



Country Operations Business Plan

October 2008

Philippines
2009–2010

CURRENCY EQUIVALENTS

(as of 15 September 2008)

Currency Unit	–	peso (PHP)
\$1.00	=	PHP46.645

ABBREVIATIONS

ADB	–	Asian Development Bank
CAPE	–	country assistance program evaluation
COBP	–	country operations business plan
CSP	–	country strategy and program
LGU	–	local government unit
MDG	–	Millennium Development Goal
OCR	–	ordinary capital resources
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of the Philippines and its agencies ends on 31 December. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2000 ends on 31 December 2000.
- (ii) In this report, “\$” refers to US dollars unless otherwise stated.

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I. CONSISTENCY OF THE BUSINESS PLAN WITH THE CURRENT COUNTRY PARTNERSHIP STRATEGY

1. The country strategy and program (CSP) 2005–2007 for the Philippines covered only 3, rather than the usual 5, years in anticipation of economic uncertainties in 2005. In 2007, the Asian Development Bank (ADB) and the Government of the Philippines agreed on an operational program for 2007–2008, which extended the CSP by 1 year through the country operations business plan (COBP) 2007–2008.^a Then in 2008, ADB and the Government agreed on an operational program for 2009–2010, which would extend the CSP by 2 more years through a COBP 2009–2010. The CSP retains its strategic focus on fiscal consolidation, an improved investment climate, and accelerated attainment of the Millennium Development Goals (MDGs), as confirmed by the country assistance program evaluation (CAPE) for the Philippines^b and the ADB study on the critical development constraints in the country.^c Importantly, extending the CSP to 2010 will align the cycle of the country partnership strategy with the Government's planning cycle.^d

2. The economic uncertainties of 2005 have been substantially eliminated. Fiscal consolidation has been a noteworthy achievement, with the deficit declining from 2.7% in 2005 to 0.2% in 2007. Although the economy is faced with new risks from soaring fuel and food prices and a weakening global economy, the Government is firmly committed to fiscal consolidation.^e ADB-supported reforms in the power sector have significantly assisted with fiscal consolidation. Sound debt management has reduced liabilities, lowered dependence on commercial borrowing, increased access to official development assistance, and eased debt servicing costs.

3. Against this background, the strategic focus and selectivity of the CSP remains relevant and robust for 2009–2010. The COBP will maintain the emphasis on alignment around government priorities, selectivity, and quality-at-entry. It will continue ADB support for medium-term reforms via the Development Policy Support Program, the Financial Market Regulation and Intermediation Program, and the Local Government Financing and Budget Reform Program. The country's improved fiscal situation has allowed the Government and ADB to pay greater attention to other binding development constraints, namely, the need to accelerate the attainment of the MDGs and improve the investment climate. Accordingly, the ratio of investment projects in the 2007–2008 program increased from 2005–2006 and will increase further in 2009–2010.

4. The COBP 2009–2010 is closely aligned with the Strategy 2020 of ADB.^f Of the five core areas of operation in the strategy, three—infrastructure, environment, and financial sector

^a ADB. 2007. *Country Operations Business Plan. Philippines 2007–2008*. Manila (September).

^b ADB. 2008. *Philippines Country Assistance Program Evaluation: Increasing Strategic Focus for Better Results*. Manila (June). <http://www.adb.org/Documents/CAPES/PHI/CAP-PHI-2008-20/CAP-PHI-2008-20.pdf>.

^c ADB. 2007. *Philippines: Critical Development Constraints*. Manila (December).

^d The Government prepares medium-term development plans for 6 years, coincident with the term of office of each president. The next plan will cover 2010–2016.

^e The Government targeted fiscal balance by 2008, but the external price shocks that emerged in 2008 required fiscal adjustments and postponement of the fiscal balance target to 2010. The Government now projects a fiscal deficit of 1% of gross domestic product in 2008. To protect the poor from external price shocks, the Development Policy Support Program (Subprogram 2) will assist the Government in rationalizing social protection measures through a pilot conditional cash transfer program.

^f ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila (July).

development—are covered by the proposed lending program.⁹ The Philippines is engaged in several regional cooperation initiatives, such as the Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP-EAGA) and the Coral Triangle Initiative. Regional advisory technical assistance (TA) projects in 2009–2010 will support regional cooperation and integration, another core area.

II. INDICATIVE LENDING AND NONLENDING PROGRAMS

5. The Philippines is an ordinary capital resources (OCR)–only developing member country. For 2009–2010, a lending program of \$974 million is proposed (Appendix 1). A more definite program, consistent with the final work program and budget framework of ADB, will be discussed during the country confirmation mission. The lending program is still considerably below absorptive capacity and demand, especially as the fiscal space is opening up and the quality of the portfolio of ADB projects in the Philippines has improved.^h

6. In view of the (i) capacity development support needed to complement program loans in the 2009–2010 program, and (ii) the high demand for support for sector and local government unit (LGU) governance, TA grants are much sought after. The pipeline of nonlending products is based on an average annual indicative planning figure of \$4–\$5 million, in addition to project preparatory TA grants (Appendix 1). A summary project description of the 2009 indicative lending and nonlending pipelines is in Appendix 2.

7. The Philippines is among the largest recipients of non-sovereign support from ADB. This momentum will continue and indeed accelerate in light of the heightened priority accorded to private sector development in Strategy 2020. Private sector operations will be flexible in selecting projects, although they will be directed at the development of critical infrastructure projects and the promotion of key financial sector initiatives. Target infrastructure projects will be in power generation and transmission, renewable energy, energy efficiency, water supply, sanitation and waste management, toll road construction and operation, housing finance, light rail transit systems, and port operations. In the financial sector, the target opportunities consist of (i) a loan to a domestic bank or nonbank finance company to support microfinance and small and medium-sized enterprises, (ii) asset-backed securitization, (iii) support for corporate bond issues to develop the capital market, and (iv) partial credit guarantees to support lending to small and medium-sized enterprises.

III. SUMMARY OF CHANGES IN LENDING AND NONLENDING PROGRAMS

8. The lending program reflects the following changes over the COBP 2007–2008 program: (i) the Agrarian Reform Communities II Project was shifted from the 2007 to the 2008 lending program; (ii) the Metro Manila Urban Services for the Poor, originally expected to be processed

⁹ While the education sector is not part of the lending program, it is expected to play a more important role in future programs. An advisory TA is included in the 2010 nonlending program.

^h Loans approved in 2007 (\$583.3 million), among the highest in total since 1998, helped improve the investment climate and competitiveness, local government financing and budget reform, and environmental management. The disbursement of \$419.4 million was also one of the highest ever. For the second time since 1997, ADB had a positive net resource transfer to the Philippines in 2007 (\$45.9 million). The performance indicators for the active loans remained sound, placing the Philippine portfolio above the ADB average.

as a multitranche financing facility, was also shifted from 2007 to 2008 but remains in the high-case scenario and is being processed as a stand-alone project because of uncertainties associated with the processing of future subprograms; (iii) the Philippine Basic Urban Services Sector Project was shifted from the 2008 to the 2009 program; and (iv) the Rural Water Supply and Sanitation Project in Visayas and Mindanao, included as a standby loan in the 2008 program, was dropped from the program in favor of a lending focus on strengthening public expenditure management by LGUs. No major changes were made in the nonlending program other than those required by changes in the lending program. The updated lending and nonlending programs for 2008 are listed in Appendix 3.

IV. INDICATIVE INTERNAL RESOURCE REQUIREMENTS

9. In 2008, the Southeast Asia Department allocated 14.4 professional staff years to the Philippines (including 4.3 for project processing and 5.6 for portfolio management), 8.7% of the department's total. A similar level of resources will be required in 2009–2010.

V. RESULTS-BASED MONITORING

10. From January 2005 to 30 June 2008, ADB approved seven public sector loans totaling \$1.409 billion,ⁱ including \$1.35 billion (96%) for five policy-based loans^j and \$28.5 million for 25 TA and grant-financed projects; generated \$559 million in cofinancing; approved \$434.4 million for private sector operations; and supported two peso bond issues totaling PHP7.5 billion to finance local currency operations.^k

11. ADB's assistance over the past 4 years was pronounced highly relevant by ADB's Operations Evaluation Department in a recent CAPE. The assistance was aligned with the national priorities named in the Medium-Term Philippine Development Plan 2004–2010. The assistance program was particularly effective in helping the Government achieve progress in addressing the CSP priority concern about fiscal performance. ADB has directly supported the Government's efforts to increase development effectiveness^l and has helped implement new and more transparent procurement regulations.^m Loans, TA, and advocacy have had a significant impact on the direction of sector reforms and capacity development, especially in financial sector regulation and intermediation, and local government reform. To increase relevance, ADB is intensifying or creating partnerships outside the national Government, with government-owned and -controlled corporations, LGUs, the Supreme Court and other pillars of justice, business groups, and civil society.

12. The Government is bringing results management and monitoring into its mainstream activity by maintaining an interagency harmonization committee to oversee the implementation

ⁱ Two project loans for \$59 million were among these.

^j Policy-based operations accounted for all of the public sector loans in 2006, a higher share than anticipated, because of the Government's unexpected decision to seek alternative financing for the Angat Water Utilization and Aqueduct Improvement Project (a multitranche financing facility). In 2007 two policy-based loans totaling \$550 million (94% of all lending) and one project loan were approved.

^k These comprised bond issues of PHP2.5 billion in October 2005 and PHP5 billion in May 2007 to fund a loan to a special-purpose vehicle for the resolution of nonperforming loans.

^l www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html.

^m This was supported by TA: ADB. 2005. *Technical Assistance for Harmonization and Managing for Results*. Manila.

of the Paris Declaration commitments,ⁿ and by strengthening systems for public expenditure management and performance budgeting to make the allocation of scarce public resources more efficient. The medium-term expenditure framework ensures that spending is “driven by strategic and policy priorities, disciplined by revenues.” Executive Order 366,^o which strengthens the monitoring of all government departments, agencies, and corporations, and requires them to complete strategic reviews, “is a move to transform the executive branch into a high-performing, results-oriented government from one that is saddled with bureaucratic overlaps and redundancies.”^p Important instruments include the organizational performance indicator framework,^q and sector effectiveness and efficiency reviews.^r Such efforts encourage agencies to improve service delivery in exchange for access to budget resources and provide the framework for results-based planning, monitoring, and evaluation in government agencies. ADB has access to outputs from these systems, which it will use to increase development effectiveness. No substantive changes have been made in the results framework of CSP 2005–2007.

ⁿ This was supported by TA: ADB. 2005. *Technical Assistance for Harmonization and Managing for Results*. Manila.
**Please see notes on footnote m.

^o Executive Order 366: Directing a Strategic Review of the Operations and Organizations of the Executive Branch and Providing Options and Incentives for Government Employees Who May Be Affected by the Rationalization of Functions of the Executive Branch, signed by President Arroyo on 4 October 2004.

^p Department of Budget and Management. 2006. *Implementing EO366: A Practical Guide for Managing the Change Process of the Rationalization Program*. Manila (November, page i) (www.dbm.gov.ph/dbm_publications).

^q ADB is supporting the development of this framework, including an operations manual, as the primary vehicle for results-based budgeting (ADB. 2003. *Supporting the Sector Approach and RBM in ADB Operations*. Manila). It is also supporting the deployment of the framework in selected departments (ADB. 2005. *Technical Assistance for Harmonization and Managing for Results*. Manila).

^r The sector effectiveness and efficiency reviews aid the monitoring of operational efficiency, and are complemented by Executive Order 366, whose implementation is supported by ADB (ADB. 2006. *Government Owned and Controlled Corporations Reform*. Manila).

Table A1.1: Indicative Assistance Pipeline for Lending Products, 2009–2010

Sector Project or Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Cost (\$ million)			
					Total	ADB OCR	Gov't	Cofinancing ^a
2009 Firm Loans								
Agriculture, Environment and Natural Resources								
Integrated Natural Resources and Environmental Management	GI	ENV/ISD	SEAE	2008	100.00	80.00	0.0	IFAD 20.00 ^b
Finance								
Financial Market Regulation and Intermediation Program, Subprogram II	GI	ECO/GOV	SEGF		200.00	200.00	0.0	
Law, Economic Management and Public Policy								
Development Policy Support (Subprogram III)	GI	ECO/GOV	SEGF		200.00	200.00	0.0	
Multisector								
Philippine Basic Urban Services Sector	GI	ECO/ISD/ GOV	SESS	2008	44.00	44.00	0.0	JBIC and AusAID-WSI 38.00
Transport and Communication								
MFF Road Sector Improvement PFR1	GI	ECO	SEID	2008	50.00	50.00	0.0	OFID 25.00
Water Supply, Sanitation and Waste Management								
Water District Development Sector	GI	CD/ECO/ ISD	SEID	2008	50.00	50.00	0.0	AusAID-WSI 8.00
Total, 2009 Firm Loans					644.00	624.00		
2010 Firm Loans								
Agriculture, Environment, and Natural Resources								
Irrigation Systems Operation Efficiency Improvement	GI	ENV/ISD	SEAE	2008	50.00	50.00	0.0	
Law, Economic Management, and Public Policy								
Local Government Financing and Budget Reform (Subprogram II)	GI	ECO/GOV	SEGF		250.00	250.00	0.0	

Sector Project or Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Cost (\$ million)			
					Total	ADB OCR	Gov't Cofinancing ^a	
Transport and Communication								
MFF Road Sector Improvement PFR 2	GI	ECO	SEID	2008	50.00	50.00	0.0	
Total, 2010 Firm Loans					350.00	350.00	0.0	
2010 Standby Loans								
Agriculture, Environment, and Natural Resources								
Agusan Integrated Water Resources Management	TI	ECO/ENV	SEAE	2008	50.00	50.00	0.0	
Energy								
Energy Efficiency Phase 2	GI	ECO	SEID	2009	50.00	50.00	0.0	
Total, 2010 Standby Loans					100.00	100.00	0.0	

AusAID-WSI = Australian Agency for International Development Water and Sanitation Initiative; ECO = sustainable economic growth; ENV = environmental sustainability; GI = general intervention; GOV = governance; Gov't = government; IFAD = International Fund for Agricultural Development; ISD = inclusive social development; JBIC = Japan Bank for International Cooperation; MFF = multitranches financing facility; OFID = OPEC Fund for International Development; PFR = periodic financing request; SEAE = Southeast Asia Department–Agriculture, Environment, and Natural Resources Division; SEGF = Southeast Asia Department–Governance, Finance, and Trade Division; SEID = Southeast Asia Department–Infrastructure Division; SESS = Southeast Asia Department–Social Sectors Division; TI = targeted intervention

^a Cofinancing sources and amounts are indicative.

^b International Fund for Agricultural Development board has recently approved the investment of \$20 million for phase 2 of the Cordillera Highlands Agricultural Resources Management (CHARM) Project.

Source: Project processing information system of the Asian Development Bank.

Table A1.2: Indicative Assistance Pipeline for Nonlending Products and Services, 2009–2010

Sector Assistance Name	Responsible Division	Assistance Type	Source of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2009							
Agriculture, Environment, and Natural Resources							
1. Agusan Integrated Water Resources Management	SEAE	PPTA	TASF	800.00		800.00	
2. Decentralized Framework for Operations and Maintenance of Rural Infrastructure	SEAE	CDTA	TASF	800.00		800.00	
3. Harmonizing Philippines Environment, Natural Resource and Climate Change Policies and Institutions	SEAE	CDTA	TASF	700.00		700.00	
Energy							
Strengthening Energy Efficiency Phase 2	SEID	PPTA	TASF	500.00		500.00	
Health							
Public-Private Partnership in Health ^a (formerly Support for Sustainable Health Care Investment Project)	SESS	CDTA	TASF	1,000.00		1,000.00	
Law, Economic Management, and Public Policy							
1. Support to Policy Development on Decentralization and Local Governance, Phase 1 (Cluster TA)	PhCO	CDTA	TASF	900.00		900.00	
2. Governance and Public Financial Management, Phase 1 (Cluster TA)	SEGF	CDTA	TASF	800.00		800.00	
Multisector							
Capacity Development for the Housing and Urban Development Coordinating Council ^a	SESS	CDTA	TASF	900.00		900.00	
Water Supply, Sanitation and Waste Management							
Enhancing Metro Cebu's Water Supply Project	SEID	PPTA	TASF	1,500.00		1,500.00	
Total for 2009				7,900.00^b		7,900.00	
2010							
Agriculture, Environment, and Natural Resources							
Supporting Irrigation Reforms	SEAE	CDTA	TASF	800.00		800.00	
Education							

Sector Assistance Name	Responsible Division	Assistance Type	Source of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
Post Basic Education Sector Development	SESS	CDTA	TASF	400.00		400.00	
Energy							
Energy Sector Development	SEID	PATA	TASF	800.00		800.00	
Law, Economic Management, and Public Policy							
1. Governance and Public Financial Management, Phase 2 (Cluster TA)	SEGF	CDTA	TASF	800.00		800.00	
2. Harmonization and Alignment, Phase 2 (Cluster TA)	PhCO	CDTA	TASF	700.00		700.00	
3. Support for Strategic Development and Planning	PhCO	PATA	TASF	800.00		800.00	
4. Support to Policy Development on Local Government Unit (LGU) Issues, Phase 2 (Cluster TA)	PhCO	CDTA	TASF	700.00		700.00	
Total for 2010				5,000.00		5,000.00	

ADB = Asian Development Bank; CDTA = capacity development technical assistance; JSF = Japan Special Fund; PATA = processing policy and advisory technical assistance; PhCO = Philippines Country Office; PPTA = project preparatory technical assistance; SEAE = Southeast Asia Department–Agriculture, Environment, and Natural Resources Division; SEGF = Southeast Asia Department–Governance, Finance, and Trade Division; SEID = Southeast Asia Department–Infrastructure Division; SESS = Southeast Asia Department–Social Sectors Division; TASF = technical assistance special fund.

^a These TA projects are being processed for approval in 2008 and will be removed from the 2009 program if approved.

^b The advisory TA projects will be prioritized so that the total amount is aligned with the indicative planning figure, in the next programming exercise.

Source: Project processing system of the Asian Development Bank

**PRELIMINARY SUMMARY INFORMATION ON PROPOSED INDICATIVE LENDING
PRODUCTS AND SERVICES FOR THE FIRST YEAR OF THE BUSINESS PLAN**

**Table A2.1: Summary Information on Proposed Indicative Lending
Products and Services for 2009**

Project Name	Description
Development Policy Support Program (DPSP) (Subprogram III)	<p>Impact The program will support the Government's efforts to (i) achieve and sustain higher economic growth, and (ii) reduce poverty and unemployment.</p> <p>Major Components Strategic reforms will be carried out to (i) improve fiscal sustainability, maintain macroeconomic stability, and improve creditworthiness by improving the quality of fiscal management; (ii) enhance governance in public expenditure management; (iii) improve the investment climate by clarifying and strengthening the legal and regulatory framework for investments and developing public-private options for addressing bottlenecks in the distribution of agricultural products from farmers to supermarkets; and (iv) achieve poverty reduction and greater social inclusion.</p> <p>Expected Outputs and Outcomes The program will (i) reduce government budget deficits and improve tax administration; (ii) improve the institutional and reporting mechanism for more effective public financial management, improved governance in public expenditure management, and reduced corruption in the revenue collection agencies; (iii) reduce the transaction costs of doing business and improve the framework for infrastructure; and (iv) expand the conditional cash transfer program.</p>
Financial Market Regulation and Intermediation Program Subprogram II	<p>Impact The program will heighten the contribution of the financial sector to the economic growth and development of the country.</p> <p>Major Components Policy measures will be instituted to promote the diversification of financial channels and enhance transparency and market efficiencies in intermediation.</p> <p>Expected Outputs and Outcomes The policy reforms to be carried out under the program will support the Government's medium-term agenda.</p>
Integrated Natural Resources and Environmental Management Project (INREM)	<p>Impact The proposed project will incorporate sustainable integrated natural resources and environmental management regimes into the country's development mainstream to improve livelihood opportunities among local dependent communities.</p> <p>Major Components Major components are: (i) a complementary and synergistic program for supporting enhanced livelihood opportunities, (ii) sustainable land resource management, (iii) conservation of biodiversity, and (iv) a framework of interventions to facilitate the application of integrated natural resources and environmental management interventions in selected watersheds.</p> <p>Expected Outputs and Outcomes The project will rehabilitate economically significant critical watersheds and support the economic and social development of disadvantaged communities within a decentralized policy and investment framework.</p>
Philippine Basic Urban Services Sector (PBUSS)	<p>Impact The sector project will (i) increase access by citizens and economic enterprises to basic public infrastructure in urban and peri-urban areas; (ii) enhance the growth</p>

Project Name	Description
	<p>of the local economies through infrastructure development, and better employment and income opportunities; (iii) improve facilities for the financing of infrastructure investments, including public-private partnerships in the financing and implementation of basic urban services programs; and (iv) improve local government capacity, and empower local institutions and organizations.</p> <p>Major Components The PBUSSP is expected to have three components, as follows: Component A (infrastructure investment plan) will finance subprojects of local government units, possibly in association with private sector proponents, in these subsectors, among others: local roads and bridges, water supply and sanitation, drainage and flood control, solid waste management, bus terminals, public facilities (such as municipal buildings, public parks, and public markets), sports facilities, slaughterhouses and ice plants, and economic infrastructure (such as incubation centers for small and medium enterprises, area development projects, and economic and cluster development zones). Preference will be given to revenue-generating subprojects. Component B (institutional capacity development) will cover capacity development and support for project management, subproject preparation, and implementation; assistance to local governments in computerized financial resource management; assistance to field offices of the Department of the Interior and Local Government in administering and managing the performance measurement system; and cross-learning and governance knowledge management. Component C: Sector reform initiatives for improved public-private partnership in financing, implementing, and operating infrastructure facilities. This component will assist local governments and private sector investors in developing regulatory frameworks and operational guidelines for sector reforms, including those for public-private partnerships.</p> <p>Expected Outputs About 110 eligible local governments and provinces in Luzon (excluding the National Capital Region), Visayas, and Mindanao are expected to invest in various basic urban service sectors. These will include local government units that have expressed interest but were not accommodated in the current Manila BUSS project. The investments and transactions can include lending for private sector investments under build-operate-transfer, build-operate-own, or other arrangements for public-private partnerships.</p> <p>Expected Outcomes The expansion of the area of urban service coverage will promote equitable development across urban areas in the country. The sector project will help (i) reduce the infrastructure backlog, (ii) increase the economic productivity of cities and municipalities, and (iii) improve income and employment opportunities for the affected population.</p>
Multitranchise Financing Facility (MFF) – Road Sector Improvement Project – PFR 1 ^a	<p>Impact The project will increase the efficiency of transport on the national road network.</p> <p>Major Components The first phase of the MFF will deal with the asset management of the national road network, in particular, the periodic maintenance of selected national roads, and the design of the works to be undertaken in the second phase. The roads to be included in the project will be selected during the implementation of the project preparatory technical assistance. The first phase will also include institutional strengthening support for the Department of Public Works and Highways.</p> <p>Expected Outputs and Outcomes The project will improve (i) the quality of national roads throughout the Philippines, (ii) the maintenance of national roads, and (iii) the institutional capacity of the Department of Public Works and Highways.</p>

Project Name	Description
Water District Development Sector Project	<p>Impact The loan will help (i) improve living conditions in urban areas outside Metro Manila, (ii) enhance competitiveness by developing water supply infrastructure, (iii) develop the institutional capacity of water utilities, (iv) support the reorganization and institutional development of water districts and the Local Water Utilities Administration (LWUA), and (v) contribute to much-needed sector reform.</p> <p>Major Components The project will have the following components: (i) an investment program for urban water supply and sanitation infrastructure, (ii) a capacity development program to improve the financial and operating performance of water utilities, (iii) a program to increase awareness of sanitation and public health issues, and (iv) reorganization of LWUA.</p> <p>Expected Outputs and Outcomes The project is expected to (i) increase the access of the population in the provincial cities to improved water supply and sanitation, (ii) reduce the quantity of nonrevenue water and enhance asset management, and (iii) improve the operating and financial performance of water utilities.</p>

DPSP = development policy support program, LWUA = Local Water Utilities Administration, MFF = multitranches financing facility; PFR = periodic financing request.

^a The project will consist of three phases and will be financed through a multitranches financing facility in three tranches.

Source: Project processing information system of the Asian Development Bank (ADB); ADB staff.

Table A2.2: Summary Information on Proposed Indicative Nonlending Products and Services for 2009

Project Name	Description
Decentralized Framework for Operations and Maintenance of Rural Infrastructure PPTA	<p>Impact Better access by the rural population to markets and services.</p> <p>Expected Outcome Sustained investments in rural infrastructure in the Philippines.</p> <p>Expected Outputs</p> <ul style="list-style-type: none"> • Assessment of organizational and institutional capacity for operation and maintenance among local governments; • Agreed priority actions to strengthen policy and institutional support for decentralized operation and maintenance; and • Support for selected priority actions on a pilot basis.
Harmonizing Philippines Environment, Natural Resource and Climate Change Policies and Institutions	<p>Impact A cleaner environment, sustainable natural resources, and effective climate change policies.</p> <p>Expected Outcomes Harmonized and effectively enforced environmental, natural resource, and climate change policies and legislation.</p> <p>Expected Outputs</p> <ul style="list-style-type: none"> • Identified gaps and overlaps in environment, natural resource, and climate change laws and policies of the central and local governments; • Identified constraints in the enforcement of environment, natural resource, and climate change laws, policies, and institutions; • A harmonized policy and institutional framework, identifying the remedial measures needed to overcome the identified gaps, overlaps, and institutional constraints; • Selected draft policy papers for the identified gaps and overlaps, and clearer definition of roles and responsibilities; • A pilot-tested action plan for the implementation of the harmonized framework; and • Materials and information, education, and communication plan for the dissemination of the harmonized policy and institutional framework.
Strengthening Energy Efficiency, Phase 2 PPTA	<p>Impact More efficient use of energy by commercial, industry, and residential customers and government offices.</p> <p>Expected Outcomes Preparation of a loan project suitable for ADB financing, to support the implementation of energy efficiency and system loss reduction programs in the Philippines.</p> <p>Expected Outputs</p> <ul style="list-style-type: none"> • Sector, subsector, and institutional assessments; and • Generic PPTA assessments (socioeconomic, financial, gender, and environment).
Support to Policy Development on Decentralization and Local Governance Phase 1 (Cluster TA)	<p>Impact Strengthened service delivery for poverty reduction and higher growth through better governance in the core LGU operations of planning, investment programming, revenue administration, and budgeting.</p> <p>Expected Outcomes</p> <ul style="list-style-type: none"> • Increased responsiveness of LGU projects to LGU needs; • Improved implementation of further devolution in agriculture and natural

Project Name	Description
	<p>resources;</p> <ul style="list-style-type: none"> • Better coordinated capacity development programs for LGUs; • More efficient local financial management; and • Improved statistical databases for LGU policy making. <p>Expected Outputs</p> <ul style="list-style-type: none"> • Tested design for capacity building for newly elected local chief executives in 2010; • Framework for official development assistance for capacity development in the Philippines; • Tested model of an integrated financial system for LGUs for replication; • Evaluated local statistical data collection process and indicators; • Proposed amendments to the Local Government Code that would address the vertical and horizontal financial imbalances among LGUs; • Proposals for further decentralization in agriculture and natural resources in selected pilot areas; and • Career plans for selected LGU positions.
Governance and Public Financial Management Phase 1 (Cluster TA)	<p>Impact Improved governance and financial management systems.</p> <p>Expected Outcomes Strengthened government capacity to improve governance and financial management.</p> <p>Expected Outputs</p> <ul style="list-style-type: none"> • Institutional and reporting mechanisms for more effective public financial management; and • More transparent and efficient revenue collection systems.
Capacity Development for the Housing and Urban Development Coordinating Council	<p>Impact Increased access of the poor to shelter, neighborhood improvement, and livelihood support.</p> <p>Expected Outcomes</p> <ul style="list-style-type: none"> • Increased system capacity within HUDCC, MMDA, SHFC, and local government units to foster community-based mechanisms for slum upgrading and low-income housing; and • Improved capacity of the Development Bank of the Philippines and microfinance institutions to implement financial systems to finance shelter, neighborhood improvement, and livelihood support programs for the poor. <p>Expected Outputs</p> <ul style="list-style-type: none"> • Improved capacity of HUDCC and MMDA to implement the Metro Manila Urban Services for the Poor Investment Project; • Strengthened SHFC capacity to operate fully as lead agency for the investment program; • Program management support, including assistance in (i) setting up the project management offices, (ii) preparing the program of works for the implementation of subprojects and the contract documents and during the tender process, (iii) monitoring the progress of subprojects, and (iv) preparing feasibility studies for 3–5 subprojects; and • Sector reforms initiated to (i) expand the application of market-based interest rate policy, (ii) establish well-equipped and responsive social housing finance institutions with sustainable pro-poor programs, (iii) create incentives for local government units to assume and invest in their mandated shelter sector responsibilities, (iv) accelerate the distribution of secure tenure, (v) mobilize greater private sector participation in urban upgrading and social housing supply, and (vi) develop a rental housing program. The sector reforms will enable HUDCC to continue implementing the 15-year road map for Metro Manila's Urban Renewal and Basic Services for the Poor.

Project Name	Description
Public-Private Partnership in Health (formerly Support for Sustainable Health Care Investment Project)	<p>Impact Improved overall health status, especially in relation to MDG 4 (reduced child mortality rate) and MDG 5 (reduced maternal mortality ratio) by 2015.</p> <p>Expected Outcome Increased access to and use of good-quality basic health care and referral networks in the subproject sites. The project will be implemented nationwide, except in the National Capital Region, where implementation will be a priority only when underserved areas are considered.</p> <p>Expected Outputs</p> <ul style="list-style-type: none"> • Retail onlending to improve the quality of the integrated health delivery systems of LGUs; • Retail onlending to improve the efficiency of health delivery systems through PPP and innovative strategies; • Wholesale onlending to improve access to basic health care through small-scale providers; and • Enhanced institutional capacity for health sector onlending. <p>The project supports the credit facility for the health sector established recently by the Development Bank of the Philippines. The funds will be onlent to public and private sector health service providers to be used for capital investments and working capital. Onlending will be achieved through (i) retail or direct onlending to larger subprojects in the public and private sectors, and (ii) wholesale onlending or relending through financial intermediaries to private sector smaller-scale subprojects. ADB's development financial intermediary lending modality will be used.</p>
Enhancing Metro Cebu's Water Supply Project PPTA	<p>Impact Preparation of a loan project suitable for ADB financing, to help improve the living conditions of the urban population of Metro Cebu, enhance competitiveness by developing water supply infrastructure, and provide capacity building for MCWD.</p> <p>Major Components Feasibility study for (i) the expansion and improvement of the water distribution system and asset management; (ii) water sources development (i.e., the Kotkot Dam and water diversion tunnel); (iii) social safeguards preparation; and (iv) capacity development for MCWD.</p> <p>Expected Outputs and Outcomes</p> <ul style="list-style-type: none"> • Demand forecast for Metro Cebu water supply; • Investment program for nonrevenue water reduction, network improvement and expansion, and water source development (Kotkot Dam and diversion tunnel); • Asset management system; and • Implemented capacity development program.
Agusan Integrated Water Resources Management PPTA	<p>Impact Preparation of a loan project suitable for ADB financing. The project will reduce poverty, and improve health and living conditions in the Agusan River Basin.</p> <p>Expected Outcomes Implementation of key elements of the Agusan basin master plan in a coordinated and efficient series of investments.</p> <p>Expected Outputs</p> <ul style="list-style-type: none"> • Feasibility studies and project designs for communal irrigation, water supply and sanitation, water quality management, watershed management, biodiversity and wetlands management, flood control, and chemical spills management investments; and • Strengthened management arrangements for coordinating development

Project Name	Description
	investments in the basin and across sectors, including organizational and institutional arrangements for comprehensive river basin management.

ADB = Asian Development Bank, HUDCC = Housing and Urban Development Coordinating Council, LGU = local government unit, MCWD = Metro Cebu Water District, MDG = Millennium Development Goal, MMDA = Metro Manila Development Authority, PPP = public-private partnership, PPTA = project preparatory technical assistance, SHFC = Socialized Housing Finance Corporation.

Source: Asian Development Bank staff.

Table A3.1: Assistance Pipeline for Lending Products and Services, 2008

Sector/Project or Program Name	Targeting Classification	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)					
						OCR	ADB ADF		Total	Gov't	Co-financing
							Loans	Grants			
Firm Loans											
Agriculture, Environment, and Natural Resources											
Agrarian Reform Communities II	TI	ECO/ISD	SEAE	2004	208.40	70.00			70.00	108.40	30.00
Subtotal					208.40	70.00			70.00	108.40	30.00
Energy											
Energy Efficiency	TI	ECO	SEID		48.00	35.00			35.00	11.50	1.50
Rural Electric Cooperative	TI	ECO	SEID	2007	57.00	57.00			57.00	0.00	0.00
Subtotal					105.00	92.00			92.00	11.50	1.50
Health, Nutrition and Social Protection											
Credit for Better Health Care (formerly Support for Sustainable Health Care Investment)	TI	GAD/ISD/PSD	SESS		61.11	50.00			50.00	2.84	8.27
Subtotal					61.11	50.00			50.00	2.84	8.27
Law, Economic Management, and Public Policy											
Development Policy Support Program, Subprogram 2 (Approved)	GI	ECO	SEGF		250.00	250.00			250.00	0.00	0.00
Governance and Justice Reform Program	GI	GOV	SEGF		300.00	300.00			300.00	0.00	0.00
Subtotal					550.00	550.00			550.00	0.00	0.00
Total, Firm Loans					924.51	762.00			762.00	122.74	39.77
Standby Multisector											
Metro Manila Urban Services for the Poor Investment Project	TI	ENV/GAD/ISD	SEAE	2005	40.00	40.00			40.00	0.00	0.00
Total, Standby					40.00	40.00			40.00	0.00	0.00
Total, Firm and Standby					964.51	802.00			802.00	122.74	39.77

ADB = Asian Development Bank; ADF = Asian Development Fund; Gov't = Government; ECO = sustainable economic growth; GAD = gender and development; GI = general intervention; GOV = governance; Gov't = government; ISD = inclusive social development; MFF = multitranches financing facility; OCR = ordinary capital resources; PSD = private sector development; SEAE = Southeast Asia Department–Agriculture and Natural Resources Division; SEGF = Southeast Asia Department–Governance, Finance, and Trade Division; SEID = Southeast Asia Department–Infrastructure Division; SESS = Southeast Asia Department–Social Sectors Division; TI = targeted intervention.

Source: Project processing information system of the Asian Development Bank.

Table A3.2: Assistance Pipeline for Nonlending Products and Services, 2008

Sector Assistance Name	Responsible Division	Assistance Type	Source of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
Agriculture, Environment, and Natural Resources							
1. Integrated Natural Resources and Environmental Management Sector Development Program (Approved)	SEAE	PP	JSF	850.00		0.00	850.00
2. Irrigation Systems Operation Efficiency Improvement Project (Approved)	SEAE	PP	JSF	1,000.00		0.00	1,000.00
Subtotal				1,850.00		0.00	1,850.00
Energy							
Pasuquin East Wind Farm Development Project (Approved)	PSIF	PP		0.00	CEF	200.00	200.00
Subtotal				0.00		200.00	200.00
Finance							
Capacity Building for Housing Microfinance (Supplementary) (Approved)	SESS	AO		0.00	KOR	500.00	500.00
Subtotal				0.00		500.00	500.00
Health							
Public Private Partnership in Health (formerly Sustainable Health Care Investment Project) (piggy-backed to Credit for Better Health Care)	SESS	AO	JSF	1,000.00		0.00	1,000.00
Subtotal				1,000.00		0.00	1,000.00
Law, Economic and Public Policy							
1. Strengthening Provincial and Local Planning and Expenditure Management, Phase 2 (Approved)	PhCO	AO	TASF	650.00		0.00	650.00
2. Governance and Justice Reform Program	SEGF	AO	TASF	1,500.00		0.00	1,500.00
3. Harmonization and Development Effectiveness, Phase 2	PhCO	AO	TASF	900.00			900.00
4. Improving Public Expenditure Management (Approved)	SEGF	AO	TASF	800.00		0.00	800.00
Subtotal				3,850.00		0.00	3,850.00
Multisector							
1. Philippines Basic Urban Services Sector (Approved)	SESS	PP	JSF	650.00		0.00	650.00
2. Capacity Development and Implementation of Policy and Sector Reforms (piggy-backed to Metro Manila Urban Services for the Poor Project)	SESS	AO	JSF	900.00		0.00	900.00
Subtotal				1,550.00		0.00	1,550.00
Transport and Communication							
Preparing the Road Sector Improvement Project (Approved)	SEID	PP	JSF	660.00		0.00	660.00
Subtotal				660.00		0.00	660.00

Sector Assistance Name	Responsible Division	Assistance Type	Source of Funding		Total (\$'000)
			ADB	Others	
			Source Amount (\$'000)	Source Amount (\$'000)	
Water Supply, Sanitation and Waste Management					
Water District Development (Approved)	SEID	PP		WFPG2 1,200.00	1,200.00
Subtotal			0.00	1,200.00	2,000.00
Total			8,660.00	1,900.00	10,810.00

ADB = Asian Development Bank, AO = advisory; CEF = Clean Energy Fund; JSF = Japan Special Fund; KOR = Republic of Korea e-Asia and Knowledge Partnership Fund; PhCO = Philippines Country Office; PP = project preparatory; SEAE = Southeast Asia Department–Agriculture and Natural Resources Division; SEGF = Southeast Asia Department–Governance, Finance, and Trade Division; SEID = Southeast Asia Department–Infrastructure Division; SESS = Southeast Asia Department–Social Sectors Division; WFPG2 = Water Financing Partnership Facility 2.

Source: Project processing information system of the Asian Development Bank.