regional water district association meetings. We also conducted one-on-one meetings with the big players in the industry, e.g., big water districts, Metro-Manila concessionaires who have interest in projects outside of Manila and private bulk water supply developers to explain the value proposition of PWRF. We regularly held coordination meetings with DBP and LGUGC to strategize on generating deals, as well as resolve barriers to financing, such as the LWUA financing waiver and Monetary Board opinion on GOCC and LGU borrowings (see discussion of this issue and the PWRF FP intervention under Task C).

Learning from the experience of the PWRF Support Program, we heeded the request of the PFIs to re-conduct trainings on water supply and sanitation project appraisal. Capacitation of account officers was one of the major success factors of PWRF. In particular, there was a marked increase on loan origination by PFIs after the training. The training also included an orientation **of the sector's enabling policy**, regulation and issues that affect the risk analysis. This enabled, as well, a consummate review of loan applications. The training design of PWRFFP hewed closely to **that of the Support Program's** but it added appraisal of septage management projects to prepare the lenders for the next wave of projects. The following regional training workshops on Project Appraisal of WSS projects were conducted for DBP, LGUGC and PFIs.

Table 2. Training Workshops on WSS Project Appraisal

Date/ Venue	Type of Workshop	Attendees	No. of Trainees
February 7-8, 2012 DBP, Makati City and MWCI SpTP, Taguig City	Septage Project Appraisal and Tour of Septage Treatment Plant in Taguig	Officers and project evaluators of DBP, LGUGC	Total=30 Male-15 Female-15
March 2, 2012 DBP, Makati City	Septage Project Appraisal	Officers and project evaluators of PFIs, DBP, LGUGC	Total=20 Male-14 Female-6
September 26-27, 2012 Dusit Thani Hotel, Makati City	Water Supply and Septage Project Appraisal	Officers and project evaluators of 9 PFIs in Luzon, DBP, LGUGC	Total=58 Male-33 Female-25
November 20-21, 2012 Apo View Hotel, Davao City	Water Supply and Septage Project Appraisal	Officers and project evaluators of 6 PFIs in Visayas and Mindanao	Total=22 Male-13 Female-9

We also set up a Help Desk-type assistance responding to needs of both lenders and borrowers to facilitate the processing and approval of projects. For example, we assisted DBP and LGUGC on appraisal of projects, and borrowers with project development. Most of our direct assistance on project preparation focused on septage management, as this was where there was the most demand among water districts.

In addition to the 17 water districts assisted under PWRF-SP, we helped five (5) more WDs in preparing septage feasibility studies, i.e., Davao City, Orani, Tagaytay City, Angeles City and Puerto Princesa City WDs. Our approach included a capacity building component—**“learning by doing”**. We trained the WD staff in conducting household sanitation survey, septage volume projections, treatment plant site selection, hauling computations, and financial and economic analyses. Thus our assistance resulted to feasibility studies and transfer of technology to a cadre in water districts that later, can advise other water districts wishing to do septage management projects.

To date 22 WDs have completed feasibility studies ready for financing. Among these WDs, Baliwag WD is now operating its septage treatment plant and two others, Cabanatuan City and San Jose del Monte are near financial closure for their projects.

We also updated the three studies under PWRF SP, the septage project of Isabela (Basilan) WD and the sewerage studies of Zamboanga City and San Pablo, so that they can apply for the 40% **grant from the DPWH’s** National Sewerage and Septage Master Plan (NSSMP) Program.

PWRF FP assisted LWUA in promoting septage management programs to WDs that were mandated by the Supreme Court to stop polluting Manila Bay. We provided resource persons to the consultative workshop held on October 5, 2012 and the training workshop on December 11-13, 2012 conducted by LWUA for 24 WDs covered by the Supreme Court mandamus. In addition, we gave presentations on septage management services in the following fora: convention of the Central Luzon Association of Water Districts on March 23, 2012 in Clark, Pampanga; meeting of Bulacan LGUs and DENR regional officials on April 17, 2012 in Pulilan, Bulacan, and also for the Iloilo Water Quality Management Area (WQMA) Committee on September 28, 2012 and February 12, 2013 in Iloilo City. These efforts helped raise awareness among WD on the value of waste water treatment.

Outcomes and Impact

The combined effect of these efforts helped generate approximately USD 79 million in total loan volume for WSS projects, of which USD 42 million came from private funds. The recorded total loan volume is a conservative figure considering that some private banks preferred not to disclose their deals because of stiff market competition.

Table 3 shows the recorded loan agreements signed during the 18-month term of the PWRF FP.

Table 3. PWRF/PFI Approved Loans under the Follow on Program

Proponent	Project Description	Total Cost (USD million)	Private Funds (USD million)	LGUGC Guarantee (USD million)
1. Manila Water	Water source development and system improvement of Laguna AAA	52.5	20.0	---
2. Primewater	Bulk water supply for Metro Iloilo WD	7.5	7.5	---
3. San Pedro WD	Water source development and system expansion of San Pedro WD, Laguna	6.3	3.8	3.2
4. Sta. Maria WD	Water system expansion of Sta. Maria WD, Bulacan	4.6	3.1	---
5. Twin Rivers Inc.	Bulk water supply for Dasmaringas WD, Cavite	3.8	3.8	2.6
6. San Pedro Water Resources Dev. Corp.	Bulk water supply for San Pedro WD, Laguna	3.0	3.0	---
7. A.M. Gatbonton Drilling Corp.	Bulk water supply for San Jose Del Monte WD, Bulacan	1.4	1.4	1.1
Total		79.0	42.5	6.9

Conversion: USD 1 = PHP 40

Out of the private funds only USD 6.9 million from three projects has been guaranteed by LGUGC and only 30% or (USD1.3 million) of the guaranteed amount will be re-guaranteed by DCA. While we missed our target, this is actually a positive development. It indicates the growing confidence of lenders on WSS projects and borrowers. Moreover, tight competition compels banks to lower interest rates and one way they do so is forgoing guarantees.

What then is the implication on the guarantee agreement between LGUGC and DCA? The agreement is actually expiring on September 2013 and the question is whether there is still a need to renew it. While the trend for guarantee avilment for traditional water supply projects is declining, there are emerging new types of transactions that would need guarantees; for example private bulk water supply or PPP arrangements for septage management and NRW management. The guarantee will be needed for private proponent loans, and/or for the prompt payment of the off-taker. In this regard, LGUGC has indicated its intent to request for a five-year extension of the guarantee agreement. Another factor prompting LGGUC to request for an

extension is its need to increase its single-guarantee limit in the light of the conversion of the ADB equity (25% share) to a loan in January 2014. LGUGC Board passed a policy to set the SGL up to 25% of its net worth-- currently PhP120 million. With the conversion of the ADB equity the SGL will be reduced to PhP90 million. This reduces the value of the credit enhancement for big projects.

Worthy of note is also the robust pipeline of projects currently being processed for loan approval (see Table 4). Major projects nearing financial closure are shown below, and the complete list of the project pipeline is shown in Annex 1.

Table 4. Projects in the Pipeline Nearing Financial Closure

Proponent	Project Description	Estimated Total Cost (USD million)
Manila Water Consortium with Viscal Dev. and StateLand Inc. on a JV with Cebu Province	Bulk water supply from Luyang River in Carmen town for various WDs and LGUs in Cebu Province	19.5
PTK2 Inc.	Bulk water supply for Tagaytay City WD, Cavite	11.5
Jolliville Holdings/Calapan Waterworks	Water source development and system improvement of Metro Agoo, La Union	9.8
San Jose Del Monte Water District	Septage management program	2.5
Total		43.3

The combined projects generated under the PWRF Support and Follow on Programs projected a total of 3.7 million beneficiaries, with new or improved service. Through a survey of borrowers done in June 2012 and March 2013, we monitored the projects funded by PWRF under the Support Program to see the number of people actually served by the projects. Majority of these projects have been completed, and to date approximately 1.3 million people actually benefit from them. On the other hand, most of the projects funded under PWRF-FP either have ongoing construction or just about to start. The benefits of the more recent projects can only be realized after the installation of facilities. Table 5 shows the list of projects and their respective actual/projected number of beneficiaries.

Table 5. Number of People Served by PWRF/PFI-funded Projects

Proponent	Month/ Year Completed	Projected Beneficiaries	Actual Beneficiaries			
			New Service	Improved Service	Total as of Mar-13	Oct-11 to Mar-13
PWRF Support Program:						
Metro Iloilo Water District	Jun-08	141,330*		156,725	156,725	2,876
Silang Water District	Aug-09	213,126	26,350	28,583	54,933	3,330
PhilHydro bulk supply for Legazpi City Water District	Dec-08	130,095	133,958		133,958	4,871
Calamba Water District	Aug-09	134,065	27,407	92,418	119,825	6,250
Cabanatuan City Water District	Dec-10	62,156	42,405	13,174	55,579	7,577
Laguna Water District	Mar-09	43,443	11,689		11,689	425
San Fernando, Pampanga Water District	Mar-09	130,950	30,540	74,730	105,270	1,932
Alfonso Lista, Ifugao	Oct-11	9,987	4,365		4,365	4,365
PhilHydro bulk supply for Norzagaray Water District	Aug-10	108,396	50,395		50,395	2,731
Zamboanga City Water District	Dec-11	228,436	11,765	51,228	62,993	62,993
Puerto Princesa City Water District	Nov-11	189,115	48,365	32,453	80,818	80,818
Boracay Island Water Company		73,089	45,869	44,589	90,458	30,543
Indang Water District	Sep-09	58,186	9,125	2,014	11,139	1,235
Infanta, Pangasinan	ongoing	17,245				0
WorldChem STP for Metro Manila concessionaire	Nov-11	21,071	Completed but not yet operational			0
Tarlac City Water District	Apr-13	44,720	22,890		22,890	8,554
Baliwag Water District	Apr-13	143,533	124,215		124,215	121,075
Mabalacat Water District	Feb-12	198,470	32,105	137,185	169,290	169,290
Sub-Total		2,006,335	621,444	633,098	1,254,542	508,864
PWRF Follow on Program:						
San Pedro Water District	ongoing	26,250			0	0
Sta. Maria Water District	to start soon	27,500			0	0
Primewater bulk supply for Metro Iloilo Water District	Completed on Feb-13	166,667	2,930	52,242*	55,171	55,171
SPWRDC bulk supply for San Pedro Water District	ongoing	78,750			0	0
AM Gatbonton bulk supply for SJDMWD	ongoing	no info			0	0
Twin Rivers bulk supply for Dasmariñas Water District	ongoing	62,500			0	0
Manila Water for Laguna AAA	to start soon	1,464,117			0	0
Sub-Total		1,825,784	2,930	52,242	55,171	55,171
TOTAL		3,690,789	624,374	633,098	1,257,472	511,794

* Deducted from TOTAL because they are the same beneficiaries of another project of the WD

Boxes 1 and 2 present cases in point of projects funded by PWRF/PFIs. Specifically, they highlight the stories of Boracay Island Water Company, serving the Philippines' premier tourist destination and San Pedro Water District.

Lessons Learned

1. The PFIs have responded quickly to market opportunities, are able to tailor the terms to the **borrower's needs and process loans** expeditiously. Competition benefits the borrowers, as banks shave margins to offer lower rates, and in some cases have extended tenors beyond ten (10) years. The rapid growth of PFI investment in the sector has benefited from several external factors including the prevailing low interest rate regime, high levels of market liquidity and few long term investment opportunities open to banks. But what has really helped accelerate PFI loan origination is their improving understanding of the water sector market and growing confidence in appraising the project soundness, cost/benefits, risks and how they can be mitigated. The appraisal training has indeed been a fruitful intervention.
2. LGUGC and the DCA guarantees undoubtedly facilitated the entry of PFIs into the water sector market. In an industry where hard and tradable assets are difficult to come by, the guarantee served as a proxy for collateral. Moreover, the credit ratings carried out by LGUGC **facilitated the PFI's borrower and project appraisal**. However, interest in accessing credit guarantees has tapered off in recent years as PFIs have become more confident in their ability to assess and manage WSS project risks and their need to make their rates more competitive. This development indicates maturing of the market, with project finance transactions becoming more prevalent.
3. The deal flow is still hampered by stiff competition from GFIs and the LWUA requirement that Water Districts which have outstanding loans to LWUA must secure a financing waiver before committing to additional loans. LWUA does not readily grant these waivers, undermining the ability of WDs to freely select from among financing options. LWUA has no clear policy guidelines on the issuance of waivers; hence, WDs are subjected to case to case reviews, changing documentation requirements and variable timelines. As discussed in Task C, lenders have pro-actively engaged LWUA to clarify its financing policy and to issue standard guidelines on waivers. To LWUA **management's** credit, it has expedited the processing of pending waiver applications after the dialogue, but has yet to issue standard guidelines. **LWUA's reluctance to issue waivers stems from its fear of losing** its most creditworthy borrowers which have become savvier in negotiating good deals with PFIs or GFIs. **LWUA's demeanor is symptomatic of the lack of enforcement or even clarity of government's** financing policy. For the PWRF gains to be sustained and deepened, GPH has to re-state its policy in unequivocal terms.
4. Among WDs, awareness on the need for sanitation services to protect the environment is high, but they are still slow to take action. Because environmental or economic regulations on service provision are not enforced, the WDs will always have the option to not do anything. Non-service has no repercussions —apart perhaps from degradation of their groundwater sources, but this is not an immediate concern. Since the project has little influence on Environmental Management Bureau (EMB) **or LWUA's enforcement of** regulations, we have promoted sanitation investments through advocacy, technical assistance for project preparation and capacity building of staff. Once the Baliwag project and the others that will soon be implemented come online, they will serve as good demonstrations that septage management can be a viable business venture as well as an effective environment protection measure.

Box 1. Boracay Island Water Supply and Sewerage Project

Boracay Island is the Philippines' premier tourist destination, its main attraction being pristine beaches and clear waters. The boom in tourism encouraged rapid commercial development stressing water supply and creating wastewater disposal problems. In 2008, it suffered a major setback, when the e-coli scare resulted to a severe decline in tourist arrivals.



In early 2010, the Tourism and Infrastructure Enterprise Zone Authority (TIEZA) formerly Philippine Tourism Authority (PTA) decided to enter into a joint venture agreement with Manila Water Company Inc. to upgrade the water supply and



sewerage

system of the island. The JV company, Boracay Island Water Company (BIWC) put in initial investments of over PhP1 billion. Financing came from PWRF, with an initial PhP500 million loan, and another PhP500 million callable at a future date. To date BIWC has drawn on the second half billion. In particular it invested on the expansion of the existing treatment plan and parallel submarine pipeline that will bring the water from Panay mainland to the island, as well as upgrade the combined septage and sewage treatment plant, and expand the sewerage line. The long tenor of PWRF has enabled the company to invest aggressively without resorting to sharp increases in tariffs.

Water service connections grew from 3,367 in 2010 to 5,175 at present. Total consumption of the island is currently 9 MLD with 7 MLD going to commercial establishments. NRW has been greatly reduced from 37% to 14%.



Coverage of the water system was expanded from 60% when turned over to BIWC to 98%. BIWC has so far laid a total of 14.68 km of pipelines that includes the parallel submarine pipeline. It bought generators to ensure 100% reliability and increased water pressure from 15 psi to 33 psi. Water quality meets the Philippine National Standard for Drinking Water.

In 2011, BIWC upgraded the island's STP to safely treat wastewater before discharging to the waterways. It expanded capacity of the plant from 2.5 MLD to 6.5 MLD. Effluent test results were reportedly compliant with Class SB requirements that keep the beaches pristine. Moreover, the sewer connections increased from 565 2010 to 843 in 2013, for a 32% sewerage coverage. The sewerage system is complemented by septage

management, using four vacuum trucks. Future investments focusing on the expansion of sewerage coverage is estimated at PhP2.5 billion.

BIWC took in the same people that previously ran the system plus a small management core group from MIWC. Through thorough training and re-tooling, customer service has greatly improved. From what used to be a scorned organization, BIWC staff members now take pride of their accomplishments and major transformation of the utility. It has also been an active participant in environment protection programs. Saving the fragile ecosystem of Boracay is a major concern of the company.

In an island whose economy is reliant on tourism, having reliable water supply and sanitation services cannot be overemphasized. Tourist arrivals are now over a million (1.2M in 2012) and still projected to grow. Thus the improved water supply and sanitation services is indeed a boon to the people of Boracay who now have better service and sustained tourism-led economy.

Box 2. San Pedro Water Supply Expansion Project



Well head and Pump-house



Pipe-laying of distribution lines

San Pedro, Laguna is a town at the southern tip of Metro Manila. Its water service is provided for by San Pedro Water District (SPWD). SPWD has about 24,000 water service connections, which serve 60% of the Municipality's population. SPWD wanted to expand its system to serve the rest of the population within its franchise area, improve quality of service, and preserve groundwater sources. Water sources in the unserved area are scarce. Most of the deep wells therein are delivering at the maximum less than 6 liters per second each only and the pumping water levels of wells are getting lower and lower.

Fortunately, ground water in the served area is still sufficient. Hence, SPWD's immediate plan is to dig two deep wells with 4mld yield, build a 1,000 m³ ground reservoir and booster pumping station, and lay transmission lines going to the unserved area. The longer range plan is to enter into a PPP arrangement for a bulk water provider that will draw from a surface water source. This will provide him with 12 mld capacity; enough to replace the deep wells in the unserved area. SPWD estimates that about 35,000 people with existing service connections will benefit from the project as well as 70,000 people, presently unserved.

SPWD hopes to immediately complete these projects to cover 100% of its franchise area and then address its requirement in sanitation through a septage management program as its next undertaking.

SPWD tapped a private bank loan for this project. Improved access and greater options for financing has facilitated capital investments. Water utilities such as San Pedro are more flexible in designing most advantageous financing strategies—from PPPs to private bank financing.

TASK B. SUPPORT FOR THE IMPLEMENTATION OF THE PROGRAM FOR WATERLESS MUNICIPALITIES

Summary of Task B Targets, Expected Outputs & Outcomes

<i>Deliverable/Target:</i>	<i>Outputs:</i>	<i>Outcomes:</i>
<i>At least 25 proposals approved, 25% (or 6) of which are focused in conflict areas in Mindanao</i>	<i>Participated in 14 marketing and orientation workshops of DILG covering 188 LGUs, which sent a total of nearly 700 participants.</i>	<i>Improved access to potable water supply and sanitation services:</i> - <i>164 projects approved, 69 of which are in ARMM</i> - <i>Out of which, 612,232 people will have access to potable water</i>
<i>At least 50 LGUs and national government agencies trained on improving water utility operations, including LGUs in conflict areas in Mindanao</i>	<i>Conducted training workshops on project appraisal for DILG ARMM, ARMM Provincial Government and CSOs also in ARMM</i> <i>Conducted 3 training workshops on ring-fencing and business planning with a total of 155 participants from 70 LGUs and 8 LRIs.</i> <i>A total of 79 LGUs have been trained in O&M; 16 of these LGUs are located in conflict areas in Mindanao</i>	<i>Improved water utility operations</i> - <i>LGU developed and implemented O&M guidelines for the water utility</i> - <i>LGU established new or improved organizational structure for water utility</i> - <i>LGU reconstructed the financial accounts or established a separate chart of accounts for water utility</i> - <i>LGU developed and institutionalized financial guidelines for ring-fencing or separation of financial accounts water utility</i>
<i>With focus on Mindanao, at least two twinning partnerships between LGUs and WDs</i>	<i>Two (2) twinning partnerships forged and training programs completed: Zamboanga City WD with Sulu LGUs (Siasi, Parang and Pangutaran); and Metro Kidapawan WD with North Cotabato LGUs (Alamada, Pikit and Midsayap)</i>	

In January 2012, we obtained concurrence from DILG on the Terms of Reference and detailed plan of activities for the Technical Assistance on the Program for Waterless Municipalities (referred to as *Sagana to Ligtas na Tubig sa Lahat or Salintubig* Program). The Salintubig is designed to provide grant financing and capacity development programs to enhance/improve local capacities of 455 beneficiary LGUs in planning, implementation and operation and management of water supply facilities in a sustainable manner. For 2012, PHP 770 Million is appropriated as performance-based grants facility for 80 LGUs, identified by NAPC using the **DSWD's National Household Targeting System (NHTS)**, to develop infrastructures for the provision of potable water supply in waterless areas.

The TA to DILG aimed to help with the efficient implementation of the program, and in particular meet its targets on the number of municipalities with meritorious projects. In December 2012, DILG expanded the TA scope to include similar scope of assistance for the implementation of the Bottom-up Planning and Budgeting Program (BUPB). The Bottom up Planning and Budgeting (BUPB) is an approach adopted by GPH in identifying and prioritizing funding for poverty reduction projects which include water supply projects. For 2013 implementation, 347 LGUs were identified by NAPC and DBM as having priority water supply projects under the Local Priority Action Plan (LPRAP). PHP 1.06 Billion was appropriated for the infrastructure component. The TA includes:

1. Technical Assistance to DILG on Project Evaluation and Establishment of a Help Desk

DILG's Water Supply and Sanitation Unit (WSSU) and the regional PDMUs are in charge of the Salintubig implementation. However, previous experiences of the PDMU and WSSU are mainly on the institutional and capacity development aspects, and have limited exposure on the technical aspects such as technical review, source validation, and construction supervision. DILG's region-based Project Development and Monitoring Units (PDMU), in particular, are tasked with the evaluation of project proposals submitted by the recipient LGUs. Our assistance was thus designed around establishing an appraisal system and capacitation of PDMUs through structured trainings and mentoring.

To facilitate evaluation of Salintubig project proposals and detailed engineering designs, PWRFP developed templates. These templates helped standardize the necessary information and analysis for the appraisal and the decision rules for approval of grant applications. DILG adopted the same templates for the BUPB Program.

We leveraged our resources by piggy-backing training of PDMU staff on project appraisal in related trainings conducted by other donors. We also conducted a mentoring workshop for DILG-ARMM, ARMM Provincial LGUs and CSOs tasked to monitor project implementation in ARMM on project appraisal and review of detailed engineering designs. In all, we trained 15 PDMUs, including those in ARMM.

In addition, PWRFP provided on the ground assistance to PDMUs review project proposals submitted by the following LGUs: Guinayangan, Calauag, Tagkawayan, Patnanungan, Polilio, and Gen. Luna, Quezon; Rizal, Pakil and Siniloan, Laguna; Esperanza and Palanas, Masbate; Gigmoto, Catanduanes; Paracale and Del Gallego, Camarines Sur; San Francisco and Dalaguete, Cebu; Bayawan, Bindoy, Canlaon, Guihulngan, Manjuyod San Jose and Sta. Catalina, Negros Oriental.

In November 2012, we complemented this assistance with the establishment of a Help Desk, manned by five engineers who can be deployed on **"as-needed"** basis, and who can respond to broader technical assistance needs of LGUs, DILG Central Office and PDMUs. Activities conducted in relation thereto are:

- a. On-site validation and source confirmation in Lubao, Pampanga; Sta. Barbara, Alimodian and Cabatuan, Iloilo; Llanera, Nueva Ecija; Dinalupihan, Bataan; Dona Remedios Trinidad, Bulacan; and Sogod, Cebu; and
- b. Review/evaluation of Detailed Engineering Designs (DED) of 10 LGUs, namely, Talacogon, Trento and Vuela, in Agusan del Sur, Pinamungajan, Sibonga, Sta. Fe and Tuburan, Cebu; and Calape, Danao and Garcia Hernandez, Bohol.

PWRFFP assistance expanded **DILG's technical know-how** and capacity on project appraisal, review of detailed engineering designs and source validation. Our assistance contributed to the achievement of **DILG's** targets. As of March 2013, from the 2012 Salintubig Program: 154 proposals were received, 149 have been evaluated and approved for funding. Of the approved projects, 69 projects are now in DED preparation, 18 projects currently in the procurement stage and 42 projects already in various stages of construction. Figure 1 shows an example of the water supply systems constructed under the Salintubig program

Lessons Learned

The DILG's regional PDMUs, given their close relationships with LGUs in their respective areas, offer a logical resource to provide of marketing and training assistance, on-site validation and proposal evaluation for Salintubig projects. However, PDMU staffs also have several other responsibilities, get pulled in different directions and have little time to focus and to give quality attention to Salintubig tasks. Since staff complement of PDMUs likely will not increase in the foreseeable future, the alternative is to outsource the services they could provide to other organizations. The PWRFFP program supported the initiative of DILG to establish Regional Training Hubs, consisting of academic institutions, water districts, NGOs and CSOs that can provide training, project preparation and other related services to LGUs. These hubs can help take some of the workload of the PDMUs while broadening the resources available to LGUs.

Figure 1. *Salintubig*-funded water supply facilities in Kabugao Municipality, Apayao



2. Training of LGUs on Water Supply Project Implementation and Utility Governance

From February 2012 to March 2013, PWRFFP participated in 14 marketing and orientation workshops covering 188 LGUs, which sent about 700 participants. The orientation workshops were used to teach the LGUs how to accomplish the Simplified FS Template developed under the PWRF SP. This is to ensure a standard format for proposals, completeness of key information and the right analyses in project preparation.

Likewise, PWRFFP conducted 6 training workshops on O&M of Water Supply Systems and Well Drilling Technology for 79 LGUs with a total of 157 participants; and 3 training workshops on ring-fencing and business planning benefitting 155 participants from 70 LGUs and 8 Local Resource Institutes (LRIs). These trainings addressed sustainability of operations and good governance.

By the end of the PWRFFP's technical assistance, the status of the Program's interventions is shown below.

Table 6. Status of the Salintubig & BUPB Programs

Program	Total Allocation (Pesos)	Target LGUs	No. of Beneficiaries (approved projects)	Status, as of March 2013	Funds Released (Pesos)
2012 Salintubig	770 M	80 non-ARMM	341,278	DED Preparation: 20 Procurement: 18 Construction: 42	481.75 M
	503 M	74 ARMM	257,077	FS Preparation: 5 DED Preparation: 69	-
2013 Bottom-up Planning and Budgeting Program (BUPB)	1.06 B	317 non-ARMM 30 ARMM	13,877	FS Preparation: 332 DED Preparation: 15	27 M

Lessons Learned

Prior to the Salintubig program, most LGUs implemented their local water supply projects without the requisite technical preparation and studies, often resulting in poorly designed and constructed water systems. Compounding this problem, many LGUs paid little attention to good governance and management practices, failed to establish sound tariff policies, nor follow O&M best practices which had the combined effect of undermining the sustainability of projects. Thus, the DILG instituted an excellent policy requiring grant recipient LGUs to contribute at least 10 percent equity, which can be used for training and capacity building activities, among others². Moreover, DILG has to conduct information, education and communication (IEC) campaigns on cost-based tariff setting directed at local legislative bodies that assume economic regulatory powers for the water systems once built.

² The equity contribution can be used for training and other capacity building activities, implementation of sustainable sanitation program, establishment of a monitoring system or for civil works.

3. Facilitation of Twinning Partnerships between LGUs and Water Districts

PWRFFP facilitated two twinning partnerships between LGUs and water districts which resulted in the formulation of O&M guidelines and the set-up of rational organizational structures. These partnerships are documented in a separate Twinning Partnership Report.

The two twinning partnerships supported by the PWRF-FO program were between Zamboanga City Water District with Sulu LGUs (Siasi, Parang and Pangutaran); and the Metro Kidapawan Water District with North Cotabato LGUs (Alamada, Pikit and Midsayap). The LGUs were selected based on readiness of facilities (constructed and ready for operation), willingness to participate and proximity to the mentor water district.

Twinning activities involved lectures, site visits and actual technical demonstrations of O&M activities, and practicum on commercial operations (tariff setting, billing and collection) and overall administration functions. The twinning partnerships were capped by Ring-fencing and Business Planning Workshops. Through these twinning partnerships, LGUs prepared O&M manuals and developed tariff guidelines. The latter is one of the most notable impacts of the twinning—LGUs came out with a deeper awareness on the need to collect cost-based tariffs to sustain and expand operations. Heretofore, their mindset was to either give the water for free or at highly subsidized rates.

Lessons Learned

Immersion activities and actual visits, with first-hand knowledge sharing by mentor water districts of their technical know-how, proved to be the most important part of the twinning activities. This is where the mentee LGUs gained the most from the twinning partnerships.

Box 3. PWRFFP Capacity Building Support to the Salintubig Program (Grant Program for Waterless Municipalities)

PWRFFP provided resources persons who discussed technical aspects of water supply project preparation in the following trainings sponsored by DILG.

1. Orientation and Project Proposal Preparation Workshops	In 14 workshops attended by nearly 700 participants from Regions 1-8, 10-13, ARMM and CAR.	
Training Venue/ Date	LGU Participants	Number of Trainees Total
Cagayan de Oro (February)	Regions 10 & 13 LGUs	66
Nueva Vizcaya (February)	CAR & Region 2 LGUs	49
Tagaytay City (February)	Regions 4A & 4B LGUs	45
Sto. Domingo, Albay (March)	Region 5 LGUs	47
San Fernando City, La Union (March)	Regions 1 & 3 LGUs	68
Tacloban City (March)	Region 8 LGUs	46
Iloilo City (May)	Region 6 LGUs	50
Roxas City (June)	Region 6 LGUs	40
Tagaytay City (June)	Regions 1-5 LGUs	52
Cebu City (June)	Region 7 LGUs	23
Davao City (July)	21 municipalities from the Province of Lanao del Sur, ARMM	60
Iloilo City (December)	16 municipalities from Region 6	59
Davao City (January 2013)	22 municipalities from Region 11	66
Cebu City (January 2013)	19 municipalities from Region 7	57
2. Procurement, Construction Supervision and Financial Management Workshops	In 2 workshops (for construction supervision module) attended by 72 participants from Regions 8 and 12	
Training Venue/ Date	LGU Participants	Number of Trainees Total
General Santos City (October)	8 municipalities from Region 12	26
Tacloban City (November)	11 municipalities from Region 8	46

Participants were taught preparation of project proposals, procurement and construction supervision.



Orientation & Project Proposal Preparation Workshop kicks off the Salintubig Program implementation



Training designs are formulated by PWRFFP for project proposal preparation and construction supervision



Group workshops/
exercises on preparing
project proposals

PWRFFP on its part organized training workshops on O&M of Water Supply Facilities and Ring-fencing and Business Planning.

1. Workshop on O&M of Water Supply Facilities		In 6 workshops attended by 156 participants from Regions CAR, ARMM, 1-10, 12 and 13
Training Venue/ Date	LGU Participants	Number of Trainees Total
Zamboanga City (June)	Region 9 & ARMM LGUs	19
Cagayan de Oro (June)	Regions 10 & 13 LGUs	16
Cebu City (July)	Regions 6, 7 & 8 LGUs	36
Manila (July)	Region 1, 2, 4A & 5 LGUs	37
Baguio City (September)	Regions 2 & CAR LGUs	18
Davao City (October)	Regions 10 & 12 LGUs	30

2. Ring-fencing and Business Planning		In 4 workshops attended by 168 participants from Regions 1-13, ARMM and CAR
Training Venue/ Date	LGU Participants	Number of Trainees Total
Manila (October)	Region 1 – 5 & CAR LGUs	56
Cebu City (October)	Regions 6, 7 & 8 LGUs	43
Davao City (November)	Regions 10,12 & 13 LGUs	53
Davao City (March 2013)	Region 11 & ARMM	16

highlighted with study visits to the water supply facilities of well-run utilities. The visits included on-site demonstrations and Q&A with the utilities technical team. The visits have proven to be very effective training method and were very much appreciated by participants.



Demonstration on monitoring and testing of chlorine residual of water

Measurement and monitoring of well water level

The Ring-fencing and Business Planning Workshops are conducted back-to-back. The structured design of the training modules will give the participants adequate knowledge on how to fully utilize these performance-improvement tools.

Business Plan Worksheet

The O&M training modules consist of classroom type lectures, discussion and

TASK C. TECHNICAL ASSISTANCE FOR THE ADOPTION OF A PUBLIC INVESTMENT POLICY ON UNIVERSAL ACCESS TO WATER AND SANITATION

Summary of Task C Targets, Expected Outputs & Outcomes

<i>Deliverable/Target:</i>	<i>Outputs:</i>	<i>Outcomes:</i>
<i>At least one policy for improved financing adopted</i>	<i>Rationalization framework and prioritization guidelines developed under PWRFPSP; promoted under PWRFFP</i>	<i>Created awareness among partners and paved discussions on possible solutions and courses of action to address financing issues in the sector</i> <i>Served as reference and guided policy directions and design of government financing initiatives, e.g., NWRMO implementation and operational plan, Salintubig implementing guidelines and NEDA-MDGF study on WSS investment requirements</i>
	<i>Preparation of the Salintubig Implementing & Policy Guidelines: (a) 2011 & 2012 DOH-DILG-NAPC Salintubig Implementing Guidelines under PWRFPSP; (b) DILG Memo Circulars for the Implementation of the Salintubig Program (for 2012 & 2013)</i>	<i>Prioritization criteria adopted in Salintubig Implementing and Policy Guidelines; rationalized allocation of grants to the 455 waterless municipalities based on socio-economic conditions</i> <i>DILG Memo Circulars signed and disseminated; helped DILG firm up the technical and institutional aspects of Program implementation and facilitated utilization of Salintubig grants and monitoring of implementation progress</i>
	<i>Position papers on financing issues : (a) limitation on use of PFIs as depository banks; and MB opinion for GOCC and LGU borrowings; (b)LWUA Waiver</i>	<i>Mobilized unified support from FIs for clearer lending policies; streamlined process for issuance of Monetary Board opinion required for WD loan applications</i>
<i>Financing model for “graduated waterless” municipalities</i>	<i>Financing models/schemes developed: (a) use of pension funds to replace ODA for leveraging of PFI funds and (b) Performance-based subsidy & commercial loan mix for the Salintubig Program graduates</i>	<i>Offered government and donor agencies plausible financing models that mobilize private financing to meet the huge investment requirement that will achieve goal of universal access</i>

WSS investments used to rely mostly on ODA financing. The development of the PWRF in 2006 helped paved the way for private sector financing for WSS investments. However, deepening of private sector participation is constrained by the absence of a coherent policy on public resource allocation, including targeting of grants and subsidies, and competition from Government Financial Institutions (GFIs). Private financing institutions, while they have actively participated in the WSS market, continue to face the following significant challenges:

- i. Unfair competition with GFIs, **given the latter's** access to long-term and lower cost ODA funds and the requirement that water districts and LGUs use GFIs as depository banks.
- ii. Inconsistent policy signals regarding private sector participation. For example, an LGU that borrowed from a private bank was recently advised by the DOF to get the loan re-financed by the Land Bank³.
- iii. Cumbersome bureaucratic requirements on WDs and LGUs to get clearances for loans with PFIs (such LWUA waivers or clearances from depository banks).

Meanwhile, there remains a huge financing gap to achieve universal coverage by 2025, upgrade levels of service to piped connections, and to provide community-wide sanitation services. The national government subsidies and programs to expand water supply through 2016 currently focused on only 455 waterless barangays and municipalities, and offer insufficient funds to meet their needs.

The national blueprints for the development of water and sanitation services and achieving universal coverage are outlined in two executive orders (EO 279 and EO 558A that clarified EO 138), and policy statements contained in the Philippine Development Plan (PDP 2011-2016, Infrastructure Chapter), and the Philippine Water Supply Sector and Sanitation Roadmaps. All are based on a financing policy that promotes market-based rates and the mobilization of private sector investments in the sector. This policy provided the foundation for the development of the PWRF, as well as the other financing reform initiatives supported by the PWRF Support and Follow on Programs, in particular, the formulation of the rationalization policy for public resource allocation, tapping of pension funds to replace ODA money for WSS loans, and the financing **model for "graduating" waterless municipalities (discussed further in this section).**

³ Refers to the letter of DOF to Roxas Municipality in Palawan, November 12, 2012, granting request to open debt service account with PNB, but advising the LGU to negotiate re-financing with a government financing institution

Initiatives Supported by the PWRF-SP

Rationalization Program for Public Resources Allocation for WSS- under PWRFSP, we recommended a public investment policy for the sector that defined specific sector objectives, and provided a framework for prioritization public allocations to the sector (see Figure 2). The framework proposed contained the following elements:

- i. Co-financing arrangements with substantial to full private finance participation for viable projects or projects which can be made viable with certain credit enhancements;
- ii. Various forms of national government subsidies for projects with low viability but with high social returns; and
- iii. Pure grants for non-viable and missionary projects only.

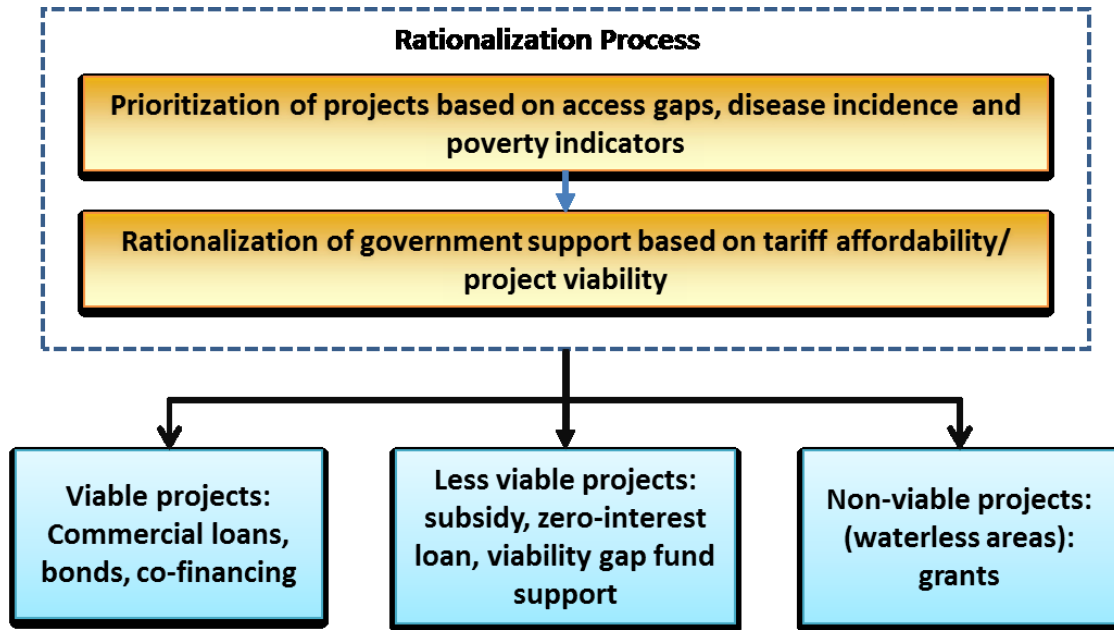
The draft policy also promotes a sharing of responsibility among the national government, LGUs and WDs in WSS investments.

The PDF SWG WSS endorsed the rationalization program and its presentation to the NEDA Sub Committee on Water Resources (SCWR) of the Infrastructure Committee in November 2010. The SCWR during its February 2011 meeting did not pose any objections to the proposed framework and considered it as the overarching framework for other financing reform initiatives. The rationalization program was presented to the Infra Com Technical Board in May 2012. While again no objections were posed, the recommendations were also not explicitly endorsed to the Cabinet Committee for approval.

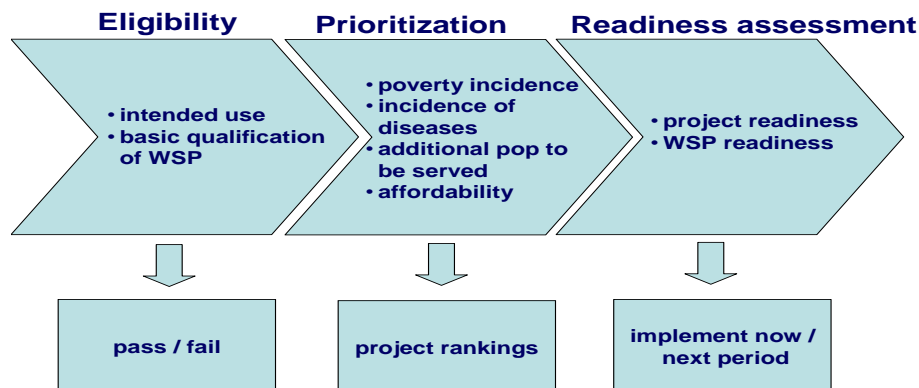
Figure 2. Summary of Framework and Guidelines for the Rationalization of Public Resource Utilization for the WSS Projects

Objective: To facilitate universal access to safe, adequate and sustainable water supply and sanitation services

Mechanism: Grants for waterless municipalities; concessional loans for economically but financially unviable projects, and commercial credit financing that leverages public with private sector funds for the rest



Prioritization and Allocation Process: Three step evaluation of less viable and non-viable projects based on specific criteria:



Source of Funding: budgetary appropriations, ODA loans or grants



The PDF SWG WSS co-chaired by the Department of Finance (represented by then Undersecretary for Corporate Affairs group, Usec. Jeremias Paul), USAID (represented by Mr. Rolf Anderson, Chief of the Office of Energy, Environment and Climate Change) and JICA (represented by Senior Representative Kenzo Iwakami) endorsed the presentation of the rationalization framework to the NEDA SCWR in November 2010 for adoption.

The PWRF-SP team worked with GPH counterparts in the DOF and NEDA to prepare a draft Executive Order (EO) in July 2011 that would establish this policy. The draft EO was submitted to senior leadership in the DOF for review and subsequent endorsement to the Office of the President. This initiative was delayed as the DOF went through a change of leadership, and subsequently put on hold as the new leadership focused on other priorities within of the **Administration's overall** reform agenda.

Although the GPH failed to adopt the draft EO, the rationalization initiative did build awareness among partners and stakeholders and facilitated discussions on possible solutions and courses of action to address financing issues in the sector. Studies carried out by the PWRF-SP during the preparation of the rationalization framework were used as references and provided direction in setting financing policy recommendations and design of financing initiatives (e.g. financing aspects of the proposed of the National Water Resources Management Office (NWRMO), NEDA-MDGF study on investment requirements for WSS ⁴ and Sagana at Ligtas na Tubig sa Lahat (Salintubig) Program Implementing Guidelines). The prioritization criteria were first applied in the preparation of the DOH guidelines for the allocation and utilization of the 2011 grant program of PHP 1.5 billion. These same criteria were later adopted (included in Chapter 4, Article 4A of the Salintubig Implementing Guidelines) by DILG for the 2012 and 2013 programs.

⁴ Determining the Investment Requirements for Improved Water Supply Coverage in the Philippines, MDG-F 1919: Enhancing Access to and Provision of Water Services with the Active Participation of the Poor, January 2013

Excerpt from the section on “Water Policy Directions Behind the NWRMO” in the Draft Final Report on the Implementation and Operational Plan for the NWRMO, June 2012 (p. 53):

Financing for water supply and sanitation shall be rationalized by setting prioritization criteria, consistent with socio-economic objectives, financing strategies and modalities. In particular, it espouses an investment policy defined by a) provision of grants to priority waterless municipalities; b) provision of concessional loans for projects in unserved/underserved areas that are economically but financially unviable; and c) public-private partnerships to mobilize private sector participation for credit-worthy projects/borrowers.

The Draft Final Report was a product of multi-stakeholder consultations and submitted to the Office of the President in June 2012. A draft EO was prepared to operationalize the NWRMO but remains under review of the OP.

Exploring the Use of Pension Funds- the Team studied the use of pension funds as possible domestic long-term sources of capital and as a substitute for ODA financing for long-term WSS investments. The Government Service Insurance System (GSIS) and the Social Security System (SSS) were consulted and they expressed initial support for the idea of tapping their funds for the sector. The concept design and implementation framework for using pension funds involved two schemes:

- a) Co-financing – one that has similar features with the PWRF model, except that the source of long-term funds that will be blended with short-term private funds are from the GSIS and SSS rather than from ODA loans; and
- b) Pooled financing - involves packaging a number of water supply and sanitation projects in an issue of long-term bonds via private placement through a special purpose entity (SPE).

The PWRF-SP submitted a draft study to DOF in October 2011 for consideration and discussion in the Task Force on Finance and Investments. In May 2012, the DOF deferred pursuit of this **initiative in view of government’s plan to set up the NWRMO which was expected to set directions for the sector’s development.**

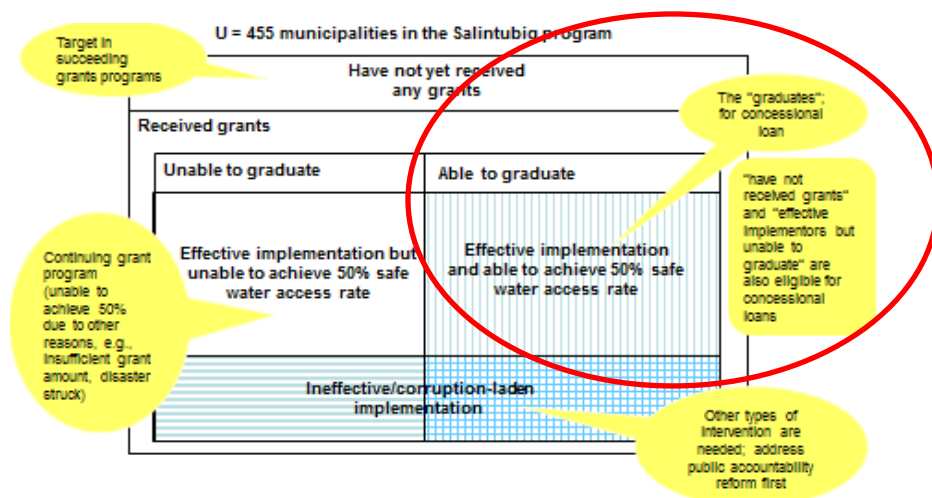
Under the PWRF Follow-on Program, the team continued to identify innovative schemes to address financing gaps for WSS projects, promote the application of the rationalization framework and facilitate loan transactions among water service providers and financing institutions.

1. Financing Policy Support: Financing Model for Graduate LGUs of the Salintubig Program

In response to the request of DILG, the Team provided TA for the development of a financing framework and model to fund the investment requirements of Salintubig graduating municipalities, i.e., those that would achieve at least 50% coverage of their populations. Based on the program guidelines these municipalities would no longer be eligible for pure grant assistance, yet will still have un-served and under-served populations (see Figure 3). The

proposed financing framework and model aimed to a) enable these municipalities to achieve 100% coverage as well as upgrade levels of service; b) expand the overall WSS investment program through co-financing with PFIs or GFIs; and c) provide incentives for water service providers to prioritize the poor through performance-based support (or output-based aid).

Figure 3. Coverage of the Financing Scheme for Salintubig Graduates



The features of the proposed financing model are as follows:

- Promotes a mix of performance-based, low to zero-interest loans and commercial funds from PFIs or GFIs rather than pure grants;
- Involves two possible modalities: a) zero-interest loan - given for a term of ten (10) years; and b) extended maturity loan - provided for a period of 15-20 years but will have positive interest that results in a grant equivalent equal to that of a zero-interest loan.
- Base allocations on the Salintubig prioritization criteria: 1) level of access, 2) incidence of poverty and water borne diseases; and 3) effectiveness and readiness of WSPs;
- Infuse governance aspect by screening out the ineffective and integrity-compromised implementors;
- Concessional interest rate continued once the project is completed only upon validation of the "output" (i.e., evidence that the target poor HHs are connected); otherwise, the interest rate reverts to the commercial rate;
- The ratio of households without access (i.e., poor unserved HHs) and those for upgrading of water supply service defines the ratio of zero-interest or extended maturity loans subject to performance validation and commercial loan funds

After consultations with the PDF Sub-working Group Task Force on WSS Financing, this scheme was refined and submitted to DILG in March 2013. DILG presented the proposed model to the Sub-Committee for Water Resources on March 25, 2013 to get approval of the policy framework. The SCWR agreed to the recommendations and endorsed it to the EO 279 Oversight Committee chaired by the DOF. DILG will shepherd the discussion and adoption of a policy issuance to implement the model. Among the critical decision points for discussion include:

- a) Pairing ratio of “HHs w/o access to safe water: HHs for upgrading of access” for the allocation of zero-interest loan and commercial funds (at least 1:1 ratio is recommended);
- b) GFI to host the “zero-interest loan+PFI co-financing” window in their existing facilities;
- c) Source of funds for the zero-interest loan portion from either NG budget or ODA;
- d) Fund administrator and agency to verify delivery of “outputs” for PBS; and
- e) Implementation schedule of the financing facility – by 2014 or after Salintubig. DILG will follow through policy issuance adopting the financing model.

Lessons Learned

The financing models developed under PWRF Support and Follow-on Programs offer government and donor agencies plausible schemes that promote alternative sources of funds other than ODA and NG budgetary allocation. They promote leveraging with private financing to meet the huge investments required to achieve universal access. For now, both models/schemes provide a guide for the design of future financing programs for WSS investments that mobilize private sector funds thereby reducing reliance on foreign borrowings and giving the Government much needed fiscal space.

2. Preparation of the Salintubig Implementing & Policy Guidelines

The PWRFFP Team provided policy support for the implementation of the Salintubig Program, through assistance in drafting and updating of the program policy guidelines for the allocation and utilization of grants, and reporting and monitoring of project implementation.

DOH-DILG-NAPC Salintubig Implementing Guidelines – Provided inputs into the draft Salintubig Implementing Guidelines that were issued in 2011 (as well as updates in 2012). The Guidelines contain the following: a) implementation strategy to attain the objectives and the desired outcomes of the Program; b) eligible projects; c) institutional arrangements; d) process flow of the Program; e) fund disbursement scheme; and f) modes in the procurement of goods and services needed by the sub-projects. Chapter 4, Article 4A of the guidelines specifically contain project eligibility requirements which guided the selection of the 455 priority waterless municipalities targeted for grants to be provided under the Program.

DILG Memo Circulars- The Team assisted DILG to prepare their internal circulars on the implementation mechanics of the Salintubig Program. DILG Memo Circular 2012-83 dated May 2, 2012 (Policy Guidelines in the implementation of the provision of potable water supply project: 2012 Sagana at Ligtas na Tubig sa Lahat Program) and Memo Circular 2013-06 dated January 25, 2013 (Policy Guidelines in the Provision of Potable Water Supply under the 2013 Sagana at Ligtas na Tubig sa Lahat (Salintubig) Program and Bottom-Up Budgeting (BUB) Approach) were issued and disseminated to concerned central and regional offices of the DILG.

Lessons Learned

Our assistance for the preparation of the Salintubig guidelines and memo circulars helped DILG establish the institutional operational arrangements of the Program. It also ensured timely issuance of the implementation guidelines which expedited utilization rate and project implementation.

3. Technical Assistance to Lenders and WDs to remove financing constraints

Continuous advocacy, capacity building and increasing demand for WSS services have strengthened investor confidence and broadened public- private partnership in the sector. However, policy and operational issues have affected market opportunities of financial institutions engaged or planning to engage in funding WSS projects. The issues include:

- a) Lack of clear and transparent approval process for LWUA waiver and Monetary Board opinion—the former is a requirement for WDs with existing loans with LWUA and the latter is a requirement for WDs and LGUs intending to borrow;
- b) Ambiguity of government policy on private sector financing; and
- c) Unless cleared by DOF, requirement that LGUs and WDs deposit their funds with GFIs only (this puts PFIs in an uneven playing field with GFIs which have established relationships, collateral business and access to funds that can be held out or assigned as loan security).

TA was provided to DBP, LGUGC, PFIs and WDs to help streamline and ease approval process for requisites to WD and LGU borrowings. The Team facilitated the conduct of meetings and prepared technical papers to aid discussions with concerned government entities such as DOF, BSP, LWUA and the Governance Commission for GOCCs (GCG). The TA Team provided technical backstopping and coordinated the following activities:

Action Taken to streamline and ease loan application procedures:	Result
a) Roundtable discussion among key government officials, PFIs and WDs on financing opportunities and issues related to WSS projects (June 2012)	PFIs identified LWUA financing waiver and BSP opinion prior to WDs or LGUs accessing credit financing as key constraints in pursuing loan transactions; FIs agreed to prepare position paper and conduct dialogues with concerned entities to address these concerns
b) Preparation and submission of LGUGC letter and position paper on behalf of their member PFIs to DOF and BSP on i) documentary requirements and procedures for processing and evaluation of WD and LGU applications for MB opinion (in particular, requirements for DOF evaluation and LWUA waiver significantly contribute to the lengthy processing time and consequent delay in the issuance of the MB clearance); and ii) use of government FIs as depository banks for WD and LGU loans (June 2012)	Led to meetings with DOF, BSP and DILG (see d, e and f below)
c) Meeting with GCG, LWUA and key stakeholders, i.e., LGUGC, DBP and PAWD to discuss LWUA policy and requirements on issuance of financing waivers (July 2012)	LWUA agreed to issue policy and procedural guidelines on the financing waiver. However, no guidelines have been issued to date.
d) Discussion with BSP on the submission of DOF report on consolidated liabilities and LWUA	BSP agreed to get from DOF a periodic report on consolidated liabilities of WDs to be its reference

Action Taken to streamline and ease loan application procedures:	Result
waiver as requirements for issuance of MB opinion (October 2012)	for the opinion, instead of requesting for individual reports as applications are made. This shortened the processing period for issuance of MB opinion to WD borrowers.
e) Meeting with DOF to request for streamlining of process of securing MB opinion for LGUs (there are about 12 requirements/conditions, including the Seal of Good Housekeeping (SGH) and proof of compliance with the Full Disclosure Policy from DILG) (October 2012)	DOF confirmed that the BLGF requirements for MB opinion will remain and suggested meeting with DILG to hasten the process of awarding the SGH.
f) Meeting with DILG on two requirements of DOF-BLGF for LGU loan applications, namely SGH awarded to the LGU and proof of compliance with the Full Disclosure Policy of the DILG (October 2012)	Acquired assurance from DILG to accommodate requests for SGH by LGUs, who intend to borrow; and those made by lending banks in behalf of the LGU-borrowers; mobilized support of the Leagues of Municipalities to assist the LGUs with the application process.
g) Preparation and submission of joint position paper on LWUA Board Resolution No. 79 on Issuance of Waiver/Clearance to WDs to borrow from non-LWUA sources (submitted to LWUA on April 18 2013; received by LWUA on May 6, 2013)	Concretized support from six FIs (BPI, EWB, MBTC, PNB/ABC, DBP, SBC) with huge WSS transactions to rally for transparency in LWUA waiver application and review process. LWUA has yet to respond to the recommendations conveyed by the FIs.



The team provided technical backstopping and facilitation in discussion of issues impinging on market opportunities of financial institutions engaged or planning to engage in funding WSS projects. The discussions mobilized unified action among FIs in clarifying financing issues with DOF, BSP and LWUA and facilitated review process for issuance of MB opinion required for WD loan applications.

TASK D. CONTINUED TECHNICAL ASSISTANCE ON THE PROPOSED LEGISLATION ON ECONOMIC REGULATION OF THE WSS SECTOR

Summary of Task D Targets, Expected Outputs & Outcomes

<i>Deliverable/Target:</i>	<i>Outputs:</i>	<i>Outcomes:</i>
<i>At least one policy for improved regulation adopted</i>	<i>Draft WRC bill revised and submitted to NEDA and members of working group on economic regulation; consolidated comments on the WRC bill from discussions in the House Committee on Reorganization and submitted revised bill to the Committee Secretariat</i>	<i>Increased awareness on need for WSS sector reforms and improved economic regulation among national agencies, WSPs, Congress;</i> <i>The team's draft, enriched by the consultations and inputs from key stakeholders, and as agreed with NEDA-SCWR was the version used in three bills filed, one at the Senate and two at the Lower House the during 15th Congress; champions in 15th Congress identified</i>
<i>At least five (5) technical papers/ policy briefs related to the proposed WRC and economic regulation in the WSS sector</i>	<i>Prepared the technical papers and policy briefs in support of the WRC</i> <i>Participation and technical backstop in briefings, stakeholder consultations and House/Senate meetings on the draft WRC and related bills</i>	<i>The bill failed enactment at the 15th Congress; fortunately the reform is still high in the agenda of the Congress planning office.</i>

The government agenda for improved economic regulation includes strengthening of regulatory institutions, enhancement of regulatory tools and processes and legislation of an independent economic regulatory body as a long-term solution to the fragmented institutional structure. In particular, improving economic regulation of the WSS sector has been a common priority reform area espoused in both Philippine Water Supply and Sanitation Roadmaps. The Roadmaps underscore advocacy for the creation of a Water Regulatory Commission (WRC). A draft bill for the establishment of the WRC was prepared in 2008-2009 under the NEDA initiative funded by the GTZ. The bill was subjected to consultations but was not finalized nor filed in Congress.

1. Continued Assistance to NEDA and NWRB on the Proposed Legislation on Economic Regulation of the Water Sector

Initiatives under PWRFSP

Being a priority concern, NEDA spearheaded the preparation of a draft bill for an independent economic regulator in 2010. At the request of NEDA we helped draft the bill. To lead the review of the draft and the stakeholder consultations, the SCWR formed a Technical Working Group headed by NWRB in August 2010. PWRFSP provided technical support to the TWG in the consultations, analysis of comments and refinement of the WRC bill. In December 2010, the SCWR endorsed the draft bill to Congress for consideration.

In the Legislative-Executive Development Advisory Council (LEDAC) meeting on February 28, 2011, the WRC bill was included among the priority bills of the Aquino administration. Consequently, three (3) bills that adopted the version of the SCWR draft bill were filed during the 15th Congress (e.g., HB 4137 filed by Reps. Angara and Herrera-Dy; HB 4282 filed by Speaker

Belmonte and Rep. Gonzales; and SB 2641 filed by Sen. Angara in the Senate). Other related bills (HB 1679 by Congressmen Rufus and Maximo Rodriguez and SB 611 by Sen. Jinggoy Estrada) were also filed. More recently, SB 2997 and HB 5497 (Water Sector Reform Act) were also filed by Sen. Angara and Reps. Karlo Nograles and Miro Quimbo, respectively calling for the adoption of the integrated water resources management and river basin approaches and the creation of a Water Supply and Sanitation Regulatory Authority (WSSRA) which will undertake both resource and economic regulatory functions. In December 2011, Congressional hearings/ deliberations were initiated which signaled renewed interest on regulatory reforms in the WSS sector.

Follow-on Program

Under PWRFP, the Team continued to support NEDA and NWRB in advocating for regulatory reforms in the WSS sector and shepherd the discussion and passage of the WRC bill in the 15th Congress. We worked closely with the Secretariat of the House Committee on Reorganization, the Senate Committee on Public Services and the staffs of the Congressional sponsors/authors of the WRC bill. Discussions on the WRC bill in the House led to the consolidation of related bills on economic regulation of the WSS sector in May 2012. Assistance was provided in the preparation of policy and technical papers and conduct of technical consultations to support the following:

- a) re-drafting of provisions to address issues raised, in particular, impairment of the contracts of the Metro-Manila concessionaires, and recommendations of the Civil Service Commission and Department of Budget and Management on the position classification of Commissioners and the provision on incentives,
- b) Preparation of a consolidated version for both chambers,
- c) Determining the organizational structure and budgetary requirements of the WRC, and
- d) Rationalization of the WRC vis-à-vis related bills (SB 2997 and HB 5497 or the Water Sector Reform Act) and the National Water Resources Management Office (NWRMO).



PWRFFP provided technical assistance to backstop NEDA and NWRB in advocating for regulatory reforms in the WSS sector and in shepherding the discussion and passage of the WRC bill in Congress.

The draft WRC bill was revised based on consultations with DOF and submitted to NEDA and members of working group on economic regulation. A consolidated draft WRC bill was prepared based on discussions involving stakeholders conducted by the House Committee on Reorganization. The consolidated draft bill was submitted to the House Committee Secretariat.

Specifically, the following papers/policy briefs were prepared in support of regulatory initiatives conducted by government:

1. aide memoire on why water regulator should be independent;
2. comments on the WSRA bills (HB 5497 & SB 2997);
3. discussion papers for Congressional hearings (esp. for the HOR Committee on Reorganization);
4. comments on the NWRMO (for NWRB);
5. inputs to the NWRMO operational plan;
6. comparison of WRC and ERC (submitted to DOF); and
7. paper on LGU-run water utilities and role of economic regulation.

The filing of SB 2997 and HB 5497 delayed discussions on the WRC with the inclusion of issues and concerns related to resource regulation. In March 2012, DPWH Secretary Singson requested a moratorium on the discussion of the WRC and other related bills until after the completion of the framework plan for water resource management and the planned institutional reform. The latter refers to the proposal to establish through an executive order the NWRMO an apex water agency that will have the mandate to steer water sector development, coordinate sector programs and projects, and perform both resource, and economic regulation-- until the legislation of an independent economic regulator. To date, action of the Office of the President on the EO remains pending.

Lessons Learned

The TA helped advance thinking and buy in for regulatory reform in the WSS sector. While the economic regulatory reform process is long and tedious, especially since legislative action is required, PWRFFP assistance has provided the critical building blocks. The establishment of an independent economic regulator remains in the priority legislative agenda being prepared for the next Congress. Certainly the bill is still valid and can be re-filed during the next Congress

Box 4. PWRFFP Work on the Water Regulatory Commission Bill

PWRF-SP provided technical assistance to the Sub-Committee on Water Resources (SCWR) of the NEDA Board's Infrastructure Committee for drafting the Water Regulatory Commission (WRC) bill.⁵ The SCWR recommends policies and ensures that the strategies set in the WSS sector plans are effectively carried out and monitored. Assistance included:

- a) provision of legal and technical inputs for the preparation of the WRC bill – this entailed the review of the legal implications of the proposed regulatory body; preparation of studies on the scope of economic regulation, proposed implementation structures and mechanisms, agencies affected by the bill and budgetary requirements of the WRC; and
- b) technical secretariat support to working group meetings – meetings and consultations were conducted to review drafts of the bill by the members of the SCWR and key stakeholders.

The draft WRC bill was endorsed by the SCWR to Congress in December 2010. In the Legislative-Executive Development Advisory Council (LEDAC) meeting on February 28, 2011, the WRC bill was included among the priority bills of the Aquino administration. Three (3) bills adopted the version of the SCWR and were filed during the 15th Congress (e.g. HB 4137 filed by Reps. Angara and Herrera-Dy; HB 4282 filed by Speaker Belmonte and Rep. Gonzales; and SB 2641 filed by Sen. Angara in the Senate).

Recognizing the need for support of both legislative and executive branches of government, the PWRF Follow on Program, focused on legislative advocacy to assist the SCWR raise awareness in Congress about the issues in the WSS sector, and how critical independent economic regulation is as one of the long-term, game changing solutions. The TA included:

- a) formulation of a Legislative Advocacy Plan – the plan maps out strategies and an action plan for advocacy to facilitate the passage of the WRC Bill into law and identify champions for the WSS reform agenda; and
- b) technical backstopping to NEDA, NWRB and Congressional Committees during briefings and discussions on WSS issues and the WRC bill with the legislators, legislative staffs and stakeholders.

PWRF-FP supported one orientation seminar for the staffs of Congressional committees involved in the filing of the WRC bill. It worked closely with the House Committee on Reorganization and Senate Committee on Public Services which included the WRC and related bills in their priority agenda. PWRFFP prepared technical inputs used during the deliberation of these bills in four House Committee and two Senate hearings on the bills. It also helped Congress mobilize the concerned stakeholders including the Philippine Association of Water Districts (PAWD), key agencies in the executive department, donor agencies and other concerned entities to rally support for the bill.

⁵ From 2006-2009, GTZ provided assistance to NEDA in the drafting of the PWSSR, conduct of studies on economic regulation and drafting of a bill on WRC. However, NEDA and other stakeholders found the draft bill insufficient in operational details and restrictive since it exempted WDs and LGUs from coverage. In 2010, NEDA sought assistance from PWRFFP to review and redraft the bill and to shepherd it through Congress.

PWRF-SP and the Follow-on Program provided technical and secretariat support to the Philippine Development Forum Sub-Working Group on WSS (PDF SWG WSS), which led a number of meetings to discuss the WRC bill and other related initiatives at regulatory reform. The government, donor and civil society members of the SWG play an important role in having collective effort and support for the proposed WRC bill.

PWRF Program assistance established building blocks and mobilized support for improved economic regulation. The initiative can be picked up in the next Congress. The Executive's institutional reform agenda (stated in the implementation plan for the National Water Resources Management Office or NWRMO) recommends the establishment of the WRC. The establishment of an independent economic regulator is also in the priority legislative agenda being prepared for the next Congress. The WRC bill then remains valid and can again be sponsored by the SCWR and re-filed by old and new legislative champions.

TASK E. SUPPORT TO THE PHILIPPINE DEVELOPMENT FORUM'S AGENDA TO EXPAND ACCESS TO SAFE WATER AND BASIC SANITATION.

The PWRF Support Program facilitated the **organization of the Philippine Development Forum's** Sub-working Group for Water Supply and Sanitation (SWGSS). From inception to date, the Team has served as its technical secretariat. The Group is composed of key stakeholders: water service providers, financing institutions, national and local governments, development partner agencies, and civil society groups. Since its organization in 2008, it has served as the platform for tackling sector issues and setting common goals, strategic directions and priority plans and programs, as well as in coordinating the respective water supply and sanitation development programs of the GPH. It has promoted complementation and synergy among the different ODA-funded activities for the sector.

The SWG was organized under the Working Group for Infrastructure, one of several thematic groups that comprise the Philippine Development Forum (PDF). The PDF is an annual, interactive and participatory forum that brings together different stakeholders from the national and local governments, civil society, academe, business groups, and the international development community. It is organized around eight thematic Working Groups, to discuss plans and possible actions to address the principal development challenges facing the Philippines.

The SWG was initially chaired by DOF and co-chaired by USAID and JICA. Recently however, DOF turned over the chairmanship to NEDA. The SWG is supported by four task forces, which focus on four key result areas: institutional strengthening, capacity development, strategic alliance building, and financing and infrastructure investment.

As technical secretariat we organize meetings, prepare the agenda and minutes, and assist with the analysis of issues and recommendations. To sustain the gains made under the PWRFSP, we continued to play a significant role in helping set the SWG-WSS action plans, anchored on the Water Supply and Sanitation roadmaps and the 2011-2016 Philippine Development Plan.



11th Meeting of the PDF/Sub-Working Group on Water Supply and Sanitation held in Astoria Plaza, Pasig City on 24 May 2013.

1. Action Agenda for Expanding WSS Services

The SWG WSS sets out its priority action agenda annually through an Action Plan. Each of its four Task Forces identifies their respective priorities; keeps track of their progress and reports on the status or implementation issues at SWG WSS meetings. The Team helps with this process and makes sure the ball is not dropped. As in many committee-based action plans, agreements during meetings, are not always carried out without the backroom work, i.e., organization, research and analysis, documentation and follow-up with decision makers or actors. The Table below shows the current action agenda of SWG. **It will be noted that PWRFFP's own work plan supported most of the agenda items.**

Table 7. PDF Sub-Working Group on Water Supply and Sanitation Action Plan

Key Result Area	Agreed Action Agenda (2012-2013)
Institutional Strengthening	<ul style="list-style-type: none"> • Water Regulatory Commission Act • National Sustainable Sanitation Act • National Water Resources Management Office
Capacity Development	<ul style="list-style-type: none"> • Training of <i>Salintubig</i> LGUs on proposal preparation, construction supervision up to capably managing their water projects (training on Operation & Maintenance, etc) to ensure their sustainable operation.
Strategic Alliance Building	<ul style="list-style-type: none"> • Advocacy to enhance awareness on sanitation and support implementation of the National Sustainable Sanitation Plan
Financing and Infrastructure Investment	<ul style="list-style-type: none"> • Financing model for graduation policy

Since its organization in 2008, the SWG WSS has met 11 times and successfully coordinated a number of major action agenda. These include the following:

- formulation and publication of the Philippine Water Supply Sector Roadmap and its Updated Version, Philippine Sustainable Sanitation Roadmap, National Sustainable Sanitation Plan and the National Sewerage and Septage Management Program;
- formulation of the Water Regulatory Commission bill,
- consultations on the amendment of the Water Code of the Philippines
- formulation of the National Water Resources Management Office;
- national rationalization policy framework for the financing of the WSS Sector, and Financing Model for the Graduation Strategy of the Sagana at Ligtas na Tubig sa Lahat Program and the establishment of the revolving fund in NWRB where small water utilities can obtain short-term loans to pay for accredited technical service providers; and
- various institutional strengthening initiatives such as training national government agencies (e.g., NWRB, DILG, DOH) and water service providers (water districts, LGUs) to improve their operational efficiencies and be more responsive to the needs of their clients including capacity development measures, i.e., project appraisal, ring fencing of LGU utilities, strategic business planning, operation and maintenance, among others.

Box 5. Philippine Development Forum Sub-Working Group on Water Supply and Sanitation

The Philippines Development Forum (PDF) Sub-Working Group on Water Supply and Sanitation mirrors the set-up in the larger PDF, wherein different stakeholders from the national and local governments, civil society, academe, business groups, and the international development community discuss possible actions on the main reform challenges of the country. The sub-working group links the discussions on issues related to water supply and sanitation with the ongoing dialogues in the Infrastructure Working Group and other working groups of the PDF.

Objectives

- To discuss water supply and sanitation sector issues and set common goals, strategic directions and priority plans and programs;
- **To coordinate the Government of the Philippines (GPH)'s and development partners' respective development programs for the water supply and sanitation sector under a common platform; and**
- To promote complementation and synergy among the different ODA-funded activities for the water supply and sanitation sector.

Organizational Set-up

- Chair: NEDA
- Co-chairs: USAID and JICA
- Members: national government agencies, development partner agencies, and stakeholders from the water service **providers' associations, local government leagues, government financing institutions, private sector and civil society**

Main Functions

- Serve as the sub-forum for the GPH to apprise all stakeholders on the guiding principles and policies for the **water supply and sanitation sector's development and reform agenda, particularly in the following areas: regulatory reforms and legislative actions; institutional strengthening and capacity building; financing policy; strategic alliance building; and increased investment.**
- Identify the lead institutions for the key result areas of the reform agenda and delineate responsibilities among concerned agencies and development partners.
- Coordinate **the assistance and programs of development partners to ensure consistency with the GPH's priorities** and determine the appropriate timing of interventions.
- Monitor the status/accomplishments of the action plans and related projects of development partners vis-à-vis **indicators of the sector's reform agenda.**

Lessons Learned

The SWG-WSS and its Task Forces have improved working relations between the various institutions and actors working on water supply and sanitation; improved complementation of activities; helped focus attention on specific gaps/issues that constrain the achievement of MDGs, and provided a forum where GPH agencies can articulate their needs to donors. This has put the GPH in a pro-active role, and minimized donor-driven initiatives. The **Team’s secretariat-ship of the SWG helped solidify USAID’s leadership in the sector.** USAID is acknowledged by its development partner peers as the frontrunner for policy reform initiatives and a steadfast supporter of the reform process.

TASK F. SPECIAL STUDIES ADDRESSING PRIORITY CONCERNS

Summary of Task F Targets, Expected Outputs & Outcomes

<i>Deliverable/Target:</i>	<i>Outputs:</i>	<i>Outcomes:</i>
<i>At least two (2) studies on priority needs in the sector</i>	<i>Sanitation Pricing Policy Framework</i>	<i>The sanitation pricing framework provides LWUA and WDs with the pricing principles and tariff structure for septage management services.</i>
	<i>Public Private Partnership (PPP) model contract for septage management services</i>	<i>The PPP model for septage management provides an alternative implementation strategy for water districts.</i>
	<i>NRW PBC model contract framework</i>	<i>The NRW PBC model also gives WDs an alternative to in-house NRW management.</i>

Special studies were undertaken to address priority needs identified by WSPs, regulators and other stakeholders in the sector. First is the gap on pricing framework for sanitation projects, specifically septage management. LWUA has only a pricing policy and guidelines for water supply pricing. The second and third are PPP implementation strategy for septage management and non-revenue water management. The Team prepared the studies and subjected them to extensive review by PAWD, LWUA, NEDA, PPC and financing institutions. The studies form part of the knowledge products turned over to LWUA, PAWD and other implementing agencies for reference in project implementation and provision of trainings in related areas.

1. Pricing Policy Framework for Sanitation Services Focusing on Septage Management

Presently, there are no pricing policy and guidelines for sanitation services to guide service providers. In response to this need, LWUA signed an agreement with PWRFFP for technical assistance on the conduct of a sanitation pricing study, with the end view of recommending a pricing policy framework setting pricing principles, structure and administration.



Presentation of the sanitation pricing framework to LWUA technical staff

The study was prefaced with a review of international experience on pricing for septage management and a survey of 17 water districts (those we helped under PWRFSP prepare management feasibility studies) on preferred pricing options. In developing the pricing framework, we conducted focused group discussions (FGDs) and consultations with WDs, LWUA, MWSS-RO, MWCI and private investors. We also discussed the recommendations of the **study with LWUA's Water Rates Committee**. In June 2012, we submitted the report to LWUA. In August, LWUA transmitted its comments on the study, which required minor revisions only, and requested for a workshop in September to present the recommendations to the technical staff of LWUA and to walk them through the financial model accompanying the report.

The LWUA management has accepted the recommendations and is ready to present it to the Board, once constituted (there is currently a vacuum at the LWUA Board, with 3 of 5 seats still vacant). See Box 6 for the highlights of the study.

Box 6. Highlights of the Sanitation Pricing Study

The study seeks to help water districts and LWUA, as their regulator, identify the key decision points in the implementation of septage management services through a comparative analysis of potential sanitation pricing frameworks. It explains the underlying economics behind tariff setting, reviews the broad design considerations for tariff setting, compares various approaches to sanitation pricing in selected countries (US, Malaysia and Indonesia) and on-going local experiences (Alabel, Dumaguete, Baliwag and Metro Manila). Three rate structure options are recommended:

	Percentage of Water Bill	Uniform Rate / m3	Flat Environmental Fee per Month
Advantages	<ul style="list-style-type: none"> • Very easily implemented; • Affordability → Allows for cross-subsidy; • Equitable among WD customers* 	<ul style="list-style-type: none"> • High economic efficiency → Direct proportionality; • Easily implemented; • Equitable among WD customers* 	<ul style="list-style-type: none"> • Transferable across LGU regardless of source; • Directly tied to the cost of service; • Easily implemented; • Broader revenue base??
Disadvantages	<ul style="list-style-type: none"> • Not transferable to non-WD customers; • Not directly related to the cost of desludging service → Low transparency. <p>A “cap” may be used to better reflect the cost of service.</p>	<ul style="list-style-type: none"> • Not transferable to non-WD customers; • Not directly related to the cost of desludging service; • Affordability concerns (regressive) 	<ul style="list-style-type: none"> • Economic Efficiency → No disincentive to consume less; • Affordability concerns (regressive)

The study recommends that:

- establishment and operation of a WD septage management program be coordinated with the LGU and integrated within the local policy framework;
- septage management cost centers and revenue streams be ring-fenced from water supply accounts to ensure accurate accounting of incoming and outgoing funds;
- adoption of the cash needs approach to remain consistent with current pricing practices of WDs;
- with all three pricing approaches recovering the same amount of revenue requirements, selection of the tariff structure be a policy decision tied to local service conditions and development objectives; and
- inclusion of the septage management fee within the water bill as the easiest and most practical means of billing for septage management services for WD-operated septage management plans, with a separate line item that is clearly labeled as “sanitation fee” or “septage fee.”

2. Public Private Partnership (PPP) Model for Septage Management Services

Technical assistance was provided under PWRFSP and PWRFFP to several WDs in preparing feasibility studies for septage management projects. Many water districts have signified interest to explore a public-private partnership arrangement in the project implementation and operation. These projects, even with the most conservative assumptions have been found to be financially viable, with secure revenue streams and manageable technical and political risks; thus lending

themselves to PPP arrangements. The WDs have expressed the need for guidance in undertaking PPP arrangement for septage management.

PWRFFP, in coordination with PAWD, conducted a study to establish the business case and draft a model PPP contract for septage management services executed under RA 6957 as amended by RA 7718 or the BOT Law, and its Implementing Rules and Regulations (IRR). The model contract **was based on NEDA's model contract for bulk water supply. The team recommended a BOT** modality, wherein the financing, design and construction, and operation and maintenance are handled by the private proponent. The WD, on its part assumes the market risk by entering into an off-take arrangement or guaranteeing payment of a minimum volume of service. Market risk is mitigated by limiting the scope of the service to water concessionaires, by piggy-backing the collection of the septage bill with that of the water bill, and by cutting- off water service if the septage service is not paid.

The business case and model contract were subjected to a peer review participated by PAWD, LWUA, PPP Center, LGUGC and representative WDs—Baliwag, Mabalacat, Bacolod and Iloilo. After incorporating the comments, the final report on was finalized in April 2013 and disseminated to PAWD, LWUA, LGUGC, PPP Center, and the Categories A & B WDs.

3. Performance-based Contracting for NRW Reduction

A recent need assessment survey carried out by the PWRF Follow on Program (PWRF-FP) identified reduction of non-revenue water (NRW) as a priority area of concern. While LWUA reports that the industry average among WDs for NRW is 25%, many sector specialists suspect the levels are actually much higher since many water districts either have no means to actually measure NRW or apply improper methods in making their calculations. High NRW translates into significantly higher operating costs and significant revenue losses for water utilities, undermines water service quality **and a utility's ability to meet demand growth. Sustainably reducing the real loss component of NRW provides by far the cheapest "new" water resource for the utility.** Thus, reducing NRW can significantly improve utility financial and operating performance, lower water treatment costs, and may enable utilities to delay capital investments in developing new water sources and treatment facilities.



Mr. John Sitton and Atty. Gwen de Vera, PWRFFP Consultants, and Mr. Ryan Jamora of the Central NRW Division of Maynilad Water Services, Inc. guided the discussions on performance-based contracting for NRW reduction with participants from selected water districts, LWUA, NEDA and PPP Center.

Recognizing the benefits from NRW reduction and the need to expand and improve services, many WDs are beginning to explore ways how to reduce NRW. In response, the PWRF-FP, in coordination with PAWD, undertook a study focusing on performance-based contracting for NRW

reduction and a corresponding capacity building program as part of its on-going technical and training support to PAWD. The study included a review of international experiences on NRW reduction and a model contract framework; and training on performance based contracting. As in the case of PPP contracting for septage management, the NRW PBC model also gives WDs an alternative to in-house NRW management.

TASK G. TECHNICAL ASSISTANCE ON THE WATER OPERATORS' PARTNERSHIP PROGRAM FOR THE PHILIPPINE ASSOCIATION OF WATER DISTRICTS (PAWD)



(Clockwise) Mandy Paredes (GM, Metropolitan Cebu/WOP Chairman) Jay Tecson (Senior Water and Sanitation Specialist, UNDP-NEDA-Streams of Knowledge), Francis Dimaliwat (GM, Mabalacat/Legal), Ester Vengco (GM, Tarlac/Ways & Means), Alma Porciuncula (Chief of Party, DAI PWRFFP), Gary Pili (GM, San Pedro/Vice Chair, WOP), Lito Paluca (GM, Dipolog/PAWD EVP/Benchmarking), Elpidio Legaspi (GM, Indang/Finance)

PAWD adopted the Water Operators Partnership Program (WOP) as the platform for its membership development program. PAWD membership consist of 550 operational water districts, serving 22% of the Philippine population with piped water supply located in mostly urban areas. WOP consists of four areas of development: twinning, training, knowledge management and benchmarking.

To follow through the WOP organization under the PWRF Support Program, PWRFFP signed a technical assistance agreement with PAWD to support the following activities: preparation of a 2-year implementation plan for the Water Operators Partnership (WOP) Program, in depth capacity needs assessment, member trainings on priority areas of concern, facilitation of twinning partnerships, and mentoring of the incumbent head of the PAWD secretariat designated as Acting Executive Director.

The agreement which was in the form of an MOU was executed on July 20, 2012. The scope of the TA is as follows:

A. Preparation of the Implementation Plan for the WOP Program

On October 2012, we facilitated the strategic planning for PAWD that guided the leadership in stating the vision, mission, goals and 3-year (2013-2016) targets. The PAWD Executive Committee comprised of 17 general managers, and two chairmen of member water districts participated in the workshop. PAWD prioritized helping its members in Categories C and D (with connections of less than 5,000) improve operational efficiency, increase service coverage by 5% within four years, and ensuring compliance with the Philippine National Standards for Drinking Water. The major strategies that will be pursued to achieve the desired impacts are: training on financial management and business planning; standard setting with focus on reduction of non-

revenue water, sound financial management and business planning and ensuring water quality; and twinning of 25 WD mentors recipient WDs located in areas with high poverty incidence.

The strategic plan prepared after the workshop guided the business planning session that resulted in a more detailed work plan and budget of PAWD for 2013-2014. The work plan was approved by the Board of Governors during the meeting of the PAWD Executive Council on November 28, 2012 in Cebu City. Later, we worked with the Executive Director to prepare PAWD's Monitoring and Evaluation Plan to track the progress of the Strategic Plan.

B. Conduct of in Depth Needs and Strength Assessment of WDs

PWRFFP conducted an in depth assessment of the needs and strengths of water districts to inform the agenda of the twinning partnerships, training programs, as well as the priority topics of the knowledge management development program of PAWD. One hundred WDs were surveyed and 58 responded.

The respondents identified non-revenue water management and water quality management as the top concerns, followed by strategic business planning and water security and disaster risk management. The breakdown of the results is as follows: NRW management (58 WDs); Drinking water quality and treatment (50 WDs); Strategic business planning (24 WDs); Water security and disaster risk management (24 WDs); Energy efficiency (17 WDs); and Sanitation and environmental protection (17 WDs).

Box 7. Summary Content of Training Programs

NRW Management Training Program

- Global and Local Trends in NRW
- NRW Assessment
- Management and Control of Commercial Losses
- Physical Losses
- Basic Hydraulics
- Pressure Management
- IT Applications in NRW
- DMA Establishment and Management

Strategic Business Planning Training Program

- Introduction to Strategic Business Planning
- The Business Plan Model
- Overview of Management
- General Description of Utility
- Assessment of Current Conditions and Priority Issues
- Formulation of Strategic Goals
- Performance Improvement Plans
- Organizational Structure and Staffing Level
- Water Demand Management
- Capex and Opex Forecasts
- Revenue Needs
- Tariff Policy and Strategy

Drinking Water Quality and Treatment Training Program

- Water Sources and Classification
- The Philippine National Standards for Drinking Water
- Quality of Water Supplies
- Removal of Solids and Other Physical Treatment
- Removal of Iron, Manganese and Other Chemical Contaminants
- Miscellaneous Water Treatment Technologies
- Laboratory Tests for Water Quality Checks

C. Conduct training programs for PAWD members

In line with the strategic plan of PAWD and the expressed needs of WDs, PWRF-FP conducted training programs on NRW Management, Strategic Business Planning, and Drinking Water Quality and Treatment.

These were simultaneously held on January 22-24, 2013 in Pasig City. Eighty participants from more than 30 water districts attended the training programs. In addition to the PWRF-FP specialists, we also tapped resource persons who are acknowledged leaders in the industry, namely, Maynilad Water Academy on NRW Management, LWUA trainers on Strategic Business Planning, and Manila Water on Drinking Water Quality and Treatment. The content of the training programs are summarized in Box 7.

For the NRW training, we targeted Category A and B water districts, considering that these would have bigger and more problematic systems to manage, and on the other hand, more resources to allocate for a long-term NRW reduction program. The NRW Training included a Learning Assessment of the participants at the end of the workshop. Those who passed the hurdle rate are eligible to **apply for the next level of NRW training offered by Maynilad's Water Academy.** For the strategic planning and water quality training, we targeted Category C and D water districts, as these have the least capacity on the two areas of concern. The Strategic Planning Training Program included input of actual data from participating WDs into the business plan model spreadsheet, so that participating WDs got a sense of the value of strategic planning in terms of identifying strategies, targets, translating these to priority projects and investment program, and determining the revenue requirements to recover the investments. For the water quality training the main take-away of the participants are the different approaches and technologies for treatment addressing turbidity, iron and manganese and other contaminants; as well as a more in depth understanding of water quality tests.

The above training programs received positive feedbacks from the participants in terms of relevance, scope and depth, and effectiveness of delivery. After the program we received several requests for another round and WDs expressed willingness to pay training fees. We endorsed these requests to PAWD and recommended to conduct these trainings again. Apart from responding to WD needs, such trainings could be potential generate revenues for PAWD.



*Strategic Business Planning
 Workshop-attended by 33 WDs*



*NRW Management
 Workshop-attended by 30 WDs*



*Water Quality and Treatment
 Workshop- attended by 30 WDs*

D. Facilitate twinning partnerships between WDs

We facilitated twinning partnerships between Isabela City WD (mentor) & Maluso WD (Category D) in Basilan Province on water quality management; and between Surigao City WD (mentor) and Kabacan WD (Category C) on strategic business planning. Our facilitation work covered (a) identification and matching of mentors and mentees; (b) guidance on work plan preparation and mentoring activities; (c) reporting and monitoring; and (d) program evaluation.

The twinning partnership between Isabela City WD and Maluso WD resulted in recommendations for the treatment strategy of Maluso. However, findings from the assessment showed that another big problem of Maluso is the repeated damage of transmission lines at river crossings during rainy season, which result to high turbidity or prolonged service interruption. Hence our facilitation assistance on the twinning partnership expanded to include an assessment of the urgent problems of Maluso, recommendations on priority interventions, and training on strategic business planning for both WDs, as Isabela also expressed interest on the latter activity. Maluso WD has finalized its Strategic Business Plan that contained the Program of Work for the immediate capital investment to maintain the service. Maluso submitted the program of works to LWUA for grant assistance under the Salintubig Program. Isabela City WD on the other hand is currently finalizing its Strategic Business Plan to consider the comments of PWRFFP.

Our assistance to the other twinning partnership included facilitation of a write-shop for the **finalization of Kabacan WD's Strategic Business Plan** and visit to Surigao Metro WD. The visit enabled a dialogue between the management and Chairs of both WDs regarding the usefulness of the strategic plan, insights on participatory development and promoting buy-in within the organization. We believe it was important for Kabacan to hear directly the testimonial of Surigao WD on the importance of the strategic plan as a governance tool and as a guide for investment programming and tariff adjustment. Surigao has also used it to develop a performance-based incentive program for its staff and as basis for income tax exemption (The law exempting water districts from paying income taxes require them to show proof that the tax savings are invested for service expansion and improvement.)

E. Assist with PAWD institutional strengthening including mentoring to build program management capacity of its Executive Director

An important objective of our technical assistance is to improve PAWD's operational efficiency to ensure sustainability and relevance. Our assistance included the following:

- a. Putting in place PAWD operating and financial systems. Two manuals were developed under PWRFFP for this purpose: Manual of Operations which streamlined way of doing business and improved communication flow and feedback mechanism; the Financial Management Manual which provided financial policies and transparent fund administration practices, and the Client Satisfaction Feedback form, which was supposed to gauge the effectiveness of PAWD as an industry association.

Under PWRFFP, we advocated for the reorganization of Committees and consolidation into just four groupings, namely: Advocacy, Institutional Strengthening, Membership Development and Resource Generation. The reorganization gives PAWD focus on its strategic concerns and rationalizes member participation and accountabilities. We also monitored the application of financial management practices. However the PAWD has not yet utilized the Client Satisfaction Feedback form.

- b. Our advocacy for PAWD to appoint a full time executive director bore fruit under the PWRFFP time. In November 2012 it appointed an Acting Executive Director. The Executive Director will be supervised directly by the PAWD President, and will report to the Board. Under guidance from the PAWD Board, the Executive Director will manage PAWD programs. As the Chief Executive Officer, the Executive Director will be **accountable for PAWD's performance** as an organization and will be responsible for the following key result areas:
- strategy formulation and implementation
 - advocacy promotion
 - research and policy development
 - people leadership and organization management
 - stakeholder management and media relations
 - membership development through the water operators partnership program

We **prepared and executed a mentoring plan for PAWD's newly minted Executive Director, Ms. Tess Combatir**, the long-time Administrative and Officer Manager. The mentoring plan aimed to develop Ms. Combatir's leadership competencies and program management skills to manage PAWD work plans more strategically. The plan included: an assessment of her managerial competencies; benchmarking of the ED tasks and performance on organizational management with similar associations such as the League of Cities and League of Municipalities; and six (6) executive coaching/mentoring sessions on financial management, strategic alliance building, technical water operations and systems and M&E . We also sponsored her participation in several trainings covering strategic thinking, problem solving, decision-making and results orientation. Ms. Combatir's **coach guided her** in the implementation of the PAWD work plan; improvement of **PAWD's operating systems**; and preparation of the M&E Plan.

Six months into the mentoring program, would be too short to conclusively determine if the necessary competencies of an executive director have been acquired. What can be said though is that she has the tools, the roadmap and the basic training for program management that she can build upon. It is critical at this point for her to get continued PAWD Council support for her training and empowerment for her new role, e.g., engage her **more actively in the Council's** discussion of issues.

F. Other assistance provided to PAWD

We provided technical backstopping to PAWD in several policy discussions that enabled PAWD articulate its concerns and influence decisions affecting its enabling environment:

- a. Congressional and executive discussions on the bills pertaining to the Water Regulatory Commission and Water Sector Reform Act (WSRA), and the establishment of the National Water Resources Management Office.
- b. Dialogues with LWUA, GCG, DOF and BSP to address barriers to financing access of WDs
- c. PAWD membership in the Philippine Development Forum Sub-Working Group for WSS

WAY FORWARD

1. WATER SUPPLY AND SANITATION PROJECT FINANCING

The recent study commissioned by MDG F-1919 (joint program of GPH and UN Partners) on investment requirements, estimated about Php9-18 billion annually from 2010 to 2015 to achieve universal coverage for water supply alone⁶. The lower end of the estimate assumes 10% Level 1 and 90% Level 2 systems; and the higher end, 10% Level 1 and 90% Level 3 systems⁷. The same study recommends mobilizing various sources of funds, recognizing that Government cannot realistically provide all of the funding requirements. Given this scenario, it becomes even **more imperative to sustain and deepen private developers and private banks' investments in the sector**. Toward this end, the recommendations are:

- a) *Pursue mobilization of pension funds to replace ODA money for the liquidity cover*- The PWRF co-financing and pure private bank funding addresses the needs of a segment of the market, particularly the creditworthy utilities with financially viable projects. Pure private bank funding has increased but is still limited to projects that do not need long-term financing. As most expansion projects require long-term financing, providing a liquidity cover to private banks so they can extend maturities beyond the 10 year market term remains essential. Presently, the liquidity cover for the PWRF comes from the JICA/ODA loan. ODA funding can continue this role but the end-goal should be to develop domestic market sources that do not result in direct or contingent government liabilities. In this regard, it would be worthwhile to pursue the previous effort of the PWRF FP to explore pension funds as a possible replacement for ODA money.

- b) *Promote the financing rationalization initiative* – PFI interest in the sector is keen, as seen from the robust pipeline of projects and stiff competition. However, the interest may wane if the enabling environment does not support PFI participation. GPH has to explicitly state its financing policy, operating guidelines and enforcement mechanisms. We recommend pursuing the rationalization policy on the allocation of public resources and developing financing mechanisms that can address the needs of projects that require concessional financing. Relatedly, we recommend pursuing the financing model of Salintubig graduates.

- c) *Address specific bureaucratic obstacles to attracting PFI financing*- There is an immediate need is to rationalize, streamline and make transparent the issuance of LWUA waivers for WDs to access outside sources of financing, for re-financing more expensive LWUA loans and for financing new projects. The constitution of a new LWUA Board might present opportunities to advocate for these **reforms. However, LWUA's** stance on waivers may be symptomatic of bigger problems related to its financial viability and relevance. GPH needs to undertake a serious assessment of **LWUA's** financial condition. That could guide a restructuring of **LWUA's** finances so it can focus its lending on those water districts that cannot yet access market-based financing. The GCG realized this need but does not have the resources to mount a full-scale evaluation of **LWUA's ability to perform its mandate**

⁶ MDGF-1919 Enhancing Access to and Provision of Water Services with the Active Participation of the Poor: Determining Investment Requirements for Improved Water Supply Coverage in the Philippines, April 2013

⁷ Level 1 water supply system refers to point sources, Level 2 to communal faucets and Level 3 to piped water connections.

and meet its financial obligations. This is a major undertaking that not only requires resources but the resolve and commitment for reform, and it starts with having a clear **vision of LWUA's long-term** role and appointing an independent reform champion with an unequivocal mandate to reform LWUA.

Assistance can be provided to GPH review of LWUA mandate and long-term role in the light of the financing rationalization policy, financial re-structuring and re-engineering.

- d) *Promote PPP arrangements* – Assist water districts package PPP projects for bulk water supply, septage management and non-revenue water performance-based contracts (NRW PBC). PPPs can remove the upfront financing burden on water districts and could introduce new approaches and more efficient management and operations.

The NRW PBCs are particularly promising. While most WDs cite NRW as their number one problem, there are few who have long-term, strategic plans to address this problem. Thus PBCs can attract financing for needed investments, access to expertise and new technologies, and management efficiencies—as payment is based on water savings. A significant externality of these projects is the preservation of existing sources or postponement of new source development.

- e) *Extend the USAID-DCA co-guarantee agreement with LGUGC*- The guarantee agreement between LGUGC and DCA expires in September 2013. Current utilization is low because some banks have chosen not to avail of the guarantee in order to make their rates more competitive. LGUGC will request a 5 year extension because they anticipate demand for guarantees will increase as more projects are developed for bulk water supply and PPP projects are finalized for septage management and NRW reduction. The private companies proposing PPP projects and pursuing NRW PBCs will likely seek guarantees for loans and/or on the prompt payment obligation of the off-taker. Moreover, the DCA co-guarantee enables LGUGC to increase its single guarantee limit from PhP120 million up to PhP200⁸. This function of the DCA guarantee will be critical to LGUGC by January 2014 as the ADB equity will be converted to a loan. This will lower its capital base and effectively lower its single guarantee limit to PhP90 million if the DCA guarantee is not extended. This would lower the value of the credit enhancement, especially for the big projects.

2. SALINTUBIG PROGRAM

The Salintubig program will reportedly run until 2016, by which time the 455 municipalities would have achieved at least 50% service coverage of their population. The DILG will welcome continued USAID assistance, particularly for capacity building for its staff to improve the **program's operating efficiency**. DILG should also be supported in its efforts to create and capacitate Regional Training Hubs for LGUs on project development, utility governance and sustainable O&M practices.

⁸ LGGUC policy sets the single guarantee limit to 25% of its net worth. Without the DCA co-guarantee this is at PhP120 million; with the DCA co-guarantee on 40% of its exposure, the SGL increases to PhP200 million.

3. POLICY AND INSTITUTIONAL REFORM

- a) *Continue to support efforts to reform economic regulation of the sector* – Provide TA to NEDA and NWRB to raise awareness in the executive department and Congress about the WSS sector and the proposed economic regulatory reforms, and to monitor and shepherd the WRC bill during the 16th Congress.
- b) *Provide institutional support to NWRMO* - If the National Water Resources Management Office is established, it will need technical assistance in its organization, installation of systems and building capacity of its staff.

4. SUPPORT TO PDF SWGWSS

In its almost five years' existence, the PDF Sub-Working Group on Water Supply and Sanitation has proven to be an excellent forum for coordinating development initiatives, ensuring strong complementation of donor efforts, and encouraging partnerships. GPH intends to maintain the Group, however, NEDA, the Chair, has signified need for donor assistance for the technical secretariat. USAID should maintain its active support to the SWG to help steer the development agenda and action plans toward the long term transformational reforms identified in the sector plans.

5. CONTINUE PROMOTION OF SANITATION INVESTMENTS

Build on the gains of the PWRF Support and Follow-on Program on advocacy and capacity building of water districts for septage management services. Awareness, at least among the water districts, is high, demonstration projects are beginning to come on line and banks are willing to finance such projects. The momentum can be sustained by adopting a more holistic strategy and systematic approach by extending advocacy to LGUs, setting up a technical assistance group (see #8) for project preparation and operation, and working with the EMB to strengthen enforcement of regulations.

6. FOLLOW UP SUPPORT FOR THE ADOPTION OF A PRICING POLICY FOR SEPTAGE MANAGEMENT SERVICES

Given the imprimatur for sanitation services and increasing interest of many WDs to pursue septage management projects, LWUA should establish guidelines on septage pricing. The PWRFFP pricing policy framework needs to be complemented with a manual for rate setting and adjustment. In addition, LWUA may need assistance in setting the standards of service that should be factored in the economic regulation of septage management services.

7. INSTITUTIONAL STRENGTHENING OF PAWD

There has been a significant improvement in PAWD's strategic direction setting, business practices and, with the designation of an Executive Director, program management. However, these improvements are still tenuous. It certainly still needs assistance to institutionalize governance measures such as strategic business planning and implementing its work plan. However, any further assistance to them should be conditioned on counterpart funding or internal budgeting of reform activities. The grant TA has been used to enable and capacitate them, the next TA should be leveraged with their own resources to ensure ownership.

8. ADDRESSING TECHNICAL ASSISTANCE NEEDS OF WDS

To address special needs of water districts, and to fill the gaps with LWUA as the technical **assistance provider, develop other training institutions, for example: DPWH's office in charge of** the National Sewerage and Septage Master Plan, individual water districts (such as Baliwag, which has experience on septage management), academic and other development institutions. Specifically, WDs have expressed training needs on NRW management, water quality management, strategic business planning and for the small water districts, financial management, septage management project preparation and operation, and water security planning.

9. WATER SECURITY PLANNING AND DISASTER RISK MANAGEMENT

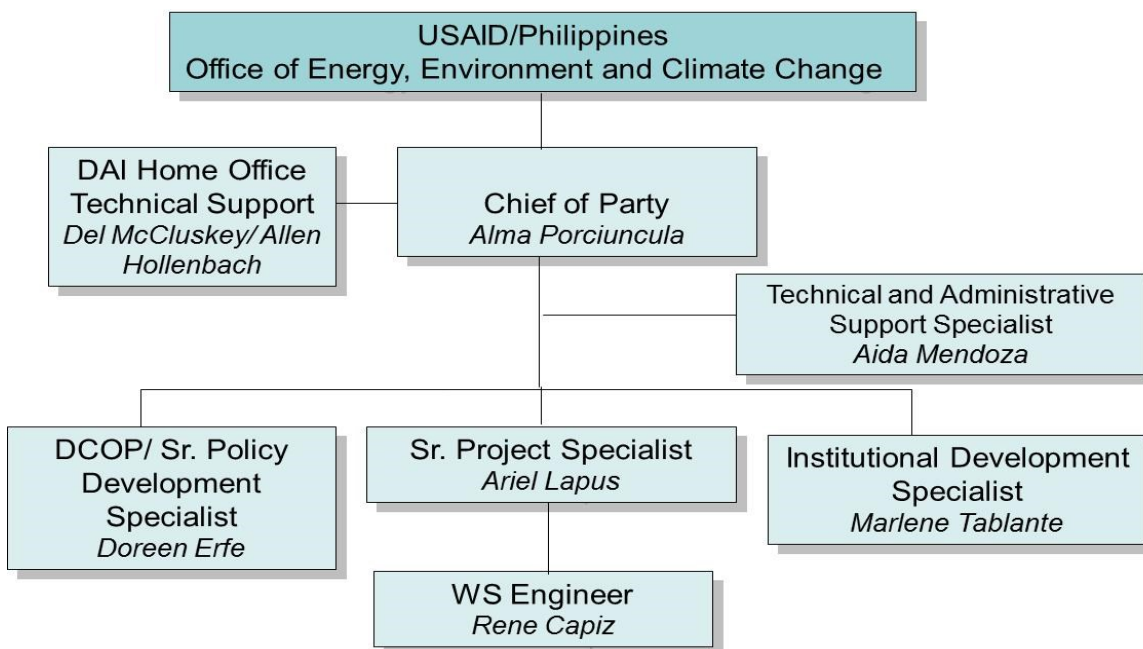
Although this is not an area where PWRF Program provided assistance, this need surfaced from the survey among water districts. Considering that 84% of their sources are from ground water, and that most have no reliable information on the quantity and quality of these sources, water source evaluation and security planning is becoming a critical need. This provides an opportunity for USAID to use training and demonstration projects, particularly if linked to other initiatives like CDI, to both showcase a methodology for water security planning and to underscore how deforestation, land use changes, poor management of urban and industrial waste disposal, and climate change pose risks to water supplies.

III. PROGRAM MANAGEMENT AND OPERATIONS

A. TEAM ORGANIZATION

The PWRF follow-on Program is led by DAI, with support from CEST, Inc. the local subcontractor. The project team’s organizational structure is shown below.

Figure 4. PWRF Follow on Program Organizational Chart



The core group is made up of the following key personnel with responsibilities as described below:

Chief of Party (DAI) <i>Alma Porciuncula</i>	Managed overall technical assistance, provided technical leadership and quality control, and supervised team members; pro-actively engage partners; supervise work and financial plans; serve as primary point of contact for USAID and other project partners
Deputy Chief of Party and Senior Policy Development Specialist (DAI) <i>Doreen Erfe</i>	Led the policy and institutional reform initiatives, including the supervision of financing policy formulation, advocacy for and revisions to the WRC; represented project with client and stakeholders in the absence of COP

Senior Project Specialist (CEST) <i>Ariel Lapus</i>	Led the technical assistance for project preparation, including the mentoring for septage management feasibility studies; supervised the technical assistance to DILG and LGUs for the Salintubig Program; and coordinated training of water districts
Water Supply Engineer (DAI) <i>Rene Capiz</i>	Provided on-the-ground technical assistance support to DILG for the Salintubig Program—served as resource person in trainings, prepared project proposal templates, did source validation and DED review, and facilitated the twinning partnerships
Institutional Development Specialist (DAI) <i>Marlene Tablante</i>	Primarily provided overall technical and administrative support to the PDF Sub-working Group for Water and Sanitation; provided assistance to the Salintubig TA and PAWD TA
Technical and Administrative Support Specialist (DAI) <i>Aida Mendoza</i>	Managed project operations and provided administrative backstop to the COP, including procurement and personnel management Tracked PMP and coordinated preparation of monthly accomplishment reports to USAID
Project Accountant (DAI) <i>Cathy Pollisco/ Nenia Tuvera</i>	Provided accounting and fund management support; prepared the vouchers, invoices, and assisted with budget projections; assisted with other administrative and logistic needs of the project.

The core team drew assistance from short term consultants, who were given specific tasks and time-bound deliverables.

B. USE OF SUB-CONTRACTORS

The subcontractors were strategically used to bring to the table their comparative advantages and core competence on specific assignments. The major contributions of the subcontractors are:

Consultants for Engineering, Science and Technology, Inc. (CEST)	Provided most of the engineering and hard technical support for project preparation, training and led the Help Desk for Salintubig LGUs
Emerging Markets Group (EMG)	Prepared the NRW Performance-based contract study, including the model contract framework

C. MONITORING AND EVALUATION

Project monitoring and evaluation was done at several levels. USAID required PWRFFP to submit monthly and mid-term reports on major activities, accomplishments vis-à-vis the deliverables, issues and recommendations. The reports kept USAID abreast with project activities, current developments and emerging issues that affected the project.

Project outcomes and key performance indicators were presented in the Project Monitoring Plan (PMP) approved by USAID. The PMP described the data collection and how the key performance indicators (KPIs) are measured.

Monitoring meetings were also held with USAID and PWRF implementing partners (JICA, DBP and LGUGC and PAWD), as well as with GPH counterparts (DOF, DILG, NAPC, NEDA and LWUA). These meetings were used to keep everyone informed of the project status, policy and implementation issues as well as new opportunities. In the same vein meetings served as forums to agree on solutions to problems, address concerns or and disagreements among partners, and recommend improvements or efficiency enhancing measures for the program.

D. GENDER ACTION PLAN

Table 8. Gender Action Plan (December 2011-May 2013)

PROJECT DESCRIPTION	Gender Statements (Issues and/or Proposed Actions)	Entry Points	Objectives	Activities/Accomplishments
<p>PWRFFP is a successor program of the PWRF Support Program, a Technical Assistance Grant to assist the GPH establishes an innovative and sustainable financing mechanism for water supply and sanitation (WSS) projects. The objectives of the Follow-on Program included:</p> <ul style="list-style-type: none"> • To facilitate loan transactions under the PWRF; • To generate well developed projects for funding under the <i>Sagana at Ligtas na Tubig Sa Lahat Program</i> (Safe Water for All Program), a grant program for waterless municipalities; • To advance the on-going long-term transformational water sector reform initiatives of the GPH; 	<p>The Program seeks to improve access to safe drinking water and sanitation of both men and women.</p> <p>Program activities will be gender-responsive. Specifically, men and women will be provided equal opportunities to financing and capability building activities as providers and users of WSS services.</p>	<ol style="list-style-type: none"> 1. Planning of program areas of assistance 2. Preparation and updating of annual program work plan (WP) <ul style="list-style-type: none"> - Packaging and design of capacity building assistance - Program management systems 3. Implementation of program activities <ul style="list-style-type: none"> - Promotion of the PWRF - Water and sanitation project preparation - Conduct of activities to strengthen the water and finance sector, improve governance and build capacities of WSPs 4. M& E of program 	<ol style="list-style-type: none"> 1. To integrate gender as a cross-cutting consideration in program activities 2. To ensure that program activities will promote equal access and participation of both women and men 3. To monitor and document involvement and outcomes of program activities on both women and men providers and users of WSS services 	<ol style="list-style-type: none"> 1. Ensured equal opportunities and access of both male and female staffs of PFIs, WDs and LGUs to project development and technical assistance provided under the Program. <ul style="list-style-type: none"> - transaction/facilitation activities for 7 projects which have reached financial closure - assisted in the approval of 164 projects, 69 of which are in ARMM under Salintubig Program (Water Program for Waterless Municipalities) - five (5) feasibility studies prepared 2. Adopted gender-responsive participatory approaches in policy formulation and design, conduct and logistical arrangements for capacity building interventions 3. Included a gender count in activity documentation or attendance sheets <ul style="list-style-type: none"> - 30 trainings and workshops with 729 participants of which 224 (or 31 %) were female 4. Project Monitoring Plan and periodic reports contained gender sensitive indicators/sex-disaggregated data of people with access to WSS. <ul style="list-style-type: none"> - \$79 million (PhP3.2 billion) in loan volume for WSS projects transacted - 1.83 million potential beneficiaries will have access to new or improved WSS services from

PROJECT DESCRIPTION	Gender Statements (Issues and/or Proposed Actions)	Entry Points	Objectives	Activities/Accomplishments
<ul style="list-style-type: none"> To continue technical secretariat support to the Sub-Working Group for Water Supply and Sanitation of the Philippine Development Forum. 		activities Adoption and implementation of a gender-responsive Performance Monitoring Plan (PMP) including use of sex-disaggregated M&E indicators		projects funded by PWRF/PFIs; of whom an estimated 915,000 (or 50% of the beneficiaries) are women - 600,000 potential beneficiaries from level 2 projects funded under the Salintubig Program of which 60% are from ARMM;

ANNEXES

Annex 1. PWRF/PFI Project Pipeline (as of May 2013)

No.	Project Location	Proponent	Total Project Cost (PhP million)	Project Description	Remarks/Status
WATER SUPPLY:					
Done Deals:			3,159		
1	Laguna Province	Manila Water	2,100	Source development and water supply improvements for Laguna AAA	PhP 1.3 billion loan from PWRF (DBP/JICA); PhP 800 million by private proponent
2	Metro Iloilo	Primewater	300	Bulk supply for MIWD	Loan purely by BPI; equity of private proponent assumed at 20%
3	San Pedro, Laguna	San Pedro WD	250	Expansion of water system to Upper Areas	PhP 100 M DBP; PhP 150 M BPI; PhP 127.5 M guaranteed
4	Sta. Maria, Bulacan	Sta. Maria WD	183	Expansion of water system	Loan purely by PNB
5	Dasmaringas, Cavite	Twin Rivers Inc.	150	Bulk supply for Dasmaringas WD	PhP 120 M Allied Bank; PhP 30 M by private proponent
6	San Pedro, Laguna	San Pedro Water Resources Dev. Corp.	120	Bulk supply for Upper Areas	PhP 70 M Metrobank; PhP 50 M by private proponent
7	San Jose Del Monte City, Bulacan	AM Gatbonton Drilling Corp.	56	Bulk supply for SJDMMWD	Loan already released; w/ Allied Bank
In process and nearing financial closure			1,698		
8	Cebu Province	Manila Water Consortium with Viscal Dev. and StateLand Inc. on a JV with Cebu Province	800	Bulk water supply for Cebu Province from Luyang River in Carmen town	Nearing loan finalization with PWRF (DBP/JICA)
9	Tagaytay City, Cavite	PTK2 Inc.	470	10-20 MLD bulk supply from Indang springs to Tagaytay City	Possible financing for PTK2 capex and WD capex (PTK2 and WD to lay TM up to LGU boundaries); Guarantee for the 10-MLD WD take-or-pay; Having problems w/ incorporation/JV arrangements; PTK2 hard-pressed to deliver agreement w/ TCWD; Went to DBP for initial PhP 70 million loan because of less requirements; PTK2's equity is 25%.
10	Metro Agoo	Jolliville Holdings/Calapan Waterworks	400		Loan negotiation underway with PWRF (DBP/JICA)

No.	Project Location	Proponent	Total Project Cost (PhP million)	Project Description	Remarks/Status
11	Sta. Rosa, Nueva Ecija	Sta. Rosa WD	28	Water system expansion	LGUGC guarantee approved; awaiting decision on preferred bank
Others:			1,402		
12	Calamba, Laguna	Calamba WD	164	Expansion of water system	Deferred due to the untimely demise of its GM; but WD will continue with the project; WD received list of documents for compliance from LWUA before issuance of waiver
13	Panglao Island, Bohol	Abejo Water	75	Water distribution	LGUGC evaluation ongoing
14	Sorsogon City, Sorsogon	Sorsogon City WD	60	Expansion of water system (take-out)	WD already issued Board Res requesting waiver from LWUA
15	Silay City, Negros Occidental	Silay City WD	50	Expansion of water system (take-out)	Awaiting LWUA opinion on refinancing arrangement
16	San Fernando, La Union	Metro La Union WD	40	Rehab and expansion of water system	LGUGC awaiting submission of Program of Work
17	Labrador, Pangasinan	TGV Builders	35	Water system franchise	Ready for financing for TGV capex; Guarantee for debt service; To meet ASAP
18	Meycauayan and Marilao, Bulacan	Phil Hydro Inc.	200	Bulk supply transmission line from Norzagaray to Meycauayan and Marilao via Sta. Maria	With FS; Phil Hydro to submit unsolicited proposal; PhilHydro now owned by Maynilad
19	Clark Zone	Manila Water	200	Water system expansion	Manila Water took over Veolia last year and eyeing improvements; FS being prepared tapping Sacobia River
20	Bacolod City, Negros Occidental	Manila Water vs. Maynilad	200	NRW reduction	Manila Water and Maynilad submitted separate unsolicited proposals; WD evaluating proposals
21	Dagupan City, Pangasinan	Dagupan City WD	85	New water source and expansion	From WD Business Plan; WD Board decided to take out LWUA to DBP for a savings of PhP 32 Million to fund expansion project; May pursue balance of financing requirement
22	Candelaria, Quezon	Candelaria WD	30	Water system expansion	LGUGC awaiting submission of additional documents; For follow-up
23	Tiaong, Quezon	Tiaong WD	20	Water system expansion and refinancing	LGUGC awaiting submission of documents; For follow-up

No.	Project Location	Proponent	Total Project Cost (PhP million)	Project Description	Remarks/Status
24	San Miguel, Bulacan	San Miguel WD	18	Water system expansion and refinancing	Awaiting tariff increase proposal before LGUGC due diligence; For request of LWUA waiver
25	Umingan, Pangasinan	Umingan WD	15	Water system expansion and refinancing	With issues w/ LWUA (NLIF grant to be converted to loan); LGUGC awaiting other submittals
26	San Jose, Occidental Mindoro	San Jose WD	10	Water system expansion	LGUGC awaiting submission of documents; For follow-up
27	Surigao Metro	Surigao Metro WD	100	Surface water source improvements	From WD Business Plan; WD to construct bigger river intake (existing has small capacity) and clarifier; Pre-planning stage
28	Dipolog City, Zamboanga del Norte	Dipolog City WD	100	Surface water source and treatment	FS has already 3 failed biddings; Fortunately for WD, they got 2 new good wells; But WD will still need surface water source in the long run
Sub-Total			6,259		
SANITATION:					
Setback:			87		
1	Cabanatuan City, Nueva Ecija	Cabanatuan City WD	87	Septage management program; under Manila Bay mandamus	Went to Land Bank because of very low interest rate offered
Nearing Finalization:			102		
2	San Jose Del Monte City, Bulacan	San Jose Del Monte City WD	102	Septage management program; under Manila Bay mandamus	With FS; WD completed public presentation; WD awaiting LGU ordinance; LWUA waiver is a problem
Others:			1,774		
3	San Pablo City, Laguna	San Pablo City WD	132	Septage management program (semi-mech.), pilot combined sewerage in the city proper and pilot sewerage system around Sampaloc Lake; portion under Manila Bay mandamus	With FS; Lined up for this year or next year according to WD; May be presented to NSSMP for funding of sewerage portion; But WD feels 60% of the cost is still high for them; May implement septage management. only
4	Bacolod City, Negros Occidental	Bacolod City WD	101	Septage management program	Bacolod City Council has ok'd ordinance but WD has been left out
5	Mabalacat, Pampanga	Mabalacat WD	77	Septage management program; under Manila Bay mandamus	With FS; Next up are ordinance, public info and bidding; Project to be implemented after election according to WD

No.	Project Location	Proponent	Total Project Cost (PhP million)	Project Description	Remarks/Status
6	Los Banos and Bay, Laguna	Laguna WD	67	Septage management program; under Manila Bay mandamus	With FS; Equipment supplier talking directly to LWD; LGU ordinance pending
7	Metro Cebu	Metro Cebu WD	335	Septage management program	With FS; Cebu City ordinance still pending; Project to start w/ Cordova SCA at PhP 40 million
8	Tagum City, Davao del Norte	Tagum WD	87	Septage management program	With FS; GM recently retired; OIC needs orientation; LGUGC sent list of documents for submittals; waiting for submission
9	Puerto Princesa City, Palawan	Puerto Princesa City WD	75	Septage management program	Awaiting PPCWD to submit draft
10	Camarines Norte	Camarines Norte WD	74	Septage management program	With FS; Study Team presented FS to GM then to Board in April 2012
11	General Santos City, Sarangani	General Santos City WD	74	Septage management program	With FS; LGU (Nael Crusperero) was given a copy of FS by the WD; LGU interested in pushing for the project
12	Metro Iloilo	Metro Iloilo WD	68	Septage management program	With FS; Sen. Drilon strongly pushing for sanitation; Jamora also active; But nothing happened since last presentation; Info campaign can proceed but will have to wait for 2013 elections; One project proponent is interested
13	Metro Kidapawan	Metro Kidapawan WD	67	Septage management program	With FS; PWRF presented to City Council in Oct 2012
14	Hagonoy, Bulacan	Hagonoy WD	63	Septage management program; under Manila Bay mandamus	With FS; Study Team presented FS to Board in April 2012
15	Metro Roxas	Metro Roxas WD	63	Septage management program	With FS; Nothing happened since last presentation; WD asking assistance to present to SB; LGUGC reported that KfW to finance project
16	Metro Kalibo	Metro Kalibo WD	41	Septage management program (semi-mech.)	With FS; Ordinance being worked out; Nothing has happened since last presentation; Board needs to be reminded; SB needs awareness
17	Davao City	Davao City WD	300	Septage management program	FS ongoing

No.	Project Location	Proponent	Total Project Cost (PhP million)	Project Description	Remarks/Status
18	Angeles City, Pampanga	Angeles City WD	70	Septage management program; under Manila Bay mandamus	FS ongoing
19	Tagaytay City	Tagaytay City WD	50	Septage management program; under Manila Bay mandamus	FS ongoing
20	Orani, Bataan	Orani WD	30	Septage management program; under Manila Bay mandamus	FS ongoing
	Sub-Total		2,065		
	TOTAL		8,324		

Annex 2. Salintubig LGUs and Status of Projects

STATUS OF PROJECTS FUNDED UNDER THE TISP PROGRAM (2012)

TISP Municipalities				Status of Implementation		TISP Municipalities				Status of Implementation	
No	Region	Province	Municipality	FS	DED	No	Region	Province	Municipality	FS	DED
1	ARMM	LANAO DEL SUR	Balindong		√	38	ARMM	MAGUINDANAO	Mamasapano		√
2	ARMM	LANAO DEL SUR	Bayang		√	39	ARMM	MAGUINDANAO	Mangudadatu		√
3	ARMM	LANAO DEL SUR	Buadiposo-Bontong		√	40	ARMM	MAGUINDANAO	Matanog		√
4	ARMM	LANAO DEL SUR	Butig		√	41	ARMM	MAGUINDANAO	Northern Kabuntalan		√
5	ARMM	LANAO DEL SUR	Ditsaan-Ramain		√	42	ARMM	MAGUINDANAO	Pagagawan (Datu Montawal)	√	
6	ARMM	LANAO DEL SUR	Ganassi		√	43	ARMM	MAGUINDANAO	Pagalungan	√	
7	ARMM	LANAO DEL SUR	Calanogas		√	44	ARMM	MAGUINDANAO	Paglat		√
8	ARMM	LANAO DEL SUR	Kapatagan		√	45	ARMM	MAGUINDANAO	Pandag		√
9	ARMM	LANAO DEL SUR	Lumbaca-Unayan		√	46	ARMM	MAGUINDANAO	Parang		√
10	ARMM	LANAO DEL SUR	Lumbatan		√	47	ARMM	MAGUINDANAO	Rajan Buayan		√
11	ARMM	LANAO DEL SUR	Lumbayanague		√	48	ARMM	MAGUINDANAO	Shariff Aguak		√
12	ARMM	LANAO DEL SUR	Madalum		√	49	ARMM	MAGUINDANAO	South Upi		√
13	ARMM	LANAO DEL SUR	Madamba		√	50	ARMM	MAGUINDANAO	Sultan Kudarat		√
14	ARMM	LANAO DEL SUR	Malabang		√	51	ARMM	MAGUINDANAO	Sultan sa Barongis		√
15	ARMM	LANAO DEL SUR	Masiu		√	52	ARMM	MAGUINDANAO	Sultan Mastura		√
16	ARMM	LANAO DEL SUR	Poona-Bayabao		√	53	ARMM	MAGUINDANAO	Talayan		√
17	ARMM	LANAO DEL SUR	Saguiran		√	54	ARMM	MAGUINDANAO	Talitay		√
18	ARMM	LANAO DEL SUR	Tamparan		√	55	ARMM	MAGUINDANAO	Upi		√
19	ARMM	LANAO DEL SUR	Taraka		√	56	ARMM	TAWI-TAWI	Bongao		√
20	ARMM	LANAO DEL SUR	Tubaran		√	57	ARMM	TAWI-TAWI	Languyan		√
21	ARMM	LANAO DEL SUR	Wao		√	58	ARMM	TAWI-TAWI	Mapun		√
22	ARMM	MAGUINDANAO	Ampatuan		√	59	ARMM	TAWI-TAWI	Panglima Sugala		√
23	ARMM	MAGUINDANAO	Barira		√	60	ARMM	TAWI-TAWI	Sapa-Sapa		√
24	ARMM	MAGUINDANAO	Buldon		√	61	ARMM	TAWI-TAWI	Simunol		√
25	ARMM	MAGUINDANAO	Buluan		√	62	ARMM	TAWI-TAWI	South Ubian		√
26	ARMM	MAGUINDANAO	Datu Abdulah Sanki		√	63	ARMM	TAWI-TAWI	Tandubas	√	
27	ARMM	MAGUINDANAO	Datu Blah Sinsuat		√	64	ARMM	TAWI-TAWI	Turtle Island	√	
28	ARMM	MAGUINDANAO	Datu Odin Sinsuat		√	65	ARMM	SULU	Lugos		√
29	ARMM	MAGUINDANAO	Datu Paglas		√	66	ARMM	SULU	Luuk		√
30	ARMM	MAGUINDANAO	Datu Piang		√	67	ARMM	SULU	Maimbung		√
31	ARMM	MAGUINDANAO	Datu Salibo		√	68	ARMM	SULU	Omar		√
32	ARMM	MAGUINDANAO	Datu Saudi Ampatuan		√	69	ARMM	SULU	Pandami		√
33	ARMM	MAGUINDANAO	Datu Saydona Mustapha		√	70	ARMM	SULU	Panglima Estino		√
34	ARMM	MAGUINDANAO	Datu Unsay		√	71	ARMM	SULU	Pata		√
35	ARMM	MAGUINDANAO	Gen Sk Pendatun		√	72	ARMM	SULU	Talipao		√
36	ARMM	MAGUINDANAO	Guindulungan		√	73	ARMM	BASILAN	Tuburan		√
37	ARMM	MAGUINDANAO	Kabuntalan		√	74					

STATUS OF PROJECTS FUNDED UNDER THE SALINTUBIG PROGRAM (2011)

2012 <i>Salintubig</i> Waterless Municipalities				Status of Implementation			2012 <i>Salintubig</i> Waterless Municipalities				Status of Implementation		
No	Region	Province	Municipality	DED	Procurem	Constructio	No	Region	Province	Municipality	DED	Procurem	Construct
1	Region 1	Pangasinan	Bani		√		41	Region 6	Capiz	Dumarao	√		
2	Region 1	Ilocos Norte	Banna			√	42	Region 6	Capiz	Jamindan	√		
3	Region 1	Ilocos Sur	Suyo			√	43	Region 6	Capiz	Tapaz	√		
4	Region 1	La Union	Burgos			√	44	Region 6	Iloilo	Balasan	√		
5	Region 2	Nueva Vizcaya	Dupax del	√			45	Region 6	Iloilo	Leon	√		
6	Region 2	Nueva Vizcaya	Dupax del Sur	√			46	Region 7	Bohol	Danao		√	
7	Region 2	Nueva Vizcaya	Aritao	√			47	Region 7	Bohol	Sevilla			√
8	Region 2	Nueva Vizcaya	Ambaguio			√	48	Region 7	Cebu	Sogod			√
9	Region 2	Nueva Vizcaya	Kasibu			√	49	Region 7	Cebu	Tuburan			√
10	Region 2	Nueva Vizcaya	A. Castaneda	√			50	Region 7	Cebu	Pinamungahan	√		
11	Region 3	Bulacan	D. R. Trinidad			√	51	Region 7	Cebu	Sta. Fe	√		
12	Region 4-A	Cavite	Imus		√		52	Region 7	Cebu	Sibonga	√		
13	Region 4-A	Quezon	Calauag			√	53	Region 7	Cebu	Madridejos		√	
14	Region 4-A	Quezon	Catanuan			√	54	Region 7	Negros Or.	Basay	√		
15	Region 4-A	Quezon	Lopez			√	55	Region 7	Negros Or.	Jimalalud			√
16	Region 4-A	Quezon	Gen. Luna			√	56	Region 8	Leyte	Alangalang		√	
17	Region 4-A	Quezon	Patnanungan			√	57	Region 8	Leyte	Tabango		√	
18	Region 4-A	Quezon	Buenavista			√	58	Region 8	Leyte	Calubian			√
19	Region 4-A	Quezon	Gen. Nakar		1		59	Region 8	Leyte	Abuyog	√		
20	Region 4-A	Quezon	Guinayangan			√	60	Region 8	Leyte	Bato		√	
21	Region 4-A	Quezon	Gumaca		√		61	Region 8	Leyte	Carigara		√	
22	Region 4-A	Quezon	Panukulan			√	62	Region 8	Leyte	Dagami	√		
23	Region 4-A	Quezon	Plaridel			√	63	Region 8	Northern Samar	Las Navas			√
24	Region 4-A	Quezon	Tagkawayan		√		64	Region 8	Western Samar	Sto. Nino		√	
25	Region 4-B	Occ. Mindoro	Abra de Ilog			√	65	Region 10	Bukidnon	Kalingalan	√		
26	Region 4-B	Occ. Mindoro	Magsaysay			√	66	Region 11	Compostela	Mawab			√
27	Region 4-B	Occ. Mindoro	Paluan			√	67	Region 11	Davao del Norte	Pantukan		√	
28	Region 4-B	Occ. Mindoro	Santa Cruz			√	68	Region 11	Davao del Norte	Braulio Dujali			√
29	Region 4-B	Palawan	Agutaya			√	69	Region 11	Davao del Norte	Carmen			√
30	Region 4-B	Romblon	Concepcion			√	70	Region 11	Davao del Norte	Talaingod			√
31	Region 5	Masbate	Esperanza			√	71	Region 12	North Cotabato	Aleosan			√
32	Region 5	Masbate	Palanas			√	72	Region 12	North Cotabato	Arakan			√
33	Region 5	Masbate	Claveria			√	73	Region 12	North Cotabato	Banisilan		√	
34	Region 5	Camarines Norte	Paracale			√	74	Region 12	North Cotabato	Pres. Roxas	√		
35	Region 5	Camarines Sur	Del Gallego			√	75	Region 12	South Cotabato	Lake Sebu			√
36	Region 6	Negros Occ.	S. Benedicto		√		76	Region 13	Agusan del Norte	Magallanes		√	
37	Region 6	Negros Occ.	Toboso	√			77	Region 13	Agusan del Sur	Bunawan		√	
38	Region 6	Capiz	Pres. Roxas		√		78	Region 13	Agusan del Sur	Talacogon			√
39	Region 6	Capiz	Sapian	√			79	Region 13	Agusan del Sur	Trento			√
40	Region 6	Capiz	Sigma	√			80	Region 13	Agusan del Sur	Veruela			√

STATUS OF PROJECTS FUNDED UNDER THE SALINTUBIG PROGRAM (2011)

2011 <i>Salintubig</i> Waterless Municipalities				Status of Implementation				2011 <i>Salintubig</i> Waterless Municipalities				Status of Implementation			
No	Region	Province	Municipality	DED	Procurement	Construction	Completed	No	Region	Province	Municipality	DED	Procurement	Construction	Completed
1	ARMM	SULU	Pangutaran			✓		59	REGION VII	BOHOL	Trinidad				✓
2	ARMM	SULU	Parang			✓		60	REGION VII	BOHOL	Ubay			✓	
3	ARMM	SULU	Siasi			✓		61	REGION VII	CEBU	Bantayan				✓
4	CAR	ABRA	Tineg			✓		62	REGION VII	NEGROS	La Libertad			✓	
5	CAR	APAYAO	Calanasan				✓	63	REGION VII	NEGROS	Tayasan			✓	
6	CAR	APAYAO	Conner			✓		64	REGION VII	NEGROS	Mabinay			✓	
7	CAR	APAYAO	Flora			✓		65	REGION VIII	EASTERN SAMAR	Taft				✓
8	CAR	APAYAO	Kabugao				✓	66	REGION VIII	LEYTE	San Isidro	✓			
9	CAR	APAYAO	Pudtol			✓		67	REGION VIII	NORTHERN	Laoang	✓			
10	CAR	APAYAO	Santa Marcela			✓		68	REGION IX	ZAMBOANGA	Mutia			✓	
11	REGION I	PANGASINAN	Bolinao				✓	69	REGION IX	ZAMBOANGA	Jose Dalman	✓			
12	REGION I	PANGASINAN	Aguilar				✓	70	REGION IX	ZAMBOANGA	Katipunan			✓	
13	REGION I	PANGASINAN	Urbiztondo				✓	71	REGION IX	ZAMBOANGA	Siayan			✓	
14	REGION II	CAGAYAN	Santa Teresita			✓		72	REGION IX	ZAMBOANGA	Sindangan			✓	
15	REGION II	CAGAYAN	Abulug				✓	73	REGION IX	ZAMBOANGA	Kalawit		✓		
16	REGION II	CAGAYAN	Allacapan			✓		74	REGION IX	ZAMBOANGA	Siocon		✓		
17	REGION II	CAGAYAN	Ballesteros			✓		75	REGION IX	ZAMBOANGA	Sirawai		✓		
18	REGION II	CAGAYAN	Pamplona			✓		76	REGION IX	ZAMBOANGA SUR	Midsalip			✓	
19	REGION II	CAGAYAN	Santo Niño			✓		77	REGION IX	ZAMBOANGA SUR	Lapuyan			✓	
20	REGION II	ISABELA	Palanan			✓		78	REGION IX	ZAMBOANGA SUR	Tigbao			✓	
21	REGION II	N. VIZCAYA	Santa Fe				✓	79	REGION IX	ZAMBOANGA	Alicia			✓	
22	REGION II	N. VIZCAYA	Kayapa				✓	80	REGION IX	ZAMBOANGA	Ipil				✓
23	REGION IVA	LAGUNA	Paete			✓		81	REGION IX	ZAMBOANGA	Payao			✓	
24	REGION IVB	PALAWAN	Araceli		✓			82	REGION IX	ZAMBOANGA	Titay			✓	
25	REGION IVB	PALAWAN	Cagayancillo		✓			83	REGION IX	ZAMBOANGA	Tungawan			✓	
26	REGION IVB	PALAWAN	Cuyo	✓				84	REGION X	BUKIDNON	Talakag		✓		
27	REGION IVB	PALAWAN	Dumaran		✓			85	REGION X	BUKIDNON	San Fernando			✓	
28	REGION IVB	PALAWAN	El Nido	✓				86	REGION X	BUKIDNON	Damulog			✓	
29	REGION IVB	PALAWAN	Linapacan		✓			87	REGION X	BUKIDNON	Dangcagan		✓		
30	REGION IVB	PALAWAN	Magsaysay	✓				88	REGION X	BUKIDNON	Don Carlos		✓		
31	REGION IVB	PALAWAN	Roxas			✓		89	REGION X	BUKIDNON	Kadingilan		✓		
32	REGION IVB	PALAWAN	Taytay	✓				90	REGION X	BUKIDNON	Kibawe		✓		
33	REGION IVB	PALAWAN	Balabac			✓		91	REGION X	BUKIDNON	Kitaotao		✓		
34	REGION IVB	PALAWAN	Bataraza	✓				92	REGION X	BUKIDNON	Quezon		✓		
35	REGION IVB	PALAWAN	Rizal (Marcos)		✓			93	REGION X	LANAO NORTE	Kolambugan			✓	
36	REGION V	CAMARINES	Basud				✓	94	REGION X	LANAO NORTE	Lala			✓	
37	REGION V	CAMARINES	Capalonga			✓		95	REGION X	MISAMIS	Ballangao			✓	
38	REGION V	CAMARINES SUR	Garchitorena				✓	96	REGION X	MISAMIS	Sinacaban			✓	
39	REGION V	CAMARINES SUR	Siruma				✓	97	REGION X	MISAMIS	Claveria			✓	
40	REGION V	MASBATE	Cataingan			✓		98	REGION XI	COMPOSTELA	Montevista			✓	
41	REGION V	MASBATE	Cawayan				✓	99	REGION XI	COMPOSTELA VALLEY	Nabunturan			✓	
42	REGION V	MASBATE	Milagros			✓		100	REGION XI	COMPOSTELA VALLEY	Laak			✓	

2011 Salintubig Waterless Municipalities				Status of Implementation				2011 Salintubig Waterless Municipalities				Status of Implementation			
No	Region	Province	Municipality	DED	Procurement	Construction	Completed	No	Region	Province	Municipality	DED	Procurement	Construction	Completed
43	REGION V	MASBATE	Mandaon			√		101	REGION XI	DAVAO DEL SUR	J. Abad Santos			√	
44	REGION V	MASBATE	Placer				√	102	REGION XI	DAVAO DEL SUR	Malita			√	
45	REGION V	MASBATE	Uson				√	103	REGION XII	COTABATO	Alamada				√
46	REGION VI	AKLAN	Libacao			√		104	REGION XII	COTABATO	Midsayap				√
47	REGION VI	NEGROS OCCIDENTAL	Cauayan			√		105	REGION XII	COTABATO	Pikit				√
48	REGION VII	BOHOL	Catigbian			√		106	REGION XII	SARANGANI	Glan			√	
49	REGION VII	BOHOL	Tubigon				√	107	REGION XII	SARANGANI	Malungon			√	
50	REGION VII	BOHOL	Bien Unido				√	108	REGION XII	SULTAN KUDARAT	Lebak			√	
51	REGION VII	BOHOL	Buenavista			√		109	REGION XII	SULTAN KUDARAT	Bagumbayan				√
52	REGION VII	BOHOL	Dagohoy			√		110	REGION XII	SULTAN KUDARAT	Kalamansig				√
53	REGION VII	BOHOL	Inabanga			√		111	REGION XII	SULTAN KUDARAT	Palimbang	√			
54	REGION VII	BOHOL	Getafe				√	112	REGION XII	SULTAN KUDARAT	Sen. Ninoy Aquino			√	
55	REGION VII	BOHOL	Pitogo			√		113	REGION XIII	AGUSAN DEL SUR	Prosperidad			√	
56	REGION VII	BOHOL	San Isidro			√		114	REGION XIII	AGUSAN DEL SUR	Sibagat			√	
57	REGION VII	BOHOL	San Miguel				√	115	REGION XIII	AGUSAN DEL SUR	La Paz			√	
58	REGION VII	BOHOL	Talibon				√								

Annex 3. List of Salintubig Training

A. *Salintubig* Program Orientation and Training on Proposal Preparation

Training Venue/ Date	LGU Participants	Number of Trainees		
		Total	M	F
Cagayan de Oro (February)	Regions 10 & 13 LGUs	66	43	23
Nueva Vizcaya (February)	CAR & Region 2 LGUs	49	34	15
Tagaytay City (February)	Regions 4A & 4B LGUs	45	30	15
Sto. Domingo, Albay (March)	Region 5 LGUs	47	32	15
San Fernando City, La Union (March)	Regions 1 & 3 LGUs	68	47	21
Tacloban City (March)	Region 8 LGUs	46	31	15
Iloilo City (May)	Region 6 LGUs	50	25	25
Roxas City (June)	Region 6 LGUs	40	25	15
Tagaytay City (June)	Regions 1-5 LGUs	52	35	17
Cebu City (June)	Region 7 LGUs	23	12	11
Davao City (July)	21 municipalities from the Province of Lanao del Sur	60	38	22
General Santos City (October)	8 municipalities from Region 12	26	18	8
Tacloban City (November)	11 municipalities from Region 8	46	26	20
Iloilo City (December)	16 municipalities from Region 6	59	32	27
Davao City (January 2013)	22 municipalities from Region 11	66	38	28
Cebu City (January 2013)	19 municipalities from Region 7	57	30	27

B. Operation and Maintenance of Water Utility

Zamboanga City (June)	Region IX & ARMM LGUs	19	16	3
Cagayan de Oro (June)	Regions 10 & 13 LGUs	16	13	3
Cebu City (July)	Regions 6,7 & 8 LGUs	36	19	17
Manila (July)	Regions 1, 2, 4-A & 5 LGUs	37	32	5
Baguio (September)	Regions 2 & CAR LGUs	18	14	4
Davao City (October)	Regions 10 & 12 LGUs	30	20	10

Annex 4. Estimated of Beneficiaries of Projects funded by PWR/PFIs

No.	Location	Source of Information	Project Description	General Objective	Basis of Computation	Formula No.	Formula Description	Number of people to be served / Gender Distribution		Actual number of people served	Beneficiaries as of 06/2012			Beneficiaries as of 02/2013			Remaining number of people to be served	Project Cost (Million PhP)	Cost/HH (PhP)	Remarks	Beneficiaries based on Project Cost
								New	Rehab		Total	New	Rehab	Total							
PWR/SP																					
1.	Metro Iloilo WD	LGUGC Credit Memo: Table 15 - projected domestic connections 2012	Rehabilitation of storage and treatment basins; rehabilitation of MIWD's groundwater wells; rehabilitation and expansion of transmission and distribution system; increase service connections to 37,345 by design year 2014; reduction of non-revenue water from 47% in 2004 to 25% by 2014	Rehabilitation & expansion	No. of service connections	[1]	[no. of domestic connections covered/affected by proposed rehabilitation on any of the existing facilities & by proposed expansion] x [ave. no. of persons per household]	28,266	conn.	26,920 conn.											
							[assumed ave. no. of persons per household]	5	persons	5 persons											
							No. of beneficiaries	141,330	M:70665 F: 70665	persons	134,600 persons	0	156,725	156,725	0	159,655	159,655	6,730	185	6,545 cost ok for rehab	
2.	Silang WD	LGUGC Credit Memo: Table 11 - projected connections 2007-2017	Spring sources development, well drilling and pumping stations for 20 barangays, mainline extensions for 17 barangays, new storage facilities for 6 barangays, improvement in 11 of 48 barangays currently covered by WD that have inadequate supply	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]	37,330	conn.	12,930 conn.											
							[assumed ave. no. of persons per household]	5	persons	5 persons											
							No. of beneficiaries	186,651	persons	64,652 persons											
				Rehabilitation	No. of service connections	[1]	[no. of domestic connections covered/affected by proposed rehabilitation on any of the existing facilities & by proposed expansion] x [ave. no. of persons per household]	5,295	conn.	5,295 conn.											
							[assumed ave. no. of persons per household]	5	persons	5 persons											
							No. of beneficiaries	26,475	persons	26,475 persons											
							No. of beneficiaries	213,126	M:106563; F: 106563	persons	91,127 persons	23,985	28,583	52,568	26,350	28,583	54,933	122,000	189	4,434 cost too low for expansion	63,000 persons
3.	Legazpi City WD	LGUGC Credit Memo: Table 10 - projected connections 2007-2014	Bulk water supply for LCWD	Bulk supply	No. of service connections	[1]	[no. of domestic connections covered/affected by proposed rehabilitation on any of the existing facilities & by proposed expansion] x [ave. no. of persons per household]	26,019	conn.	22,374 conn.											
							[assumed ave. no. of persons per household]	5	persons	5 persons											
							No. of beneficiaries	130,095	M:65047; F: 65048	persons	111,870 persons	131,500		131,500	133,958		133,958	18,225	105	4,036 cost low for bulk supply	75,000 persons
4.	Calamba WD	LGUGC Credit Memo: Table 10 - projected connections 2007-2012	Repair and rehabilitation of distribution lines; upgrade of office automation and technology; replacement and repair of machineries, equipment and building/warehouse; major repairs and rehabilitation of 8 of 36 water sources; reduction of non-revenue water	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]	8,648	conn.	6,746 conn.											
							[assumed ave. no. of persons per household]	5	persons	5 persons											
							No. of beneficiaries	43,241	persons	33,728 persons											
				Repair & rehabilitation	No. of service connections	[1]	[no. of domestic connections covered/affected by proposed rehabilitation on any of the existing facilities] x [ave. no. of persons per household]	7,730	conn.	7,730 conn.											
							[assumed ave. no. of persons per household]	5	persons	5 persons											
							No. of beneficiaries	38,649	persons	38,649 persons											
				Automation	No. of service connections	[1]	[no. of domestic connections covered/affected by proposed rehabilitation on any of the existing facilities] x [ave. no. of persons per household]	10,435	conn.	10,435 conn.											
							[assumed ave. no. of persons per household]	5	persons	5 persons											
							No. of beneficiaries	52,178	persons	52,178 persons											
							No. of beneficiaries	134,065	M: 67032; F: 67033	persons	124,652 persons	23,280	92,418	115,697	27,407	92,418	119,825	9,513	40	1,492 cost too low for expansion & rehab	40,000 persons
5.	Cabanatuan WD	LGUGC Credit Memo: Table 9 - projected connections 2008-2018	Drilling of new wells; rehabilitation of well; installation of filtration system; expansion of distribution system	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]	10,000	conn.	3,000 conn.											

No.	Location	Source of Information	Project Description	General Objective	Basis of Computation	Formula No.	Formula Description	Number of people to be served / Gender Distribution	Actual number of people served	Beneficiaries as of 06/2012			Beneficiaries as of 03/2013			Remaining number of people to be served	Project Cost (Million PHP)	Cost/HH (PHP)	Remarks	Beneficiaries based on Project Cost	
										New	Rehab	Total	New	Rehab	Total						
6.	Laguna WD	LGUGC Credit Memo: Table 11 - projected connections 2007-2017	Drilling of new wells, construction of pump stations and treatment facilities; installation of power lines, purchase of generator sets	Expansion	No. of service connections	[1]	[no. of domestic connections covered/affected by proposed rehabilitation on any of the existing facilities] x [ave. no. of persons per household]	[assumed ave. no. of persons per household]	5 persons	5 persons	35,725	13,174	48,899	42,405	13,174	55,579	35,000	250	20,111 cost ok for expansion		
								No. of beneficiaries	50,000 persons	15,000 persons											2,431 conn.
7.	San Fernando, Pampanga WD	LGUGC Credit Memo: Table 11 - projected connections 2007-2017	Drilling of new wells, construction of treatment facilities, expansion and rehabilitation, purchase of generator sets	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]	[assumed ave. no. of persons per household]	5 persons	5 persons	11,475		11,475	11,889		11,889	27,000	100	11,509 cost a little low for expansion	33,333 persons	
								No. of beneficiaries	12,156 persons	12,156 persons											8,689 conn.
8.	Indang WD	LGUGC Credit Memo: Table 9 - projected connections 2007-2017	Expansion of pipelines; construction of reservoirs; rehabilitation of reservoir & existing system	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]	[assumed ave. no. of persons per household]	5 persons	5 persons	43,443 M: 21721; F: 21722			43,443 M: 21721; F: 21722		16,443 persons	11,475		11,475	11,889	11,889
								No. of beneficiaries	43,443 M: 21721; F: 21722	16,443 persons											
9.	Mabalacat WD	LGUGC Credit Memo (no copy)	Construction of reservoir; rehabilitation of facilities to remedy low pressure during peak hours	Rehabilitation	No. of service connections	[1]	[no. of domestic connections covered/affected by proposed rehabilitation on any of the existing facilities] x [ave. no. of persons per household]	[assumed ave. no. of persons per household]	5 persons	5 persons	87,284	8,737	33,284 persons	8,737 conn.			54,000	226	8,629 cost ok for expansion & rehab		
								No. of beneficiaries	87,284 persons	33,284 persons											8,737 conn.
10.	Alfonso Lista LGU	LGUGC Credit Memo: Section 3.2.3 - projected population served 2019	Construction of new water system: river source, treatment plant, transmission lines, storage facilities & distribution system	New system	Population served	[4]	[population served]	[assumed ave. no. of persons per household]	5 persons	5 persons	175,435	9,987	145,670 persons	0 persons			16,200	15	2,185 cost too low for expansion & rehab	9,375 persons	
								No. of beneficiaries	1,927 persons	1,927 persons											34,327 M:17163; F: 17264
11.	Norzagaray WD	LGUGC Credit Memo: Table 13 - projected connections 2009-2016	Bulk water supply for NWD & SMWD, phasing out of all existing water sources	Bulk supply	Flow capacity	[3]	[flow capacity] x [% domestic connections] x [% net billed water] / [per capita consumption]	[assumed % domestic connections]	90%	90%	21,077	m3/day	14,514 m3/day				9,987	72.5	36,297 cost very high for new system	24,167 persons	
								[assumed % net billed water]	80%	80%											9,987 M: 4993; F: 4994
12.	Zamboanga City WD	LGUGC Credit Memo: Table 14 - projected connections 2010-2020	Replacement of old pipelines, rehabilitation and upgrading of reservoir & wells; drilling of wells; development of spring sources; construction of booster pump stations	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]	[assumed ave. no. of persons per household]	5 persons	5 persons	108,396 M: 54198; F: 54198			108,396 M: 54198; F: 54198		74,643 persons	48,555		48,555	50,395	50,395
								No. of beneficiaries	108,396 M: 54198; F: 54198	74,643 persons											
								[assumed ave. no. of persons per household]	5 persons	5 persons											
								No. of beneficiaries	75,000 persons	7,500 persons											

No.	Location	Source of Information	Project Description	General Objective	Basis of Computation	Formula No.	Formula Description	Number of people to be served / Gender Distribution		Actual number of people served	Beneficiaries as of 09/2012			Beneficiaries as of 03/2013			Remaining number of people to be served	Project Cost (Million PhP)	Cost/HH (PhP)	Remarks	Beneficiaries based on Project Cost		
								Male	Female		New	Rehab	Total	New	Rehab	Total							
13.	Davao City WD	PWRP SP estimates	NRW reduction; replacement of pipelines	Rehabilitation	Flow capacity	[3]	[flow capacity] x [% domestic connections] x [% net billed water] / [per capita consumption]	[flow capacity] = [average day demand] = [savings from NRW reduction]	9,961	m3/day	4,981 m3/day	6,565	51,228	57,793	11,765	51,228	62,993	93,114	200	7,922 cost ok for expansion & rehab			
							[assumed % domestic connections]	90%	90%	[assumed % net billed water]	80%										80%	[assumed per capita consumption]	140
14.	Puerto Princesa City WD	LGUGC Credit Memo: Table 11 - projected connections 2011-2020	New water source/infiltration gallery & treatment plant, construction of reservoirs; expansion of service area; rehabilitation of existing system; purchase of generator sets	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]	[projected increase in no. of domestic connections from base year to design year]	11,457	m3/day	5,729 m3/day	58,922	M: 29461	F: 29461	persons	29,461 persons	29,461	100	8,486 cost ok for rehab				
							[assumed % domestic connections]	90%	90%	[assumed % net billed water]	80%									80%	[assumed per capita consumption]	140	lpcd
15.	Zamboanga City WD II	PWRP SP estimates	Construction of Sewage Treatment Plant; water supply projects	STP construction	Flow capacity	[3]	[flow capacity] x [% domestic connections] x [% net billed water] / [per capita consumption]	[flow capacity] = [STP flow capacity] - [infiltration] = [inferred water consumption]	4,318	m3/day	0 m3/day	39,780	32,453	72,233	48,365	32,453	80,818	124,933	562	14,859 cost ok for expansion & rehab			
							[assumed % domestic connections]	90%	90%	[assumed % net billed water]	80%										80%	[assumed per capita consumption]	140
16.	Boracay Island Water Co.	PWRP SP estimates	New water & sewerage system	Expansion	Cost	[5]	[project cost] / [cost per HH] x [ave. no. of persons per HH]	[project cost]	240	Million PhP	0 Million PhP	102,208	300	15,000	14,676	cost ok for STP & expansion							
							[assumed cost per HH]	15,000	PhP	5 persons	No. of beneficiaries						80,000	persons	0 persons				
17.	Indang WD II	LGUGC Credit Memo: Table 10 - projected connections 2011-2021	Well drilling, pumping stations, expansion of distribution system; bulk supply to Ternate	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]	[projected increase in no. of domestic connections from base year to design year]	4,025	conn.	0 conn.	30,007	31,027	61,035	45,869	44,589	90,458	73,089	938	1000	73,191	68,410	cost ok for new water & sewerage
							[assumed % domestic connections]	90%	90%	[assumed % net billed water]	80%												
		LGUGC Credit Memo: Table 10 - bulk water supply 2021	Well drilling, pumping stations, expansion of distribution system; bulk supply to Ternate	Bulk supply	Flow capacity	[3]	[flow capacity] x [% domestic connections] x [% net billed water] / [per capita consumption]	[flow capacity] = [bulk supply] = [minimum supply] x [factor]	20,125	persons	0 persons	8,075	2,014	10,089	9,125	2,014	11,139	23,859	16	3,353 cost too low for expansion & bulk supply			
							[assumed % domestic connections]	90%	90%	[assumed % net billed water]	80%										80%	[assumed per capita consumption]	140

No.	Location	Source of Information	Project Description	General Objective	Basis of Computation	Formula No.	Formula Description	Number of people to be served / Gender Distribution	Actual number of people served	Beneficiaries as of 06/2012			Beneficiaries as of 03/2013			Remaining number of people to be served	Project Cost (Million PhP)	Cost/HH (PhP)	Remarks	Beneficiaries based on Project Cost
										New	Rehab	Total	New	Rehab	Total					
18.	Infanta, Pangasinan LGU	LGUGC Credit Memo: Section III.B.3 - population served 2021	New source to replace old one; new system	New system	Population served	[4]	[population served]	[population served] = [population served during design year]	17,245 persons	0 persons										
							No. of beneficiaries	17,245 M: 9622; F: 8623	persons	0 persons					17,245	50	14,497	cost ok for new system		
19.	Worldchem Technologies, Inc.	LGUGC data	Sewage treatment plant	STP construction	Flow capacity	[3]	[flow capacity] x [% domestic connections] x [% net billed water] / [per capita consumption]	[flow capacity] = [STP flow capacity] - [infiltration] = [inferred water consumption]	4,097 m3/day	0 m3/day										
							[assumed % domestic connections]	90%	90%											
							[assumed % net billed water]	80%	80%											
							[assumed per capita consumption]	140	140	lpcd	140	lpcd								
							No. of beneficiaries	21,071 M: 10536; F: 10535	persons	0 persons					21,071	50	11,865	cost ok for STP		
20.	Tarlac City WD	LGUGC Credit Memo: Table 10 - projected connections 2011-2021	Well drilling, construction of pump stations & reservoir, expansion of distribution system	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]	[projected increase in no. of domestic connections from base year to design year]	8,600 conn.	0 conn.										
							[ave. no. of persons per household]	5.2	persons	5.2 persons										
							No. of beneficiaries	44,720 M: 22360; F: 22360	persons	0 persons	14,336	0	14,336	22,890	0	22,890	44,720	278	32,326	cost too high for expansion
21.	Baliwag WD	Feasibility study	Septage management program; water supply expansion	Septage management program	Population served	[4]	[population served]	[population served] = [population served during design year]	135,200 persons	0 persons										
		none		Expansion	Cost	[5]	[project cost] / [cost per HH] x [ave. no. of persons per HH]	[project cost]	135,200 / 25 = 5,408 PhP	0 Million PhP										
							[assumed cost per HH]	15,000	PhP	15,000 PhP										
							[ave. no. of persons per household]	5	persons	5 persons										
							No. of beneficiaries	8,333	persons	0 persons	3,140	0	3,140	124,215	0	124,215	143,533	25	15,000	cost ok for SMP & WS expansion
							No. of beneficiaries	143,533 M: 71767; F: 71766	persons	0 persons										
22.	Mabalacat WD II	LGUGC Credit Memo: Table 9 - projected connections 2021	Filtration system	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]	[projected increase in no. of domestic connections from base year to design year]	10,000 conn.	0 conn.										
							[ave. no. of persons per household]	5	persons	5 persons										
				Rehabilitation	No. of service connections	[1]	[no. of domestic connections covered/affected by proposed rehabilitation on any of the existing facilities] x [ave. no. of persons per household]	[no. of domestic connections covered/affected by proposed rehabilitation on any of the existing facilities] = [assumed 100% to benefit from improved service]	50,000 / 29,694 = 1.68 conn.	0 persons										
							[assumed ave. no. of persons per household]	5	persons	5 persons										
							No. of beneficiaries	148,470	persons	148,470 persons	25,865	137,185	162,850	32,105	137,185	169,290	50,000	50		
							No. of beneficiaries	198,470 M: 99235; F: 99235	persons	148,470 persons										
							TOTAL BENEFICIARIES	2,006,335	persons	950,696 persons	405,094	544,806	949,900	621,444	636,028	1,257,472	4078.5			
PWRF-FP																				
23.	San Pedro WD	Meeting/Interview with SPWD (May 2013)	4 MLD for new & exist customers	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]	[25% of 14,000 new connections]	3,500 conn.											
							[ave. no. of persons per household]	5	persons											
						[1]	[no. of domestic connections covered/affected by proposed rehabilitation on any of the existing facilities] x [ave. no. of persons per household]	[25% of 7,000 existing connections]	17,500 / 1,750 = 10 conn.											
							[assumed ave. no. of persons per household]	5	persons											
							No. of beneficiaries	8,750	persons											
							No. of beneficiaries	26,250	13,125	conn.										
24.	Sta. Maria WD	Info from SMWD	Expansion to serve new customers	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]	[5,500 new connections]	5,500 conn.											
							[ave. no. of persons per household]	5	persons											
							No. of beneficiaries	27,500	13,750	persons										
							[flow capacity] / [per capita consumption]	25	MLD											
25.	Iloilo Primewater	Info from Primewater	25 MLD for new & exist customers	Bulk supply	Flow capacity	[3]	[flow capacity] / [per capita consumption]	[assumed per capita consumption including losses]	150	lpcd										
							No. of beneficiaries	166,667	83,333	persons				2,930	52,242	55,171				
							[75% of 14,000 new connections]													
							[ave. no. of persons per household]	5	persons											
							No. of beneficiaries	52,500	persons											
26.	SPWRDC for San Pedro WD	Meeting/Interview with SPWD (May 2013)	12 MLD for new & exist customers	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]		10,500											
							[ave. no. of persons per household]	5	persons											
							No. of beneficiaries	52,500	persons											

No.	Location	Source of Information	Project Description	General Objective	Basis of Computation	Formula No.	Formula Description	Number of people to be served / Gender Distribution	Actual number of people served	Beneficiaries as of 06/2012			Beneficiaries as of 03/2013			Remaining number of people to be served	Project Cost (Million PHP)	Cost/HH (PHP)	Remarks	Beneficiaries based on Project Cost
										New	Rehab	Total	New	Rehab	Total					
						[1]	[no. of domestic connections covered/affected by proposed rehabilitation on any of the existing facilities] x [ave. no. of persons per household]	[75% of 7,000 existing connections]	5,250	conn.										
							[assumed ave. no. of persons per household]	5	persons											
27	AM Gatbonton for SJDMMWD	WD not willing to provide information	Bulk supply				No. of beneficiaries	28,250	persons											
							No. of beneficiaries	78,750	39,375											
28	Twin Rivers for Dasmariñas WD	Discussions with Dasmariñas WD and Twin Rivers	5 MLD for exist customers	Bulk supply	Flow capacity	[3]	[flow capacity] / [per capita consumption]	[flow capacity] = [bulk supply]	5	MLD										
							[assumed per capita consumption including losses]	80	lpcd											
29	Manila Water for Laguna AAA	Info from DBP	Source dev & water system improvements	Expansion	No. of service connections	[2]	[projected increase in no. of domestic connections from base year to design year] x [ave. no. of persons per household]	[252,434 new connections by 2032]	82,500	31,250 persons conn.										
							[ave. no. of persons per household]	5.8	persons											
							No. of beneficiaries	1,464,117	732,059 persons											
							TOTAL BENEFICIARIES	1,825,784	912,892 persons											
											0	0	0	2,930	52,242	55,171				

Annex 5. List of PWRF Follow-on Program Meetings

Meetings	Date / Venue
9 th Meeting of the PDF Sub-Working Group on Water Supply and Sanitation	16 March 2012 / Development Bank of the Philippines, Makati City
10 th Meeting of the PDF Sub-Working Group on Water Supply and Sanitation	7 December 2012 / NEDA sa Pasig Bldg., Pasig City
11 th Meeting of the PDF Sub-Working Group on Water Supply and Sanitation	24 May 2013 / Astoria Plaza, Pasig City
Roundtable discussion among key government officials, PFIs and WDs on financing opportunities and issues related to WSS projects	June 2012/Dusit Hotel
Meeting with GOCC, LWUA and key stakeholders, i.e., LGUGC, DBP and PAWD to discuss LWUA policy and requirements on issuance of financing waivers	July 2012/Local Water Utilities Administration
Discussion with BSP on the submission of DOF report on consolidated liabilities and LWUA waiver as requirements for issuance of MB opinion	October 2012/Bangko Sentral ng Pilipinas
Meeting with DOF to request for streamlining of process of securing MB opinion for LGUs (there are about 12 requirements/conditions, including the Seal of Good Housekeeping (SGH) and proof of compliance with the Full Disclosure Policy from DILG)	October 2012/Department of Finance
Meeting with DILG on two requirements of DOF-BLGF for LGU loan applications, namely SGH awarded to the LGU and proof of compliance with the Full Disclosure Policy of the DILG	October 2012/Department of Interior and Local Government

Annex 6. List of PWRFFP Consultations and Training Workshops

Consultations/ Workshops	Date/Venue	No. of Participants / Gender Distribution	
1. Septage Project Appraisal Workshop for PFIs	February 7-8, 2012/DBP Head Office	30	F=15 M=15
2. Septage Project Appraisal Workshop for PFIs	March 2, 2012/DBP Head Office	20	F=6 M=14
3. Salintubig Operations & Maintenance Training Workshop – Zamboanga City	May 30 – June 1, 2012/ Zamboanga City	19	F=3 M=16
4. Salintubig Operations & Maintenance Training Workshop – Cagayan De Oro	June 5- 7, 2012/ Cagayan de Oro City	16	F = 3 M=13
5. Salintubig Operations & Maintenance Training Workshop – Cebu City	July 17-19, 2012/Cebu City	36	F=17 M=19
6. Salintubig Operations & Maintenance Training Workshop – Manila	July 24-26, 2012/ Manila	34	F=4 M=30
7. Workshop on Sanitation Pricing	September 12, 2012/Manila	7	F=1 M=6
8. Salintubig Operations & Maintenance Training Workshop – Baguio City	September 19 – 20, 2012/Baguio City	20	F=3 M=17
9. Water Supply and Sanitation Project Appraisal for Financial Institutions - Manila	September 26-27, 2012/Manila	58	F=25 M=33
10. Workshop on Sanitation Pricing Financial Model	September 28, 2012/Manila	17	F=8 M=9
11. PAWD Strategic Business Planning	October 8-9, 2012/Pasig City	18	F=5 M=13
12. Salintubig Operations & Maintenance Training Workshop – Davao City	October 9- 10, 2012/Davao City	33	F=11 M=23
13. Orientation and Training on Financial Ring-fencing & Business Planning for LGU-run Water Utilities - Manila	October 16-18, 2012/Manila	53	F=16 M=37
14. Orientation and Training on Financial Ring-fencing & Business Planning for LGU-run Water Utilities – Cebu City	October 23-25, 2012/Cebu City	44	F=17 M=27
15. MOU Signing and Work Planning for Twinning of Basilan WDs	November 12-14, 2012/Zamboanga City	6	F=3 M=6
16. TISP for ARMM Project Preparation and DED Appraisal Training Workshop	November 14-17, 2012/Zamboanga City	32	F=6 M=26
17. Twinning Program, MOU signing, & Action Planning: ZCWD and Sulu LGUS	November 18-20, 2012/Zamboanga City	11	F=2 M=9
18. Water Supply and Sanitation Project Appraisal for Financial Institutions – Visayas & Mindanao	November 20-21, 2012/Davao City	22	F=9 M=13
19. Training on Ring-fencing and Business Planning for LGUs	November 21-23, 2012/Davao City	54	F=21 M=32
20. Twinning Workshop on Admin and Commercial Operations: ZCWD and Sulu LGUs	November 26-29, 2012 /Zamboanga City	12	F=5 M=7
21. Twinning Workshop on Technical Operations: ZCWD and Sulu LGUs	January 16-18, 2013/ Zamboanga City	8	F=1 M=7

Consultations/ Workshops	Date/Venue	No. of Participants / Gender Distribution	
22. Strategic Business Planning Workshop: Maluso and Isabela WDs	January 17-18, 2013/ Zamboanga City	5	F=3 M=2
23. Training Workshop on NRW Management – WOP Program	January 22-24, 2013/Pasig City	29	F=3 M=26
24. Training Workshop on Strategic Business Planning – WOP Program	January 22-24, 2013/Pasig City	29	F=16 M=13
25. Training Workshop on Drinking Water Quality Treatment – WOP Program	January 23-24, 2013/Pasig City	21	F=7 M=14
26. Twinning Workshop: Metro Kidapawan and North Cotabato LGUs	March 6-8, 2013/Kidapawan City	14	F=1 M=13
27. Twinning Workshop: North Cotabato and Sulu LGUs	March 20-22, 2013/Davao City	19	F=7 M=12
28. Training Workshop on Performance-Based Contract for NRW Management	April 10-11, 2013/Pasig City	29	F=6 M=23
29. Organization and Planning Workshop of the DILG Northern Hub	April 17-18, 2013/Butuan City	19	F=11 M=8
30. Twinning Workshop on the Preparation of Strategic Business Plan: Kabacan and Surigao Metro WDs	April 17– 18, 2013/Surigao City	14	F=5 M=9
TOTAL		729	F=224 M=505

Annex 7. List of Reports by Task

Task A: Technical Assistance to Water Utilities on Project Development for Accelerated Investments and Utilization of the DCA Credit Guarantee

Index Numbers	Title of Report	Abstract	Status
TA-13-01	Zamboanga City WD Sewerage Feasibility Study Updating	Updating of Sewerage FS adding Economic Analysis for possible grant funding from NSSMP	Completed and submitted to Zamboanga City WD
TA-13-02	San Pablo City WD Sewerage and Septage Feasibility Study Updating	Updating of Sewerage and Septage FS expanding the combined sewer area in the business district and adding Economic Analysis for possible grant funding from NSSMP	Completed and submitted to San Pablo City WD
TA-13-03	Isabela City WD Septage Feasibility Study Updating	Updating of Septage FS adding Economic Analysis for possible grant funding from NSSMP	Completed and submitted to Isabela City WD
TA-13-04	Davao City WD Septage Feasibility Study	PWRF-FP provided in depth training and mentoring of WD study team, and quality assurance of outputs. Certain components of FS were actually done by the WD staffs, in particular the household survey, volume projections, site identification, and hauling exercises and computations. Our team provided alternative analysis, costing, and financial and economic analyses with the active participation of the WD.	Completed and submitted to Davao City WD
TA-13-05	Orani WD Septage Feasibility Study	PWRF-FP provided in depth training and mentoring of WD study team, and quality assurance of outputs. Certain components of FS were actually done by the WD staffs, in particular the household survey, volume projections, site identification, and hauling exercises and computations. Our team provided analysis of treatment options, costing, and financial and economic analyses.	Completed and submitted to Orani WD
TA-13-06	Puerto Princesa City WD Septage Feasibility Study	PWRF-FP provided in depth training and mentoring of WD study team, and quality assurance of outputs. Certain components of FS were actually done by the WD staffs, in particular the volume projections, site identification, and hauling exercises and computations. Our team provided analysis of treatment options, costing, and financial analysis.	Completed and submitted to Puerto Princesa City WD
TA-13-07	Tagaytay City WD Septage Feasibility Study		For completion and submission to Tagaytay City WD by June 2013
TA-13-08	Angeles City WD Septage Feasibility Study		For completion and submission to Angeles City WD by June 2013

Task C: Technical Assistance in the Adoption of a Public Investment Policy Supporting the Objective of Universal Access to Water and Sanitation Services

Index Numbers	Title of Report	Abstract	Status
TC-13-09	Proposed Financing Program for the “Graduates” of the Sagana at Ligtas na Tubig Para sa Lahat Program - Concept Note	The financing framework and model will cater to the investment requirements of Salintubig graduate municipalities, i.e., those that would have achieved at least 50% coverage of its population, are no longer be eligible for pure grant assistance, but will still have un-served and under-served population. It promotes a grant-loan mix of performance-based support (PBS) and commercial funds from PFIs or GFIs rather than pure grants. Two possible modalities are proposed: a) zero-interest loan - given for a term of ten (10) years; and b) extended maturity loan - provided for a period of 15-20 years but will have positive interest that results in a grant element equal to that of a zero-interest loan.	The framework was submitted to DILG which presented it to Infrastructure Committee’s Sub-committee on Water Resources. SCWR referred the proposal to the EO 279 Oversight Committee. DILG will follow through policy issuance adopting the financing model.

Task D: Continued Technical Assistance on the Proposed Legislation on Economic Regulation of the WSS Sector

Index Numbers	Title of Policy Briefs	Abstract	Status
TD-11-10	Discussion papers for Congressional hearings	These were in the form of comparative matrices, discussion notes related to WRC, WSRA and NWRO	Submitted to the Secretariats of the House Committee on Reorganization and Senate Committee on Public Services; used during Congressional hearings
TD-11-11	Paper on LGU-run water utilities and role of economic regulation	The paper highlights the role of LGUs in water service provision and why they need to be regulated.	Submitted to DILG; NWRB; and MWSS RO
TD-12-12	Aide memoire on why water regulator should be independent	The paper explains the need for economic regulation of the WSS sectors. Independent regulators can: a) avoid a principal-agent problem wherein the state is the seller and at the same time the regulator of a service; b) limit political interference in business decisions and the workings of the market; c) have greater flexibility for the regulator to make rules and apply such rules	The aide memoire was submitted to DOF and discussed during discussions on the WRC bill.

Index Numbers	Title of Policy Briefs	Abstract	Status
TD-12-13	Comparison of WRC, ERC and NTC	The paper compares two existing public utility commissions (ERC and NTC) with the proposed WRC in terms of scope and coverage of regulation, functions, structure and funding.	The paper was submitted to DOF
TD-12-14	Inputs to the NWRMO operational plan	The comments and inputs were in the form of marginal notes, edits and recommendations in comment boxes of the report.	Sent to NEDA and NWRB
TD-12-15	Consolidated draft bill on the Water Regulatory Act of 2012	The draft bill considers issues raised by major stakeholders and incorporates comments on HBs 4282 and HB 4137 on the WRC filed during the 15 th Congress and related provisions from HB 1679.	The consolidated draft bill was submitted to NEDA and Congressional Committee on Reorganization of the House of Representatives.
TD-12-16	Comments on the WRC and WSRA bills	The paper compares House and Senate bills filed on WRC and WSRA, and provides recommendations to facilitate discussions on both bills.	The paper was submitted to NWRB; also used as reference in Congressional hearings on the bills

Task F: Special Studies

Index Numbers	Title of Report	Abstract	Status
TF-13-17	Sanitation Pricing in the Philippines: A Comparative Analysis	The study explains the underlying economics behind tariff setting, reviews the broad design considerations for tariff setting, compares various approaches to sanitation pricing in selected countries (US, Malaysia and Indonesia) and on-going local experiences (Alabel, Dumaguete, Baliwag and Metro Manila). It offers water districts three possible rate structure options for septage management: a) percentage of water bill; b) uniform rate per cu. M; and c) flat rate.	The Final Report was submitted to LWUA on April 22, 2013.
TF-13-18	Business Case and Model Contract for a Septage Management Project Under a Public Private Partnership Arrangement	The report establishes the business case and presents a model contract for a build-operate-transfer (BOT) modality executed under Republic Act 6957 as amended by Republic Act 7718 or the BOT Law and its Implementing Rules and Regulations (IRR).	Final report was disseminated to PAWD, LWUA, LGUGC, PPP Center, and the following WDs: Metro Iloilo, Mabalacat, Bacolod, and Baliwag

Index Numbers	Title of Report	Abstract	Status
TF-13-19	Using Performance Based Contracts to Reduce Non-Revenue Water in Philippine Water Districts	The report examines examples of performance-based contracts (PBCs) used or designed to reduce NRW in other countries and discusses PBC structures that could be used by water districts to reduce NRW.	Hard and CD copies of the report disseminated to PAWD, LWUA, USAID and Category A WDs
TF-13-20	Model Contract Framework for Leakage Reduction and Management Contract Using the Rehabilitate-Operate-Transfer Model for Philippine Water Districts	The document contains a model contract framework for a performance-based leakage reduction and management contract using the Rehabilitate Operate and Transfer (ROT) model. The model contract framework provides example contract language covering selected technical aspects of a NRW reduction project and highlights the mandatory contract provisions that must be included in ROT model contract to comply with the BOT Law.	Hard and CD copies of the model contract disseminated to PAWD, LWUA, USAID and Category A WDs
TF-13-21	Training Module on Performance-based Contracting for Non-Revenue Water Management	This is a compilation of presentation materials used in the trainings conducted on NRW management.	Hard and CD copies of the training module submitted to USAID and PAWD.

Task G: Technical Assistance to the Philippine Association of Water Districts for WOP Program

Index Numbers	Title of Report	Abstract	Status
TG-13-22	Philippine Association of Water Districts Institutional Strengthening Assistance: Capacity Building of Executive Director	<p>Report on the technical assistance provided to Ms. Ma. Teresa Combatir recently designated as PAWD Acting Executive Director to enhance her leadership competencies and program management capability to manage the PAWD business plan more strategically.</p> <p>The Report, prepared by Ms. Melissa Reyes who is an Organization Development Specialist, assessed the mentoring of Ms. Combatir covering several aspects such as strategic thinking, problem solving and decision making, among others, which indicated Tess' strengths and areas that need improvement.</p>	Printed and disseminated to PAWD, including the members (General Managers and Chairman of the Quezon Metro Water District) of the Ad Hoc Committee on Hiring the PAWD ED

Annex 8. Project Monitoring Plan (PMP) Targets and Accomplishments

Life of Project Target	Accomplishments as of May 31, 2013
Task A. Technical Assistance to Water Utilities on Project Development for Accelerated Investments and Utilization of the DCA Credit Guarantee	
At least \$25 million private funds mobilized for water and sanitation projects, and at least \$8.5 M of which will be guaranteed by LGUGC-DCA	Mobilized \$42.5M private funds for water and sanitation projects Only \$1.31M on the target for DCA guarantee
Task B: Technical Assistance for the Implementation of Water Program for Waterless Municipalities	
At least 25 proposals for Safe Water for All Program approved, 25% of which is focused in conflict-affected areas in Mindanao	164 projects approved under the Safe Water for All Program, 69 of which are in ARMM
At least 50 LGUs and national government agencies trained on improving water utility operations, including LGUs in conflict areas in Mindanao	A total of 79 LGUs have been trained on improving water utility operations; 16 of which are located in conflict areas in Mindanao
With focus on Mindanao, at least two twinning or internship partnerships between LGUs and water districts.	Three (3) twinning partnerships forged and training programs completed: Zamboanga City WD with Sulu LGUs (Siasi, Parang and Pangutaran); Isabela City WD with Maluso WD; and Metro Kidapawan WD with North Cotabato LGUs (Alamada, Pikit and Midsayap)
Task C: Technical Assistance in the Adoption of a Public Investment Policy Supporting the Objective of Universal Access to Water and Sanitation Services	
At least 2 policies adopted for improved financing and regulation of the water sector	Rationalization framework and prioritization guidelines developed under PWRFSP; PWRFFP provided technical assistance for its discussion in SCWR and Infra Com Technical Board. EO prepared to effect adoption of the rationalization framework submitted to DOF for review and subsequent endorsement to the Office of the President. However, with the change in DOF leadership in August 2011, this reform agenda was not prioritized. Prioritization criteria adopted in Salintubig Implementing and Policy Guidelines; used in identification of 455 waterless municipalities for the annual government grant allocation for water supply DILG Memo Circulars on the implementation mechanics of the Salintubig Program for 2012 and 2013 were issued and disseminated to concerned central and regional offices of the DILG.

Life of Project Target	Accomplishments as of May 31, 2013
Task F. Special Studies	
Sanitation Pricing Policy Framework	The Final Report was submitted to LWUA on April 22, 2013
Public Private Partnership (PPP) model contract for septage management services	The Final report on the business case and model contract was finalized and disseminated to PAWD, LWUA, LGUGC, PPP Center, and the following WDs: Metro Iloilo, Mabalacat, Bacolod, and Baliwag
G. Technical Assistance to the Philippine Association of Water Districts for WOP Program	
Conduct in depth needs assessment	Conducted needs and strength survey among 100 water districts. The following were their priorities: NRW Management, Drinking Water Quality and Treatment, and Strategic Business Planning.
Provide training on identified needs	Conducted the following training programs for water districts: <ul style="list-style-type: none"> • NRW management- 10 WDs; 28 participants • Water Quality- 11 WDs; 22 participants • Strategic Business Planning- 10 WDs; 29 participants
Facilitation of 2 twinning partnerships	Facilitated two twinning partnerships: Isabela City WD & Maluso (Category D) for strategic business planning & preparation of POW for Salintubig grant; and between Kabacan WD (Category C) & Surigao City WD for strategic business planning.
Mentoring of PAWD Executive Director	The mentoring of the PAWD Interim Executive Director through attendance in various executive training courses to equip her to fulfill her responsibilities capably ended in April 2013. The mentoring report has been prepared and submitted by the consultant citing the improvements, including suggestions on how to further improve Ms. Combatir's capacities to manage and oversee the PAWD Secretariat.