

JBIC ODA Loan Projects: Mid-term Review

Project Title: Philippines “Local Government Units Support Credit Program” (PH-P195)

[Outline of Loan Agreement]

Loan Amount/Disbursed Amount: 6,072 million yen/3,628 million yen (as of March 2005)

Loan Agreement: September 1998 (7th year)

Executing Agency: Land Bank of the Philippines (LBP)

[Project Objective]

The project’s objective was to support the development of social infrastructure in sectors where it is difficult to recover costs via the provision of low-interest** medium to long-term funds to Local Government Units (LGU*) with medium or high financial credibility, thereby promoting decentralization and contributing to improvements in living standards. Further, technical assistance was extended to the Land Bank of the Philippines (LBP), the project’s executing agency, and to LGUs covered by sub-loans with a view to improving competence in the area of project execution thereby contributing to the smooth execution of project loans per se.

(*Predominantly, provincial, city and municipal LGUs with a credibility ranking of 1-3 on the LBP’s 5-rank credit scale.

** Interest rates on loans extended to LGUs with comparatively low financial credibility were lower than those applied to the regional development fund)

Consultant: NJS Consulting (Nippon Jogesuido Sekkei Co., Ltd.), etc. Contractors: Local companies, etc.

[Outline of Results] (Field Survey : December 2004)

Item	Ex-Ante Evaluation (October 1997)	Mid-term Review																																										
[Relevance]	<p>(1) With the promulgation of the Local Government Code (1991) responsibility for a number of the projects that had formerly been executed by the central government (water supply, sewerage, sanitation, healthcare, medical treatment, solid waste management, environmental conservation, housing, etc.) was transferred to Local Government Units (LGUs), and a system for regional subsidies and local tax collection established.</p> <p>(2) All sectors targeted for sub-loan projects under this project had been identified as requiring urgent policy measures under the Medium-Term Philippine Development Plan (1993-1998). Support for skills development within LGUs had also been assigned a priority position.</p> <p>(3) This project was a high priority undertaking that was designed to support LGUs in providing better public services through the provision of policy-based loans throughout the nation.</p>	<p>(1) The decentralization of authority was developed systematically under the Local Government Code (LGC), but LGUs are hampered by deficient administrative capabilities and a poor fiscal base, and there are still calls for improvements to be made in these areas.</p> <p>(2) The current Medium-Term Philippine Development Plan (2004-2010) also identifies all sectors targeted for sub-loan projects under this project as requiring urgent policy measures and, from a perspective of good governance, is calling for the development of planning, execution and management skills that correspond to the development needs of the various LGUs. In addition, high emphasis is placed on financing for LGUs by LBP which consists 17% of the total portfolio.</p> <p>(3) The significance of this project, which aims to support LGUs in providing better public services through the provision of policy-based loans, remains high.</p> <p>(4) * F/S: Government of the Philippines (LBP).</p>																																										
[Effectiveness]	<p>(1) No indicators on the effectiveness of individual sub-projects have been set [(1) water supply, (2) flood control/sanitation, (3) reforestation, (4) sewerage/solid waste management, (5) healthcare/medical facilities, (6) low-cost housing]</p> <p>(2) No indicators on the effectiveness of the individual technical assistance to be extended to LBP and the target LGUs have been set [(1) Support LBP in the creation of implementation guidelines and the identification of sub-projects; (2) support LBP in screening, supervising and assessing sub-loan projects; (3) support LGUs in the formulation and implementation of sub-loan projects; (4) provide training to LBP and LGU personnel].</p>	<p>(1) An outline of data on effectiveness (water supply facilities) obtained during the course of this survey is given below.</p> <p>(a) Bulacan (Pulilan) Waterworks System</p> <table border="0" data-bbox="1573 1260 2374 1365"> <tr> <td></td> <td colspan="2" style="text-align: center;">Target at appraisal / Actual achievement</td> </tr> <tr> <td>Population served:</td> <td style="text-align: center;">16,500</td> <td style="text-align: center;">17,070</td> </tr> <tr> <td>Rate of population served:</td> <td style="text-align: center;">24%</td> <td style="text-align: center;">N.A.</td> </tr> </table> <p>(b) Sara (Iloilo) Waterworks System (The targets represent the projections for 2005)</p> <table border="0" data-bbox="1573 1407 2374 1512"> <tr> <td></td> <td colspan="2" style="text-align: center;">Target at appraisal / Actual achievement</td> </tr> <tr> <td>Population served:</td> <td style="text-align: center;">1,900</td> <td style="text-align: center;">1,950</td> </tr> <tr> <td>Rate of population served:</td> <td style="text-align: center;">N.A.</td> <td style="text-align: center;">19%</td> </tr> </table> <p>(c) Passi City (Iloilo) Waterworks System</p> <table border="0" data-bbox="1573 1554 2374 1659"> <tr> <td></td> <td colspan="2" style="text-align: center;">Target at appraisal / Actual achievement</td> </tr> <tr> <td>Population served:</td> <td style="text-align: center;">9,800</td> <td style="text-align: center;">7,840</td> </tr> <tr> <td>Rate of population served:</td> <td style="text-align: center;">60%</td> <td style="text-align: center;">19%</td> </tr> </table> <p>(d) Sogod (Cebu) Waterworks System</p> <table border="0" data-bbox="1573 1701 2374 1806"> <tr> <td></td> <td colspan="2" style="text-align: center;">Target at appraisal/actual achievement</td> </tr> <tr> <td>Population served:</td> <td style="text-align: center;">13,350</td> <td style="text-align: center;">1,958</td> </tr> <tr> <td>Rate of population served:</td> <td style="text-align: center;">45%</td> <td style="text-align: center;">6.6%</td> </tr> </table> <p>(e) Bontoc (Leyte) Waterworks System</p> <table border="0" data-bbox="1573 1848 2374 1911"> <tr> <td></td> <td colspan="2" style="text-align: center;">Target at appraisal / Actual achievement</td> </tr> <tr> <td>Population served:</td> <td style="text-align: center;">4,690</td> <td style="text-align: center;">6,890</td> </tr> </table>		Target at appraisal / Actual achievement		Population served:	16,500	17,070	Rate of population served:	24%	N.A.		Target at appraisal / Actual achievement		Population served:	1,900	1,950	Rate of population served:	N.A.	19%		Target at appraisal / Actual achievement		Population served:	9,800	7,840	Rate of population served:	60%	19%		Target at appraisal/actual achievement		Population served:	13,350	1,958	Rate of population served:	45%	6.6%		Target at appraisal / Actual achievement		Population served:	4,690	6,890
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		<p>Rate of population served: 16.35% 24.33%</p> <p>* There are people who take wait-and-see attitude about the initial operation of the project, while some of the project area have achieved the target in terms of the percentage of the population served. Thus, it is not possible to express the effectiveness of this project using current achievements.</p> <p>(2) Training is being provided in the following areas:</p> <ul style="list-style-type: none"> · LBP officials gave presentations on this project and undertaking orientation activities on project guidelines, revised guidelines and specifically, the law (RA9184) relating to domestic procurement procedures. · Technical forums on environmental issues were offered to LGU officials. · Training was provided to account officers and appraisers working in the LBP Financing Center. <p>However, no indicators to facilitate the evaluation of the effectiveness of these activities were set.</p>
Reference Information		
[Efficiency]		
(1) Outputs	<p>(1) Outputs</p> <ul style="list-style-type: none"> · Loans for sub-project execution [Target sectors] (No targets have been set for fund allocation or project numbers) (1) Water supply facilities (2) Flood control/sanitation facilities (3) Reforestation programs (4) Sewage/solid waste management facilities (5) Healthcare/medical facilities (6) Low-cost housing <p>[Breakdown] ODA loan: 65%; LBP loans (central government budget) 10%; LGU funding: 25%</p> <p>[Loan amounts] P5 million – P50 million per LGU</p> <p>[Interest] High credibility (14-15.5%); medium credibility (14.5-16%)</p> <p>[Duration] 1-3 years (with a maximum deferral of 2 years)</p> <ul style="list-style-type: none"> · Loans for sub-project formation [Loan amounts] Up to P3 million per LGU [Interest] High credibility (14%), medium credibility (14.5%) [Duration] 1-3 years (no deferral) · Consulting services: 120M/M (man-months) 	<p>(1) Outputs</p> <ul style="list-style-type: none"> · Loans for sub-project execution [Target sectors] Although changes were made to category-based “combinations”, no changes were made to the parameters per se. The number of sub-projects executed through 2004 is as given below.) (1) Water supply, flood control, sanitation: 65 sub-projects (2) Reforestation, sewerage, solid waste management: 28 sub-projects (3) Low-cost housing, healthcare/medical facilities: 4 sub-projects <p>(Total: 97 sub-projects)</p> <p>* The average amount disbursed was 33 million yen/sub-project</p> <p>[Breakdown] ODA loan: 80%, LBP loan (central government budget): 10%; LGU funds: 10% (This was changed because many LGUs were reluctant to use the loans due to difficulties putting up 25% of the funds independently. On a similar project being executed by the World Bank, the self-financing rate has been dropped from 35% to 10%.)</p> <p>[Loan amounts] As at appraisal.</p> <p>[Interest] 11%-13% (Reviewed in line with the decrease in market interest rates)</p> <ul style="list-style-type: none"> · Loans for sub-project formation [Results] Sub-project formation: 2 loans [Loan amounts] As at appraisal. [Interest] 11%-13% (Reviewed in line with the decrease in market interest rates)
(2) Project period	(2) Sept. 1998 – Dec. 2003 (64 months)	<p>(2) Sept. 1998 – Jan. 2006 (89 months)</p> <p>(Reasons for delays)</p> <ul style="list-style-type: none"> · Deficiencies in the technical capabilities, experience and degree of understanding among the LGUs held up project formation, planning and execution. Demand for funds is expected to reach 2.3 billion yen per annum, however, careful watch and promotion of the project implementation is necessary.
(3) Project cost	(3) 6,072 million yen (ODA loan portion)	(3) 5,460 million yen (ODA loan portion plus the above demand forecasts)
[Lessons Learned and Recommendations]	· Project loans were extended to many LGUs scattered throughout the Philippines and it is necessary to confirm the feasibility of standardizing the necessary evaluation indicators and acquiring these data for the ex-post evaluation immediately.	
[Indicators set for the ex-post evaluation]	n.a.	To be set upon consultation with the executing agency.